



FEDERAL RESERVE BANK OF DALLAS

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

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

November 5, 2004

Notice 04-78

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

SUBJECT

Announcing 2005 Federal Reserve Financial Services Prices

DETAILS

The landscape of the financial services industry continues to evolve. Since the mid-1990s, there has been a national trend away from the use of checks toward more efficient payment alternatives. This trend has affected the entire payments industry and is consistent with the Federal Reserve's position of encouraging the use of more efficient electronic payment alternatives.

Industry demand has prompted the Federal Reserve Banks to launch a suite of Check 21-related services; to release the FedLine AdvantageSM access solution; and to further adjust the size of our operating infrastructure in response to declining paper check volumes.

During 2005, some changes to service pricing will take effect, as summarized in this notice. New prices are effective January 3, 2005, except where noted.

Excellence in Electronic Payments Processing

The Federal Reserve Banks have historically either maintained or reduced fees within FedACHSM and Fedwire[®] Services product lines. Below is a brief summary of changes that will take effect in 2005.

- FedACH service fees will not change on January 3, 2005.
- Fedwire Funds Service transfer fees will increase by \$.01 per funds transfer originated or received in all volume tiers, effective July 1, 2005. Although volume moderated somewhat during 2004, an increase in volume in early 2005 could mitigate the need for this pricing action.
- National Settlement Service fees will remain unchanged.
- Fedwire Securities Service online transfer and account maintenance fees will remain unchanged. Fedwire Securities Service off-line origination and receipt surcharges will increase to \$33 and the joint custody origination surcharge will increase to \$35 to reflect the actual cost of providing these services.
- The Federal Reserve Banks will withdraw from the Noncash Services business at the end of 2005, subject to public comment. During the coming year, customers are encouraged to begin researching their best alternative to receiving these services from the Federal Reserve Banks. Until Noncash Services are discontinued, fees will remain the same as in 2004.

Challenges and Opportunities in Check Services

The continued shift to electronic payments is creating challenges and opportunities throughout the check processing industry. The Federal Reserve Banks recently launched a comprehensive suite of Check 21-related services. We developed the FedForwardSM, FedReturnSM and FedReceiptSM suites to complement our existing paper and electronic check collection services and to deliver flexible solutions to support your Check 21 strategy. Prices for these services will not change as of January 3, 2005.

In 2005, we will continue to follow our strategy of capitalizing on the efficiencies afforded by electronics and aligning product pricing more closely with the value and costs of processing items. Paper check prices will increase an average of 8 percent to reflect higher per-item processing costs, and electronic check prices will rise by less than 2.8 percent overall. The price increase is a weighted average price increase across all offices, deadlines and worktypes.

New Access Solutions Designed to Meet Customer Needs

Our January 2005 prices include fees for the new FedLine Advantage access solution. FedLine Advantage is the next generation of access to Fedwire Funds, Fedwire Securities, and FedACH services as well as those Federal Reserve financial services currently available via FedLine[®] Web. National Settlement Service access will be available in early 2005, making

FedLine Advantage a complete DOS-based FedLine replacement for access to Federal Reserve financial services. For more detailed information on FedLine Advantage pricing and services, please visit www.frb services.org.

Additionally, we are announcing the following price changes to FedLine Web, FedLine Select and Frame Relay connections:

- In 2005, the FedLine Web Institution-Level connection fee will increase to \$50 per month to reflect the significant enhancements to service functionality made in 2004. In addition, the monthly FedLine Web user subscription fee will increase to \$15.
- The FedLine Select monthly access fee will increase to \$200 per month, including one DOS-based FedLine connection fee, the FedLine Web Institution-Level connection fee and three FedLine Web user subscriptions. The FedLine Select monthly access fee reflects the increased FedLine Web Institution-Level connection fee plus the cost of supporting DOS technology.
- Fees for Frame Relay connections with speeds less than 56 Kbps will also be raised to more accurately reflect the cost of these connections. Monthly access fees for these connections with full circuit backup will increase to \$825, while fees for the frame connection only will increase to \$693.

All other fees associated with FedLine access solutions will remain the same as in 2004. For more detailed information on the different access solutions and pricing, please visit our web site at www.frb services.org.

Upcoming Changes for Account Reporting

Current fees for Account Services will remain the same. Billing fees affecting certain customers will be effective in 2005. Beginning January 3, respondents and organizations with subaccounts receiving the daily *Statement of Items Through Your Correspondent/Master* report from the Federal Reserve Banks will be assessed a \$20 monthly fee. Local Reserve Banks' accounting departments will contact recipients of these reports this fall to determine whether the reports are still desired at this new monthly fee.

At present, two new reporting products are in development. The first is an accounting report in a spreadsheet format to be available using Account Management Information (AMI) via FedLine Web. The second is a billing report formatted as a data file that will be accessible using Service Charge Information (SCI) via FedLine Web. Pricing for these report products will be announced when they are released in 2005.

Modifying the Rate Used to Calculate Earnings Credits

In 2004, we began calculating earnings credits on clearing balances at a rate equal to 90 percent of a three-month Treasury bill rate. Effective January 6, we will modify the rate to equal 80 percent of a three-month Treasury bill rate. 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.

Providing Value Now and Into the Future

Detailed fee schedules reflecting 2005 pricing can be accessed at www.frbervices.org; Eleventh District check fee schedules are also accessible via links from this site. This site also features a link to the Federal Reserve Board of Governors press release providing an overview of our national 2005 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 following account executives:

Rick Flansburg	(210) 978-1661
Sarah Jennings	(214) 922-5259
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,

