

1. *Berthoud Bancorp Employee Stock Ownership Plan*, Berthoud, Colorado to acquire at least 50 percent of the voting shares of Berthoud Bancorp, Inc., Berthoud, Colorado, and thereby indirectly acquire Berthoud National Bank, Berthoud, Colorado.

Board of Governors of the Federal Reserve System, November 26, 1996.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 96-30696 Filed 12-2-96; 8:45 am]

BILLING CODE 6210-01-F

### Notice of Proposals To Engage in Permissible Nonbanking Activities or To Acquire Companies That Are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.25 of Regulation Y (12 CFR 225.25) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. Once the notice has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act, including whether consummation of the proposal can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. 1843). Any request for a hearing on this question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

Unless otherwise noted, comments regarding the applications must be

received at the Reserve Bank indicated or the offices of the Board of Governors not later than December 17, 1996.

A. Federal Reserve Bank of New York (Christopher J. McCurdy, Senior Vice President) 33 Liberty Street, New York, New York 10045:

1. *Bayerische Vereinsbank AG*, Munich, Germany; to engage *de novo* through its subsidiary, VB Risk Management Products, Inc., New York, New York in intermediating in the international swap markets by acting as an originator and principal in interest rate swap and currency swap transactions; in acting as an originator and principal with respect to certain interest rate and currency risk-management products such as caps, floors and collars, as well as options on swaps, caps, floors and collars ("swap derivative products"); in acting as a broker or agent with respect to the foregoing transactions or instruments; and in acting as an advisor to institutional customers regarding financial strategies involving interest rate and currency swaps and swap derivative products; *Swiss Bank Corporation*, 81 Fed. Res. Bull. 185 (1995); *The Long-Term Credit Bank of Japan*, 79 Fed. Res. Bull. 345 (1993); *The Sumitomo Bank, Limited*, 75 Fed. Res. Bull. 582 (1989).

Board of Governors of the Federal Reserve System, November 26, 1996.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

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[Docket No. R-0941]

### Federal Reserve Bank Services; Notice

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice.

**SUMMARY:** The Board has approved a private sector adjustment factor (PSAF) for 1997 of \$101.5 million, as well as the fee schedules for Federal Reserve priced services and electronic connections. These actions were taken in accordance with the requirements of the Monetary Control Act of 1980, which requires that, over the long run, fees for Federal Reserve priced services be established on the basis of all direct and indirect costs, including the PSAF.

**DATES:** The PSAF and the fee schedules become effective on January 2, 1997.

**FOR FURTHER INFORMATION CONTACT:** For questions regarding the private sector adjustment factor: Elizabeth Tacik, Accountant, (202/452-2303), Division of Reserve Bank Operations and Payment

Systems; for questions regarding the fee schedules: Julius Weyman, Financial Services Analyst, Check Payments, (202/452-5223), Scott Knudson, Senior Financial Services Analyst, ACH Payments, (202/452-3959), Darrell Mak, Financial Services Analyst, Funds Transfer and Book-Entry Securities Services, (202/452-3223), Anne Paulin, Senior Information Technology Analyst (electronic connections), (202/452-2560), Michael Bermudez, Financial Services Analyst, Noncash Collection Service, (202/452-2216), or Kate Connor, Senior Financial Services Analyst, Special Cash Services, (202/452-3917), Division of Reserve Bank Operations and Payment Systems. For users of Telecommunications Device for the Deaf (TDD) *only*, please contact Dorothea Thompson (202/452-3544).

Copies of the 1997 fee schedules for the check, automated clearing house (ACH), funds transfer and net settlement, book-entry securities, noncash collection, and special cash services, as well as electronic connections to Reserve Banks, are available from the Reserve Banks.

### SUPPLEMENTARY INFORMATION:

#### I. Private Sector Adjustment Factor

##### A. Overview

The Board has approved a 1997 PSAF for Federal Reserve priced services of \$101.5 million. This amount represents an increase of \$15.7 million or 18.3 percent from the PSAF of \$85.8 million targeted for 1996.

As required by the Monetary Control Act (12 U.S.C. 248a), the Federal Reserve's fee schedule for priced services includes "taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm." These imputed costs are based on data developed in part from a model comprised of the nation's 50 largest (in asset size) bank holding companies (BHCs).

