



FEDERAL RESERVE BANK OF DALLAS

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

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

October 31, 2003

Notice 03-64

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

SUBJECT

2004 Federal Reserve Financial Services Prices

DETAILS

As 2003 draws to a close, the Federal Reserve Bank of Dallas would like to thank you for your business this year. To assist you in preparing for next year, we are providing you with an overview of our service pricing effective January 2, 2004. Detailed fee schedules are currently available on the web at www.frbervices.org.

Challenges and Opportunities in Check Services

Throughout the check processing industry, the market shift toward electronic payments is leading to declining volumes and excess capacity. This ongoing trend will challenge all industry participants for the foreseeable future.

In 2004, our strategy is to align product pricing more closely to the value and costs of processing items and capitalize on the efficiencies afforded by electronics. Paper check prices will increase an average of five percent to reflect higher per-item processing costs, and electronic check prices will rise by less than one percent overall. The impact of these changes will vary by product and your deposit mix. We are also modifying pricing for some FedImageSM Services and for return item exceptions, most notably by eliminating the fee for the "No 2 in Position 44" exception.

Although today's check business presents many challenges, we are excited about the processing efficiencies expected to result from the Check Clearing for the 21st Century Act (Check 21). Our continued focus on electronic solutions, combined with our recent investments in a standard platform and FedImage Services, will enable us to offer reliable products and services to meet your business needs in the post-Check 21 environment.

Electronic Access Packages

Our strategic direction focuses on using web technology to deliver convenient, reliable, and affordable access to our services. In response to your feedback, we have developed two FedLine[®] packages and pricing for 2004.

Current DOS-based FedLine customers will use the *FedLine Select* package, which includes one DOS-based FedLine dial connection and FedLine for the Web access for three users ("subscribers") at a fee of \$150 per month. For those customers requiring web access only, the *FedLine Web* package is available for \$35 per month (composed of a \$25 institution fee and a \$10 subscriber fee for a single subscriber). The *FedLine Web* package offers access to all services currently available on FedLine for the Web.

In conjunction with these pricing and packaging changes, we are waiving our standard \$50 fee for subscriber setup through March 31, 2004. After March 31, the subscriber setup fee will remain unchanged at \$50 per subscriber.

We are also introducing a monthly subscription fee of \$15 for customers using FedMail[®] fax to receive check information, check adjustments information, FedACHSM advices, accounting reports or billing reports. We will provide FedMail fax customers with detailed information regarding this price change via fax in the coming days.

Growth in Electronic Payments Processing

Strong growth continues in electronic payments. We have seen expansion of newer Automated Clearinghouse (ACH) payment options like web- and telephone-initiated transactions and accounts receivable check (ARC) conversions. Our sustained focus on efficiency and service quality has allowed us to reduce FedACHSM Services fees by more than 66 percent since 1996. In 2004, we will decrease the input file fee from \$5 to \$3.75; all other FedACH prices will remain the same.

Modifying the Rate Used to Calculate Earnings Credits

Effective January 8, 2004, we will begin calculating earnings credits based on 90 percent of a three-month T-bill rate to align our practices with those of the marketplace. All account holders will be affected by this change, but the degree of impact depends on the portion of priced services paid with earnings credits. Also in 2004, we will increase the frequency with which depository institutions can change contracted clearing balances.

MORE INFORMATION

Detailed fee schedules reflecting 2004 pricing can be accessed at www.frbsecurities.org. This site also features a link to the Federal Reserve Board of Governors press release providing an overview of our national 2004 price changes by service.

If you have questions about price or earnings credit changes and how they will affect your organization, please contact one of the 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 www.dallasfed.org/banking/notices/index.html.

Sincerely,

