



FEDERAL RESERVE BANK OF DALLAS

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DALLAS, TX 75201-2272

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

August 27, 2004

Notice 04-57

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

SUBJECT

Federal Reserve Banks Announce Check 21 Service Fees

DETAILS

In preparing for implementation of the Check Clearing for the 21st Century Act (Check 21), the Federal Reserve Banks are pleased to announce final pricing of our comprehensive suite of Check 21-related product solutions that will be available on October 28, 2004. We developed this suite to complement our existing paper and electronic check collection services and deliver flexible solutions to support your Check 21 strategy. Our approach to pricing these services strongly reflects our commitment to facilitating greater industry efficiency through electronic check clearing. The pricing and endpoint information for these products will provide you with the critical data needed to evaluate opportunities for reengineering your payments processing.

Our new FedForwardSM, FedReturnSM and FedReceiptSM product suites support the electronic clearing process enabled by the Check 21 Act. These products create value for your business with favorable image cash letter deposit deadlines, cull and conversion services that benefit paper depositors, and financial incentives for electronic receipt. The pricing structure reflects the costs of delivering the services, as well as the value provided by different service levels. Similar to our traditional paper deposit programs, our FedForward and FedReturn pricing combines cash letter and per-item fees. Per-item fees

vary based on an endpoint's designated pricing tier and its preference for electronic or substitute check receipt. Later deadlines offer more opportunities for depositing and clearing items on the same day and are priced higher to reflect this value. Pricing for inclearing services includes a combination of deposit and payor service incentives for electronic receipt that we hope will encourage rapid adoption of more efficient electronic check clearing methods.

As the Federal Reserve Banks move together with the entire financial services industry toward greater adoption of electronic check processing, we will all reap the benefits provided by Check 21 in the form of lower costs and improved payments services. To learn more about how FedForward, FedReturn, and FedReceipt services can support your Check 21 strategy, join us next month for our Check 21 online seminar. For more information, visit www.frbservices.org in mid-September.

ATTACHMENT

We encourage you to review the enclosed service and price information and contact one of the account executives listed below if you have questions about these new services, the enrollment process, and testing requirements.

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

MORE INFORMATION

For your convenience, detailed product information, fee schedules, and downloadable spreadsheets containing endpoint tiers are available online in the Check 21 and Fee Schedules sections at www.frbservices.org.

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.

We look forward to working with you to successfully navigate the changing payments environment.

Sincerely,





Check 21 Services and Fees Overview

www.frbervices.org

FedForward Image Cash Letter Deposit Services

The FedForward suite is designed to help you clear dollars faster, reduce transportation, streamline backroom operations and extend deadlines. This suite encompasses the following services:

Mixed Image Cash Letter Deposit offers “later-than-paper” deadlines that allow you to significantly improve availability. When you deposit a mixed image cash letter in the DSTU X9.37-2003 format adopted by the Federal Reserve Banks, the Reserve Banks will clear the items and present either electronic files or substitute checks to the paying banks.

Electronic Endpoint Group Sort is an image cash letter deposit consisting exclusively of items drawn on electronic receivers. Pricing and availability are identical to those for mixed image cash letters, but most deadlines are one hour later than the corresponding mixed image cash letter deadline. Items drawn on substitute check receivers that are inappropriately included in the electronic endpoint group sort will be assessed a \$0.50 per-item fee.

A list of electronic endpoints will be published shortly before the effective date of Check 21 and updated monthly thereafter.

Mixed Image Cash Letter (ICL) Deposit and Electronic Endpoint Group Sort		
Cash Letter Fee: \$2.00	Per-Item Fees:	
Deadline (Eastern time) Mixed ICL / Electronic Endpoint Group Sort	Electronic Endpoint Tier 1/Tier 2/Tier 3	*Mixed ICL Only* Substitute Check Endpoint Tier 1/Tier 2/Tier 3
8:00 p.m. / 9:00 p.m. (S-Th)	\$0.015/.03/.05	\$0.035/.06/.10
10:00 p.m. / 11:00 p.m. (S-Th)	\$0.02/.035/.055	\$0.04/.065/.11
12:01 a.m. / 1:00 a.m. (M-F)	\$0.025/.04/.06	\$0.045/.07/.13
2:00 a.m. / 3:00 a.m. (M-F)	\$0.03/.05/.07	\$0.06/.11/.18
4:00 a.m. / 5:00 a.m. (M-F)	\$0.035/.07/.09	\$0.065/.14/.25
7:00 a.m. / 7:00 a.m. (M-F)	\$0.065/.18/.18	\$0.13/.25/.25
10:00 a.m. / 10:00 a.m. (M-F)	\$0.065/.18/.18	\$0.13/.25/.25
Noon / Noon (M-F)	\$0.065/.18/.18	\$0.13/.25/.25

