

INSIDE:

2 • Get 100 percent next-day credit
• Fed moves to actual availability

3 • Support of DOS-based FedLine *informational* services ends March 31

4 • ReserveNotes
• Stay ahead of the competition with free online seminar

5 • Changes to cash recirculation policy proposed
• Administrative billing functions are consolidated

6 • Customers give feedback on TT&L
• Upcoming 2004 customer events

WINTER 2004



Payments Quarterly

News and Views on Regional Financial Services

"All Systems Go" for Check 21 Launch

The Check Clearing for the 21st Century Act, commonly known as Check 21, will take effect Oct. 28, 2004. Check 21 will spur the use of new technologies that will improve the efficiency of and reduce the cost of the nation's check collection system and result in better services to bank customers for years to come.

"As a leading payments provider, the Federal Reserve is committed to working with the financial services industry to foster the payments system innovations that Check 21 will bring," says Fred Herr, product director at the Federal Reserve's Retail Payments Office. "We intend to provide solutions that will help financial institutions capitalize on Check 21 efficiencies and pass the benefits along to their own customers."

Benefits of Check 21

By using technology to take full advantage of electronic check collection, financial institutions can offer an alternative to today's paper-based system. They can re-engineer their check infrastructure with electronics, expedite the collection or return of checks, streamline internal processes, reduce operating costs and realize greater efficiencies.

In addition, Check 21 will pave the way for innovative new services that will provide the opportunity for financial institutions to broaden their deposit options or extend deposit cutoff hours. The Federal Reserve is no exception, Herr says. "We expect to offer our customers accelerated availability and enhanced deposit deadlines."

Federal Reserve's Readiness

As part of the Fed's readiness, the Reserve Banks have recently upgraded platforms and technologies by completing Check Modernization, which brings standard platforms nationwide for check processing and adjustments, a national FedImageSM Services

archive, and robust online check services via FedLine[®] Web.

These upgrades provide the Reserve Banks with more flexibility to deploy and adjust services based on customer needs and technology opportunities.

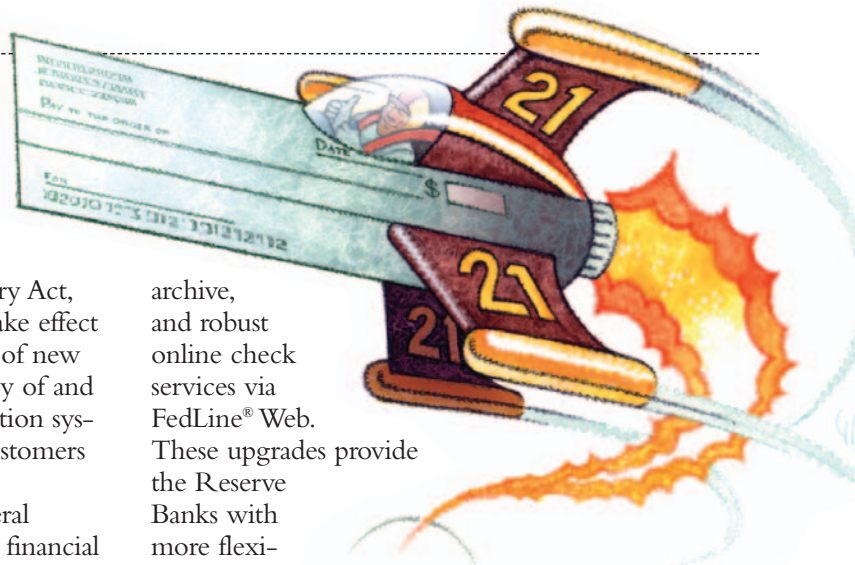
Furthermore, the Federal Reserve has taken a leadership role in developing interoperability standards by working with industry contacts to assess how the Federal Reserve and other service providers can best position their operations to adopt common use of technical specifications.

New Check 21 Products

"We are positioned to make Check 21 enhancements to our existing services, plus offer new services nationwide," Herr explains. For the Federal Reserve, accommodating Check 21 means more than just accepting and processing substitute checks. The Reserve Banks will introduce a new suite of services, which includes forward and return image cash letters, as well as image cash letter delivery, to offer customers more options than ever before.

For nearly two decades, the Federal Reserve has helped payor banks capitalize on the efficiencies brought by electronic check presentment, truncation and image service. That tradition of quality, reliability and customer service continues as the Federal Reserve prepares for Check 21.

Additional Check 21 information is posted online at www.frbervices.org. ■



Getting 100 Percent Next-Day Credit

It's so easy!

Imagine receiving full credit for your total cash letter amount the morning after it is processed, with just a single bookkeeping entry for the entire deposit. You can make this a reality when you sign up for the Fed's Explicit Float pricing option.