The methodology first entails determining the value of Federal Reserve assets that will be used in producing priced services during the coming year. Short-term assets are assumed to be financed by short-term liabilities; long-term assets are assumed to be financed by a combination of long-term debt and equity derived from the BHC model.

Imputed capital costs are determined by applying related interest rates and rates of return on equity (ROE) derived from the bank holding company model. The rates drawn from the BHC model are based on consolidated financial data for the 50 largest BHCs in each of the

last five years. Because short-term debt, by definition, matures within one year, only data for the most recent year are used for computing the short-term debt rate.

The PSAF comprises capital costs, imputed taxes, expenses of the Board of Governors related to priced services, and an imputed FDIC insurance assessment on clearing balances held with the Federal Reserve to settle transactions.

#### B. Asset Base

The estimated value of Federal Reserve assets to be used in providing priced services in 1997 is reflected in Table A-1. Table A-2 shows that the assets assumed to be financed through debt and equity are projected to total \$623.5 million. As shown in Table A-3, this represents a net decrease of \$13.8 million or 2.2 percent from 1996. This decrease results from lower priced asset base levels at the Federal Reserve Automation Services (FRAS), slightly offset by an increase in the Reserve Banks' priced asset base due to building projects in three districts and increased long-term prepayments.

#### C. Cost of Capital, Taxes, and Other Imputed Costs

Table A-3 shows the financing and tax rates as well as the other required PSAF recoveries proposed for 1997 and compares the 1997 rates with the rates used for developing the PSAF for 1996. The pre-tax return on equity rate increased from 14.2 percent in 1996 to 19.1 percent for 1997. The increase is a result of stronger 1995 BHC financial performance included in the 1997 BHC model, which replaces the 1990 BHC financial performance in the 1996 BHC model.

The decrease in the FDIC insurance assessment from \$2.2 million in 1996 to \$2.0 million in 1997, as shown in Table A-3, is attributable to the impact of the new lower rate for deposit insurance. The FDIC rate for adequately capitalized institutions of \$0.04 on every \$100 in clearing balances was reduced to \$0.03 in January 1996.

#### D. Capital Adequacy

As shown on Table A-4, the amount of capital imputed for the proposed 1997 PSAF totals 32.6 percent of risk-weighted assets and 4.1 percent of total assets. While the capital to risk-weighted asset ratio is well in excess of the 8 percent capital guideline for adequately capitalized state member banks and BHCs, the Federal Reserve is treated as an adequately capitalized bank for FDIC assessment purposes based on its capital to total asset ratio.

## II. Priced Services

### A. Overview

Over the period 1986 through 1995, the Reserve Banks recovered 100.1 percent of their total costs of providing priced services, including special project costs that were budgeted for recovery and targeted after-tax profit, i.e., ROE.<sup>1,2</sup> Because the revenue from the Reserve Banks' priced services recovers imputed costs that are not actually incurred, the Federal Reserve's provision of priced services has consistently had a positive effect on the level of earnings transferred by the Federal Reserve to the Treasury. Over the past 10 years, priced services revenue has exceeded operating costs by more than \$872 million. This net revenue contributes to the amount transferred to the Treasury. Table 1 summarizes the cost and revenue performance for priced services since 1986.

During 1994 and 1995, the Reserve Banks did not fully recover their targeted ROE due primarily to declining check volumes resulting from the new same-day settlement rule. In response to declining volumes, the Reserve Banks adjusted the resources devoted to the check service and increased prices selectively. In 1996, the Reserve Banks estimate that priced services revenue will yield an after-tax net income of \$55.6 million, compared with a targeted return on equity of \$36.6 million. The 1996 recovery rate is estimated to be 102.4 percent of the costs of providing priced services, including imputed expenses, automation consolidation special project costs budgeted for

<sup>1</sup> The Monetary Control Act requires that, over the long run, the Federal Reserve set fees for priced services to recover all direct and indirect costs of providing the services plus imputed costs, such as taxes that would have been paid and the return on capital that would have been earned had the services been provided by a private business firm. The targeted ROE is the budgeted after-tax profit that the Federal Reserve would have earned, as required by law, had it been a private business firm. The targeted ROE is derived from the BHC model based on consolidated financial data for each of the last five years.

