



## FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.  
DALLAS, TX 75201-2272

**HELEN E. HOLCOMB**  
FIRST VICE PRESIDENT AND  
CHIEF OPERATING OFFICER

April 4, 2003

**Notice 03-19**

**TO:** The Chief Operating Officer of each  
financial institution and others concerned  
in the Eleventh Federal Reserve District

### **SUBJECT**

#### **Information on Check Infrastructure Changes**

### **DETAILS**

In early February, the Federal Reserve Banks announced changes to our back-office check processing and adjustments operations, including a reduction in the number of check processing locations nationwide. We are making these changes in response to the challenges posed by the changing market, including the decline of check volumes industrywide. As the industry evolves, we will adapt to remain competitive and to focus on creating value for you.

You may or may not be directly affected by our infrastructure changes, but we wanted to address some of the questions we have received in case they are of interest. Though we do not have all the specifics at this time, in the coming weeks and months we will share details with you as decisions are made. Please be assured that we intend to deliver the same integrity, reliability, and high level of service you have come to expect.

Throughout this period of change, we remain committed to the following:

**1) Continuing to provide you with high-quality service, even if locations change.**

To improve our ability to recover operating costs while maintaining high-quality, cost-effective services, the Federal Reserve Banks are reducing the number of

check processing locations nationwide from 45 to 32 and are streamlining check adjustments sites in 12 locations. These changes are expected to begin in late 2003 and conclude by the end of 2004.

**2) Remaining a nationwide provider of check clearing services without exiting any markets.**

In fact, the changes we recently announced are intended to enable the Reserve Banks to remain a financially viable provider of check services for years to come. This commitment is consistent with the 1998 report by the Committee on the Federal Reserve in the Payments Mechanism. We expect to explore further changes as we continue to evaluate environmental and market conditions over the coming years.

The Federal Reserve Banks decided to restructure check operations in response to declining check volumes industrywide and other factors affecting our ability to recover direct and imputed costs for payment services. The changes we are making are not a reaction to the proposed Check Clearing for the 21<sup>st</sup> Century (Check 21) legislation. Check 21 legislation and other industry initiatives, such as lockbox and point-of-purchase truncation, will likely further erode already declining check volumes. As a result, we believe that enhancing our efficiency is an important prerequisite to our continued provision of cost-effective paper and electronic check services.

**3) Minimizing any impact on you.**

In cities where check processing is being moved into another location, deposit times and availability will stay as close to current service levels as possible. A drop-off point will be established in each of the cities where checks will no longer be processed, and the Federal Reserve will assume responsibility for transporting cash letters from the drop-off point to the processing location. In addition, we will continue to accept cash letters with the same sorted endpoints.

**4) Leveraging our investments in technology to offer robust services.**

We will continue to review and adjust our product offerings based on your needs and the needs of the overall financial services marketplace. New check imaging and check adjustments technology, combined with the new standard processing platform we are implementing, will enable us to maintain the high quality of check services offered to all our customers.

**5) Communicating with you on an ongoing basis.**

In the future—and especially during the next three months—we will keep you informed as more detailed information relating to individual markets becomes available. In affected markets, we will notify all customers at least 120 days

before we transition the processing of cash letters to an alternate processing location to provide financial institutions with sufficient time to modify their internal procedures, if necessary.

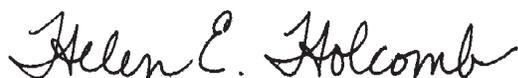
### **MORE INFORMATION**

We will be in touch regularly, and we look forward to talking with you in the coming months. In the meantime, for up-to-date information, visit [www.frbservices.org](http://www.frbservices.org). Also, you may contact one of this Bank's account executives listed below:

Rick Flansburg	(210) 978-1661
Michele Hitchings	(713) 652-9141
Jim McCammon	(214) 922-5491
Susan Vice	(214) 922-5430
Kathy Waggoner	(713) 652-9146

Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at <http://www.dallasfed.org/banking/notices/index.html>.

Sincerely,

Handwritten signature of Helen E. Holcomb in cursive script.