With the Explicit Float pricing option, you'll receive one credit on your Federal Reserve accounting statement for the total dollar amount of each calculated availability cash letter the morning after it is processed. That means you can invest the funds right away and avoid the complicated calculations needed to track deferred dollars and reconcile your account.

In simple terms, next-day credit of your cash letter funds increases your bottom line, simplifies

bookkeeping, increases investment power and improves your balance sheet.

Any financial institution that deposits a calculated availability Fed cash letter will benefit from Explicit Float. So, take advantage of Explicit Float and make the most of your funds. It's simple—sign up online at www.stlouisfed.org/financial or www.clevelandfed.org/market and choose "Explicit Float," or contact Sales and Customer Support at 1-888-333-2538 for more information. ■

Fed Moves to Actual Availability Accounting Practices for Check Services

Beginning March 9, the Federal Reserve will move to actual availability accounting to credit our direct send and consolidated shipping customers. Actual availability means that the Fed's check processing sites will pass credits for cash letters and return letters received from their direct send and consolidated shipping customers based on the amount indicated on the cash letter and the appropriate deposit deadline met. As a result, the use of "rainbow sheets" (or provisional credit) will be discontinued at all Reserve Bank offices.

Actual availability will align Federal Reserve accounting practices with those of the private sector and eliminate your need to man-

age different processes for reconciling correspondent and Federal Reserve deposits. It will also reduce the risk of incorrect entries and the need for as-of adjustments that can occur as part of the current rainbow sheet process.

This change will help the Reserve Banks serve you better by instituting standard accounting practices across all offices. We also expect to reduce reconciliation issues, which should improve our timeliness in crediting errors and adjustments.

A new *Actual Availability Depositor Reference Guide* was mailed to all direct send and consolidated shipping customers in early February. This document, which can be found online at

www.frb services.org, will serve as a valuable resource to help you prepare for this change. We encourage you to refer to the guide and share the information with all of your staff members who may be affected by the upcoming change.

We greatly appreciate your continued business relationship with the Federal Reserve and your support as we enhance our payment services processes to serve you better.

Please contact your account executive with any immediate questions or concerns. ■

We're Counting Down to March 31st

Time is running out. Have you converted to FedLine Web?

The Cleveland and St. Louis Feds will discontinue support of all DOS-based FedLine *informational* services after March 31, 2004. We are focusing on using web-based technology to deliver convenient, reliable and affordable access to our services.

To meet your access needs, you have a choice between two FedLine packages:

1. FedLine Web: If your institution only needs access to informational services that are currently available via FedLine Web, choose our basic FedLine Web access package. From your Internet-connected PC, FedLine Web offers multiple staff members at your institution rapid, simultaneous access to a broad range of financial services.

2. FedLine Select:

If your institution currently uses DOS-based FedLine, the new FedLine Select package is for you. FedLine Select combines the best of DOS-based FedLine with the flexibility and immediacy of Fed-

Line Web. Your institution will receive access to a comprehensive suite of services, plus access to payment services via a DOS-based dial-up connection.

We encourage you to convert from DOS-based FedLine to one of the FedLine packages as soon as possible. Support of all DOS-based FedLine *informational* services—including Account Management Information, Cash, Check, FedACHSM Information Services and Service Charge Information—will be discontinued after March 31, 2004.

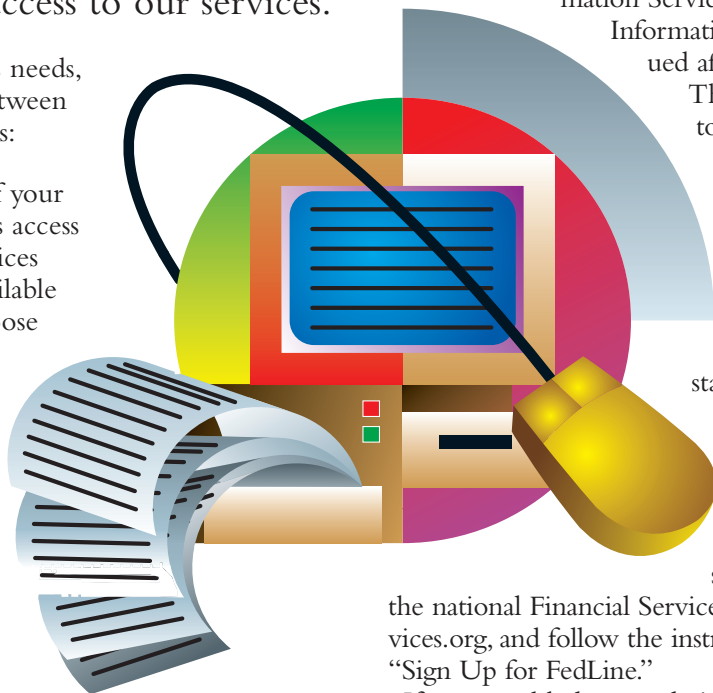
This date does *not* apply to Savings Bonds, Treasury Tax and Loan Service, FedACH files, and Funds and Securities transfers.