<sup>2</sup> Certain offsets to costs and certain costs are treated differently in the *pro forma* income statement for Federal Reserve priced services that is published in the Board's *Annual Report* than they are for purposes of setting fees. For example, offsets to costs associated with the transition to and retroactive application of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87 (SFAS 87), pension accounting, and SFAS 106, other post-retirement employee benefits accounting, have not been considered in setting fees for priced services. Under the procedures used to prepare the *pro forma* income statement, the Reserve Banks recovered 100.7 percent of the expenses incurred in providing priced services, including targeted ROE, from 1986 through 1995.

recovery, and targeted ROE.<sup>3</sup>

Approximately \$26.8 million in automation consolidation special project costs will be recovered in 1996, leaving \$30.8 million in accumulated costs to be financed and recovered in future years.<sup>4</sup>

The variation from the Reserve Banks' original budget is attributable to two factors. First, volumes have been higher than expected in the funds transfer, book-entry securities transfer, and noncash collection services, resulting in higher net revenue. Second, costs have been lower than budgeted in the funds transfer and automated clearing house (ACH) services, largely due to efficiency gains from automation consolidation.<sup>5</sup>

In 1997, the Reserve Banks project to recover 100.5 percent of total expenses, including special project costs and targeted ROE. The proposed 1997 fees for priced services will yield a projected net income of \$49.8 million for the year, compared with a targeted ROE of \$45.8 million. Approximately \$27.7 million of automation consolidation special project expenses will be recovered, leaving an accumulated balance of special project costs of \$22.0 million to be recovered in future years. The Reserve Banks have indicated that the most significant risk associated with the proposed fee schedules is the uncertainty of 1997 volume estimates given the current competitive environment and the effects of interstate branch banking.

Overall, prices across all services are projected to decline by approximately

<sup>3</sup> Through August 1996, the Reserve Banks recovered 103.2 percent of total priced services expenses, including automation consolidation special project costs and targeted ROE.

<sup>4</sup> Under an existing Board policy, the Reserve Banks may defer and finance development costs if the development costs would have a material effect on unit costs, provided that a conservative time period is set for full cost recovery and a financing factor is applied to the deferred portion of development costs. The 1996 and 1997 financing rates are 12.0 and 15.1 percent, respectively, which are the weighted-average imputed costs of the Federal Reserve's long-term debt and equity. This methodology is similar to the approach a private firm would use in financing such costs. Starting in 1992, the Reserve Banks deferred and financed special project costs for automation consolidation that were associated with employee retention and severance and excess mainframe computer capacity. Each priced service is expected to recover fully its portion of these deferred expenses and accumulated finance charges within five years after that service has completed its transition to the consolidated automation environment. Most services have been able to recover these expenses more quickly than the five-year deadline.

<sup>5</sup> The Reserve Banks have substantially completed the transfer of mainframe computer operations to the System's consolidated data centers, managed by the Federal Reserve Automation Services (FRAS) and also have completed significant milestones in the centralization of certain key software applications, such as ACH, Fedwire funds transfers, and the Integrated Accounting System.

3.4 percent in 1997, reflecting increases in paper-based check product prices and selected electronic access fees, price

reductions for ACH, Fedwire funds transfers, and selected electronic check products, and stable prices for the book-

entry securities transfer and noncash collection services.<sup>6</sup>

TABLE 1.<sup>7</sup>—PRO FORMA COST AND REVENUE PERFORMANCE <sup>a</sup>

[\$ millions]

Year	1 Revenue <sup>b</sup>	2 Operating costs & im- puted ex- penses <sup>c</sup>	3 Special project costs recov- ered <sup>d</sup>	4 Total ex- pense [2+3]	5 Net income ROE [1-4]	6 Target ROE <sup>e</sup>	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs de- ferred & fi- nanced <sup>f</sup>
1986 .....	627.7	571.6	0.0	571.6	56.1	27.3	104.8	0.0
1987 .....	649.7	598.2	0.0	598.2	51.5	29.3	103.5	0.0
1988 .....	667.7	641.1	3.2	644.3	23.4	32.7	98.6	0.0
1989 .....	718.6	692.1	4.6	696.7	21.9	32.9	98.5	0.0
1990 .....	746.5	698.1	2.8	700.9	45.6	33.6	101.6	0.0
1991 .....	750.2	710.0	1.6	711.6	38.6	32.5	100.8	0.0
1992 .....	760.8	731.0	11.2	742.2	18.6	26.0	99.0	1.6
1993 .....	774.5	722.4	27.1	749.5	25.0	24.9	100.0	12.5
1994 .....	767.2	748.3	8.8	757.1	10.1	34.6	96.9	33.9
1995 .....	765.2	724.0	19.8	743.8	21.4	31.5	98.7	36.3
1996 (Est) .....	810.4	728.0	26.8	754.8	55.6	36.6	102.4	30.8
1997 (Bud) .....	813.9	736.4	27.7	764.1	49.8	45.8	100.5	22.0

<sup>a</sup> The revenues and expenses for 1986 through 1993 include the definitive securities safekeeping service, which was discontinued in 1993. The table includes revised revenue and expense data for 1992 and 1993.