FedForward Paper Deposit Services

The Federal Reserve Banks will offer the following two services that deliver value to paper depositors with significant opportunities for availability improvement. These services will be introduced in Reserve Banks as warranted by customer demand and local image capture capacity. Please contact your account executive for additional information.

Cull From Mixed and Other Fed Paper Deposits offers paper depositors the opportunity to accelerate clearing of large-dollar items. When you subscribe to this service, the Reserve Banks will cull eligible items above specified thresholds and clear them using the fastest means possible, providing immediate availability on the items. Where available, the cull service will be offered at all current forward mixed and other Fed deposit deadlines with the following fees:

Deadlines	Checks Culled	Per-Item Fee
Monday through Wednesday night – local mixed paper deposit deadlines	Checks between \$2,500 and \$10,000	\$0.20 per item
	Checks over \$10,000	\$0.75 per item
Thursday night – local mixed paper deposit deadlines	Checks between \$800 and \$3,500	\$0.20 per item
	Checks over \$3,500	\$0.75 per item

Paper-to-Image Cash Letter service is a traditional mixed paper cash letter deposit for which the customer elects to have all imageable items in the cash letter image captured, cleared electronically and appropriately presented as either substitute checks or electronics. Items that cannot be image captured and cleared electronically will be cleared via traditional paper clearing with the associated availability.

Paper-to-Image Cash Letter Conversion		
Cash Letter Fee: \$25.00	Per-Item Fees:	
Deadline (Eastern time)	Electronic Endpoint Tier 1/Tier 2/Tier 3	Substitute Check Endpoint Tier 1/Tier 2/Tier 3
7:00 p.m. (S-Th)	\$0.065/.08/.10	\$0.085/.11/.15
9:00 p.m. (S-Th)	\$0.07/.085/.105	\$0.09/.115/.16
11:00 p.m. (S-Th)	\$0.075/.09/.11	\$0.095/.12/.18
1:00 a.m. (M-F)	\$0.08/.10/.12	\$0.11/.16/.23
3:00 a.m. (M-F)	\$0.085/.12/.14	\$0.115/.19/.30
6:00 a.m. (M-F)	\$0.115/.23/.23	\$0.18/.30/.30
9:00 a.m. (M-F)	\$0.115/.23/.23	\$0.18/.30/.30
11:00 a.m. (M-F)	\$0.115/.23/.23	\$0.18/.30/.30

FedForward Large-Volume Deposit Service Option

To encourage adoption of electronics on the deposit side, the Reserve Banks will offer an alternative fee structure for large-volume FedForward depositors. If you participate in this program, large-volume pricing will be applied for any monthly billing period in which your FedForward deposits (paper-to-image cash letters and image cash letters combined) contain an average daily volume of items drawn on substitute check endpoints in the ranges outlined below for each specified processing window.

Processing Window	Volume Threshold	Discount on Substitute Check Endpoint Price
Deadlines through 12:01 a.m.	0-50,000 items	No discount
	50,000 – 100,000	Tiers 2 and 3 - \$.01 discount
	Over 100,000	Tiers 2 and 3 - \$.02 discount
Deadlines from 2:00 a.m. to 4:00 a.m.	0 – 100,000	No discount
	100,000 to 200,000	Tiers 2 and 3 - \$.02 discount
	Over 200,000	Tiers 2 and 3 - \$.04 discount
Deadlines after 4:00 a.m.	0-50,000 items	No discount
	50,000 – 100,000	All Tiers - \$.03 discount
	Over 100,000	All Tiers - \$.06 discount

FedReturn Image Cash Letter Deposit Services

FedReturn may help you reduce risk, improve quality, speed the returns process and potentially achieve substantial operating savings.

Qualified Return Image Cash Letter Deposit is a mixed image cash letter of qualified return items in the DSTU X9.37-2003 format adopted by the Federal Reserve Banks including the bank of first deposit, return reason code, and EPC information. The Reserve Banks will process the items and appropriately return them to the banks of first deposit in either electronic files or as substitute checks in paper cash letters. The Reserve Banks will offer the standard pricing option outlined below, as well as an alternative pricing option for large-volume depositors.