To help make this an easy transition, we are waiving our standard \$50 fee for each subscriber who is set up by March 31, 2004.

If your institution does not already access services on the web, visit

the national Financial Services web site, www.frbser-vices.org, and follow the instructions found under "Sign Up for FedLine."

If you need help completing the forms or have any questions, contact one of our sales consultants by calling 1-888-333-2538, then selecting option 2. The sales consultant will help you understand your options and choose the access solution that best meets your needs. ■



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

Fed Announces 2004 Pricing

In response to changes within the market and the passage of Check 21, the Federal Reserve has adjusted its financial services pricing. The Fed's sustained focus on efficiency has allowed it to either maintain or reduce electronic access and electronic payments processing fees for 2004. Paper check prices, however, increased by an average of 5 percent, and electronic check prices rose by less than 1 percent. For complete listings of the 2004 national and district fee schedules, visit www.frb services.org.

Fed Opens Regional Adjustment Sites

Last September, the Cleveland Fed became the first office in the Federal Reserve System to become a Regional Adjustment Site (RAS). Pittsburgh zone check adjustments have been processed in Cleveland since November 2003, and Columbus adjustments were moved to Cleveland in December. This year, the transitions continue. Cincinnati adjustments moved to Cleveland and St. Louis adjustments moved to Memphis in February. In July, Little Rock adjustments are expected to move to the RAS in Memphis, and, in August, Louisville adjustments are expected to move to the Cleveland site. By the end of 2004, 12 sites will be established as part of the Fed's check restructuring initiative.

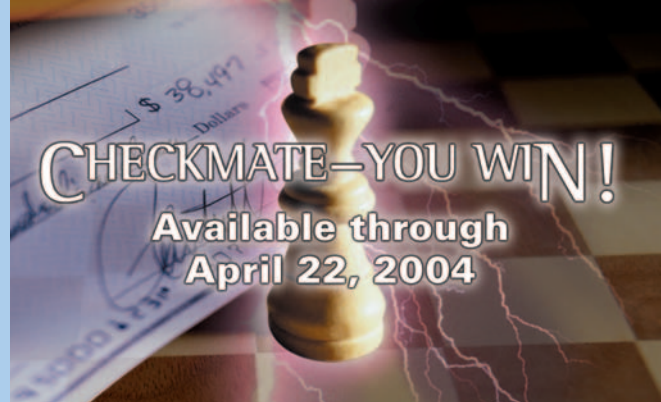
As we move forward with these restructuring initiatives, we will make every effort to minimize changes to our customers, while upholding our commitment to continued improvements in our efficiency and effectiveness. Frequent communications have been shared with affected customers throughout this process and are posted online at www.stlouisfed.org/financial/Communications/default.html. Additional check restructuring information can be found online at www.frb services.org.

50 State Quarters® Program Continues in 2004

The 50 State Quarters program enters its sixth year in 2004. The program began in 1999 with the release of the Delaware commemorative quarter and will conclude in 2008 when the Hawaii quarter is released. This year, the following states will be honored:

January	Michigan	August	Iowa
March	Florida	October	Wisconsin
May	Texas		

You can visit the U.S. Mint's web site at www.usmint.gov for additional information. ■



REGISTER NOW!

Learn How to Stay Moves Ahead of Your Competition

According to a 2003 technology survey by the Independent Community Bankers of America, 92 percent of community banks either use check imaging applications or plan to evaluate them soon. How do you compare? What's behind this explosive interest?

Whether you're looking to stay ahead of the bank down the block or compete against the largest financial institutions, you'll want to participate in "Checkmate—You Win!"

This free online seminar will help you learn how to:

- drive down costs,
- retain and attract customers, and
- enhance and create new

revenue streams.

You'll discover how FedImage, the Federal Reserve's suite of image management solutions, can help you do all this with:

- minimal capital investment,
- no minimum volume or term commitments,
- ultimate speed,
- little or no technology risk, and
- maximum flexibility to take advantage of the opportunities enabled by the Check 21 Act.

To better understand what the imaging game really looks like and why FedImage is your most strategic choice, register today at www.fedimage-checkmateyouwin.com/save. This exclusive broadcast can be viewed anytime—now through April 22—from the convenience of your desktop or from anywhere you and your laptop can find an Internet connection. ■

Board of Governors Proposes Changes to Cash Recirculation Policy

On Oct. 8, 2003, the Federal Reserve Board of Governors requested public comment on a proposal to change its cash services policy. The public comment period, which ended Jan. 15, 2004, generated 23 comments.