<sup>b</sup> Beginning in 1987, net income on clearing balances is included in revenue.

<sup>c</sup> Imputed expenses include interest on debt, taxes, FDIC insurance premiums, and the cost of float. Credits for prepaid pension costs under SFAS 87 and the charges for post-retirement benefits in accordance with SFAS 106 are included beginning in 1993.

<sup>d</sup> Special project costs include research and development expenses for evaluating a different computer processing platform for electronic payments from 1988 through 1990, check image project costs from 1988 through 1993, and automation consolidation costs from 1992 through 1997.

<sup>e</sup> Targeted ROE is based on the ROE included in the private sector adjustment factor and has been adjusted for taxes, which are included in column 2. Targeted ROE has not been adjusted to reflect automation consolidation special project costs deferred and financed.

<sup>f</sup> Totals are cumulative and include financing costs.

B. Check—Table 2 presents the actual 1997 cost recovery performance for the 1995, estimated 1996, and projected check service.

TABLE 2.—CHECK PRO FORMA COST AND REVENUE PERFORMANCE

(\$ millions)

Year	1 Revenue	2 Operating costs and imputed ex- penses	3 Special project costs recov- ered	4 Total ex- pense [2+3]	5 Net income (ROE) [1-4]	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs de- ferred and financed
1995 .....	574.0	558.9	5.3	564.2	9.8	24.0	97.6	12.4
1996 (Est) .....	605.1	569.7	6.5	576.2	28.9	28.0	100.1	10.4
1997 (Bud) .....	616.7	572.9	7.5	580.4	36.3	35.3	100.2	7.4

### 1. 1995 Performance

The check service recovered 97.6 percent of total expenses in 1995, including targeted ROE. The volume of checks collected decreased 5.3 percent from 1994 levels, as volume losses associated with bank consolidations and the implementation of the same-day settlement regulation continued. In 1995, however, volume losses were less substantial than the double-digit losses that accompanied the introduction of

the same-day settlement regulation in 1994. Return item volume increased 3.8 percent in 1995 compared to 1994 levels.

### 2. 1996 Performance

Through August 1996, the check service recovered 101.2 percent of total expenses, including automation consolidation special projects costs budgeted for recovery and targeted ROE. The Reserve Banks estimate that they

will recover 100.1 percent of their costs for the full year, compared with the targeted 1996 recovery rate of 100.0 percent. Check collection volumes appear to be stabilizing compared to the relatively significant volume losses in 1994 and 1995. The Reserve Banks now project that the volume of checks collected during 1996 will decline by 0.4 percent from 1995 levels, reflecting a 1.6 percent increase in processed volume and a 9.1 percent decrease in

<sup>6</sup> This estimate is based on a chained Fisher Ideal price index. This index was not adjusted for quality changes in Federal Reserve priced services. Because the index was not adjusted for quality and due to data deficiencies in certain electronic services, the

index may overstate the price effects of paper-based services. Generally, processing costs (and hence prices) have risen in services that are paper-based, such as check collection, but have declined in those

services that are mostly electronic, such as ACH, funds transfer, and check payor bank services.

<sup>7</sup> Calculations on this table and subsequent *pro forma* cost and revenue tables may be affected by rounding.

fine sort volume. Return item volume is estimated to increase by 2.9 percent.

### 3. 1997 Issues

The total number of interbank checks will likely continue to decline as banks merge when interstate branch banking becomes effective nationwide in June 1997 and as banks continue to consolidate their payment processing operations. In addition, other service providers in the interbank check processing market are expected to compete aggressively for check collection and returned check volume. The Reserve Banks project modest volume increases in 1997 despite the challenges posed by this environment. Total forward check collection volume is expected to increase by 0.7 percent in 1997, reflecting a projected increase of 1.9 percent in processed volume and a decrease of 5.5 percent in fine sort volume. Returned check volume is expected to increase 0.4 percent.