Qualified Return Image Cash Letter Deposit		
Cash Letter Fee: \$2.00	Per-Item Fees:	
Deadline (Eastern time)	Electronic Endpoint Tier 1/Tier 2/Tier 3	Substitute Check Endpoint Tier 1/Tier 2/Tier 3
8:00 p.m. (S-Th)	\$0.20/.30/.40	\$0.40/.60/.75
10:00 p.m. (S-Th)	\$0.23/.33/.42	\$0.45/.65/.80
12:01 a.m. (M-F)	\$0.25/.36/.45	\$0.50/.70/.85
2:00 a.m. (M-F)	\$0.30/.40/.50	\$0.60/.80/1.00

Qualified Return Image Cash Letter Deposit Large-Volume Service Option		
Daily Fee per Master Account: \$1,000.00	Per-Item Fees:	
Deadline (Eastern time)	Electronic Endpoint Tier 1/Tier 2/Tier 3	Substitute Check Endpoint Tier 1/Tier 2/Tier 3
8:00 p.m. (S-Th)	\$0.20/.30/.40	\$0.30/.50/.65
10:00 p.m. (S-Th)	\$0.23/.33/.42	\$0.35/.55/.70
Midnight (M-F)	\$0.25/.36/.45	\$0.40/.60/.75
2:00 a.m. (M-F)	\$0.30/.40/.50	\$0.50/.70/.90

Inclearing Services

The Reserve Banks offer an array of new and existing inclearing solutions that can help paying banks shift to electronic receipt and maximize the benefits associated with efficient electronic processing.

FedReceipt is designed to support end-to-end electronic clearing of checks to the paying banks. As a FedReceipt customer, you agree to accept an image cash letter in the DSTU X9.37-2003 format adopted by the Federal Reserve Banks containing your inclearings that were deposited with the Reserve Banks in image cash letters or converted to electronics by the Reserve Banks to foster payments system efficiency. This image cash letter would be accepted as presentment without substitute checks to follow. Inclearings deposited with the Reserve Banks in paper cash letters would be presented to you as paper. FedReceipt customers will pay no fees for their presentments and will be eligible for the electronic receiver deposit discount described below.

FedReceipt Plus delivers an image cash letter containing all of your inclearings, including those deposited with the Reserve Banks in image cash letters and those deposited as paper and image-captured on your behalf. This image cash letter is presented in the DSTU X9.37-2003 format adopted by the Federal Reserve Banks without substitute checks to follow. The FedReceipt Plus service encompasses the capture and delivery of the MICR line information and the front and back images of the check. For additional fees, this service can be enhanced with options such as image archive, reject repair, and SDS/fine sort inclusion services. The electronic receiver deposit discount adds even greater value to the FedReceipt Plus service.

FedReceipt Plus Service	Daily Fixed Fee	Per-Item Fee
File Delivery via Internet	\$2.00	\$0.008
Large-Volume File Delivery via Internet	\$100.00	\$0.006
File Delivery via Direct Connection	\$2.00	\$0.007
Large-Volume File Delivery via Direct Connection	\$100.00	\$0.005

MICR Presentment with FedImage Seven-Year Archive combines the benefits of electronic receipt (MICR Presentment) with the convenience of a Web-accessible image archive. This service uses today's common electronic file formats and eliminates the need for significant bandwidth or internal archives for transmitting and storing check images. Service enhancements such as informational image delivery and MICR manipulation allow you to customize the service to best meet your needs. If you subscribe to MICR Presentment with FedImage Seven-Year Archive and agree not to require substitute checks to follow your MICR presentment, you will benefit from a \$0.0005 payor services discount on every item presented in your MICR file. You will also be eligible for the electronic receiver deposit discount.

Deposit Incentive for Electronic Receivers

FedReceipt, FedReceipt Plus and MICR Presentment with FedImage Seven-Year Archive customers who agree to be electronic receivers as described above are eligible to receive a \$0.001 per-item deposit discount on checks deposited with the Reserve Banks. The number of deposited items eligible for the discount is equal to the total number of the electronic receiver's inclearing items that were deposited in image cash letters. The discount will apply to items in the electronic receiver's deposits, whether they are in image or paper cash letters.