The proposed changes are designed to reduce the overuse of free Federal Reserve cash processing services. The Board wishes to add two elements to the policy:

1. a custodial inventory program that would provide an incentive to depository institutions to hold currency in their vaults to meet their customers' demands, and
2. a fee that would be charged to institutions that deposit currency to and order currency from Reserve Banks within the same week, instead of recirculating deposited currency among their customers.

The Board proposes to implement the recirculation policy in phases. In early 2004, the Reserve Banks will accept applications for a custodial inventory proof-of-concept program. The Board will evaluate the results of the program after about

six months of operation and will decide whether to implement a permanent custodial inventory program in 2005.

Reserve Banks would begin assessing the recirculation fee in 2006. Based on current behavior, approximately 100 depository institutions, out of 8,000, may incur fees under this proposed policy.

The proposed policy only applies to deposits of fit \$5s, \$10s and \$20s that are followed or preceded by an order of the same denomination within the same calendar week.

In 2007, the Board would extend the recirculation policy to \$1 notes if the Reserve Banks are unable, by working collaboratively with depository institutions, to achieve significant savings.

More information can be found online by visiting www.frb-services.org. First select "Products and Services" from the left-hand menu bar, then select "Cash Services." ■

Federal Reserve Consolidates Administrative Billing Functions

As part of our continuous improvement efforts to provide efficient, high-quality services to our customers nationwide, the Federal Reserve System has consolidated the local administrative portion of our Bank's billing operations to the Federal Reserve Bank of Cleveland.

What Will Change?

Very little. Customer impact is limited to a change in contact information for general billing inquiries. The change for the Eighth District

became effective Jan. 21. General billing inquiries should now be directed to 1-800-485-1033.

What Will Remain the Same?

The Federal Reserve's billing process, including the delivery of your *Statement of Service Charges*, will stay the same. In addition, your billing contact for specific services will not change. For your reference, updated contact names and phone numbers are now listed on your monthly statement.

If you would like to take advantage of the convenience of the Service Charge Information application over FedLine Web, contact your account executive or visit www.frb-services.org, then select "Sign Up for FedLine."

Thank you for your patience during this transition period and for your support as we strive to enhance our products and services. If you have any questions or concerns, contact your account executive. ■

Customer Satisfaction with TT&L Remains High 2003 TT&L Survey Results

A recent Federal Reserve survey reveals that customers are satisfied, overall, with the Treasury Tax and Loan (TT&L) programs and the National Customer Service Area (NCSA). Over 500 randomly selected TT&L customers nationwide responded to a survey that measured satisfaction with all aspects of TT&L, including customer support, adjustments, TIP statements, PATAX statements and the Voice Response System (VRS).

Customer feedback from the survey was compared with the feedback collected in a 2001 TT&L survey. The results show that satisfaction with TT&L remains high, with 89 percent of survey respondents indicating that they are satisfied with the NCSA and 93 percent indicating that they are satisfied with the TT&L programs, TIP and PATAX.

Survey respondents are particularly satisfied with the helpfulness of the NCSA staff, accuracy of information provided, clarity of adjustment resolution instructions, PATAX VRS ease of use and PATAX VRS confirmation time.

Customers also told us about several areas where there is room for improvement, such as staff courtesy and staff taking personal responsibility to solve problems.

We're pleased that a large majority of our customers are satisfied with the various aspects of TT&L, and we appreciate their feedback. The Fed is committed to enhancing this service to meet increasing customer expectations in the future.

If you have questions, comments or suggestions for improving TT&L, call the NCSA at 1-888-568-7343. If you would like more information about TT&L products and services, visit our web site at www.frbservices.org/Treasury/TTL-Service.html. ■

Fed Announces Upcoming 2004 Customer Events

To keep our regional customers informed about the many check restructuring changes that are taking place, as well as to provide up-to-date Check 21 information, we have scheduled a series of check restructuring meetings and Fed Exchange seminars.

The schedule of events, as well as online registration, are posted online at www.clevelandfed.org and www.stlouisfed.org.

For additional information, contact Sandy Runyon at (216) 579-2158 or Debbie Boren at (314) 444-8946. ■



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

ST. LOUIS

1-866-433-3227

ELECTRONIC ACCESS (FEDLINE 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

Volume 9, Number 1

Payments Quarterly is published quarterly for Fourth and Eighth District regional financial services customers. If you would like additional copies or back issues, contact Debbie Boren at (314) 444-8946 or 1-800-333-0810, ext. 44-8946. You can subscribe online at www.clevelandfed.org or www.stlouisfed.org under "Publications."

The Financial Services logo, "FedImage," "FedLine" and "FedACH" are either registered or unregistered trademarks or service marks of the Federal Reserve Banks. A complete list of marks owned by the Federal Reserve Banks is available at www.frbservices.org.