The Reserve Banks continue to take steps to improve the efficiency of their check processing operations. For example, on October 15, the Federal

Reserve Bank of New York closed its Regional Check Processing Center in Jericho, New York, and consolidated those operations at its East Rutherford (New Jersey) Operations Center. In addition, the New York Bank is centralizing the processing of adjustments at its Utica, New York, Regional Check Processing Center. In addition, on October 27, the System's Interdistrict Transportation Service (ITS) moved one of its five airport hubs from Teterboro, New Jersey, to Philadelphia, Pennsylvania. This move allows for improvements in deposit deadlines and funds availability for many depositors.

The Reserve Banks will continue to promote electronic check products that are designed to increase operating efficiency and improve the speed of the check collection system. For example, Reserve Banks are expanding the range of deposit products that use electronic cash letters (ECL). The expanded use of these deposit products is expected to improve the efficiency of the Reserve Banks' operations and may ultimately

contribute to efficiencies in paying banks' operations by reducing rejects and minimizing adjustments.

The Reserve Banks also are expanding their image-enhanced check products, which have the potential to increase the use of electronic check presentment and to reduce the risks associated with it. At present, 19 Reserve Bank offices offer image-enhanced products; in 1997, 34 Reserve Bank offices plan to offer these products.

Total check service operating costs plus imputed expenses are projected to increase by \$3.2 million, or 0.6 percent above estimated 1996 expenses.

### 4. 1997 Fees

The Reserve Banks are continuing the steps taken over the last several years to set check fees to reflect more accurately the fixed and variable costs associated with providing check services. The 1997 fees and product offerings are intended to encourage the use of electronics and to improve the efficiency of the check collection mechanism. Table 3 summarizes key check service fees.

TABLE 3.—SELECTED CHECK FEES

Products	1996 price ranges	1997 price ranges
Items:	(per item)	(per item)
Forward processed:		
City .....	\$0.003 to 0.080 .....	\$0.003 to 0.080.
RCPC .....	\$0.003 to 0.079 .....	\$0.004 to 0.090.
Fine sort:		
City .....	\$0.003 to 0.012 .....	\$0.003 to 0.012.
RCPC .....	\$0.002 to 0.017 .....	\$0.003 to 0.017.
Qualified return items:		
City .....	\$0.100 to 1.110 .....	\$0.160 to 1.110.
RCPC .....	\$0.120 to 1.560 .....	\$0.017 to 1.560.
Raw return items:		
City .....	\$0.580 to 4.000 .....	\$0.580 to 4.000.
RCPC .....	\$0.900 to 4.000 .....	\$0.650 to 4.000.
Cash letters:	(per cash letter)	(per cash letter)
Forward processed .....	\$1.500 to 9.000 .....	\$1.500 to 9.000.
Forward fine-sort package .....	\$2.500 to 11.000 .....	\$2.500 to 13.000.
Return items: raw and qualified .....	\$1.500 to 8.000 .....	\$1.500 to 7.000.
Payor bank services:	Min Per item .....	Min Per item
MICR information .....	\$5-\$30 \$0.001-0.0050 .....	\$5-\$30 \$0.001-0.0050.
Electronic presentment .....	\$3-\$14 \$0.001-0.0045 .....	\$3-\$14 \$0.001-0.0045.
Truncation .....	\$3-\$25 \$0.010-0.0170 .....	\$3-\$25 \$0.010-0.0170.

Overall, 1997 fees for forward collection products will increase by about 1.8 percent on a volume-weighted basis, compared with January 1996 prices. For returned check products, the increase is 2.6 percent. The most significant increases are in fine sort fees, which are increasing by 7.8 percent.

Fees for electronic check services will decline or remain stable. These fees include per-item fees for the Reserve Banks' electronic check presentment and payor bank information products as well as for ECL products. On average,

the fees assessed for deposits made with a matching ECL file will result in per-item charges that are \$0.002 less than the same deposit received without an accompanying ECL file. This price differential reflects the potential efficiencies from processing checks in conjunction with ECL data. Payor bank services revenue is expected to increase by 13.9 percent, primarily due to more widespread acceptance of electronic check presentment and image-enhanced check products.

For the first time since 1993, the Reserve Banks will change some ITS fees. For 1997, ITS fees will increase about 11 percent on a volume-weighted basis. The price changes are designed to reflect more accurately the cost of servicing certain low-volume and remote routes. Fees for 12 percent of the routes, representing 47 percent of the check volume carried on ITS, will remain unchanged. The Reserve Banks are investigating, for possible implementation during 1997, alternative fee structures for the ITS.

The Reserve Banks project that the check service will recover 100.2 percent of total costs in 1997, including targeted ROE and \$7.5 million in automation consolidation special project costs. Approximately \$7.4 million in accumulated automation consolidation special project costs will be deferred and financed for recovery in future years.

The Reserve Banks continue to take steps to control costs, and their volume projections for 1997 are relatively conservative. It is difficult, however, to project the effect of interstate branch banking on the Reserve Banks' check service. The Board believes that steps could be taken during 1997 to reduce operating costs if volume projections were not realized. The Board approved

the proposed 1997 check service fees, including ITS fees, and the deposit deadlines.

#### C. Automated Clearing House (ACH)

Table 4 presents the actual 1995, estimated 1996, and projected 1997 cost recovery performance for the commercial ACH service.

TABLE 4.—ACH PRO FORMA COST AND REVENUE PERFORMANCE  
[\$ millions]

Year	1 Revenue	2 Operating costs & im- puted ex- penses	3 Special project costs recov- ered	4 Total ex- pense [2+3]	5 Net income (ROE) [1-4]	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 special project costs def- erred & fi- nanced
1995 .....	75.6	66.6	4.0	70.6	5.0	3.1	102.6	21.3
1996 (Est) .....	79.8	63.6	9.2	72.8	7.0	3.6	104.5	16.7
1997 (Bud) .....	75.4	59.9	11.1	71.0	4.3	4.0	100.5	10.8

#### 1. 1995 Performance

Revenues from the ACH service recovered 102.6 percent of total expenses, including automation consolidation special project costs and targeted ROE, during 1995. The overrecovery was due primarily to higher-than-expected growth in commercial ACH volume. Commercial volume increased 17.8 percent, compared to a projected growth rate of 12.9 percent. As a result, total ACH revenue was 6.7 percent above target.

#### 2. 1996 Performance

Through August 1996, the ACH service recovered 104.6 percent of total expenses, including automation consolidation special project costs budgeted for recovery and targeted ROE. The Reserve Banks estimate that they will recover 104.5 percent of their costs for the full year, compared with the targeted 1996 recovery rate of 100.0 percent. This overrecovery is attributable primarily to lower-than-expected data processing costs resulting from the efficiencies realized with the new Fed ACH application software. The conversion to Fed ACH began in late 1995 and was completed in August 1996.

On October 1, the Reserve Banks implemented a number of changes to their ACH fees and products, which were approved under delegated authority by the Director of the Board's Division of Reserve Bank Operations and Payment Systems. The changes included combining the interregional and intraregional fee into one basic fee of \$0.01 per item, representing a 16.7 percent reduction from the former

\$0.012 interregional fee; reducing the presort deposit fee by 10 percent to 0.9 cent from 1.0 cent; and eliminating the interregional and presort deposit deadlines, as well as one local deposit deadline. The reduction in fees is expected to result in substantial savings to the banking industry, and the changes in the deadlines will provide originators of ACH transactions an additional one to one and one-half hours of processing time.

Through August, commercial ACH volume has increased 16.1 percent over the 1995 level. For the full year, the Reserve Banks expect commercial volume to increase 15.2 percent, compared to the 17.5 percent increase originally projected. The revised projection reflects the effect of consolidation in the banking industry and some increased use of private-sector processors.

#### 3. 1997 Issues

1997 will be the first full year that all Reserve Banks operate in the Fed ACH environment. The projected reduction in ACH operating costs reflects the expected cost savings that should be realized from centralized processing. Beginning in January 1997, several new features will be made available to depository institutions, including additional file delivery options and automated trace and research request capabilities. The projected volume growth rate of 18.5 percent is very aggressive in light of 1996 volume estimates. The Reserve Banks believe, however, that Federal Reserve and industry marketing efforts will spur commercial ACH volume growth. Moreover, the recent requirement that

most federal government payments be made electronically by January 1999 may indirectly increase commercial ACH volume.<sup>8</sup>

#### 4. 1997 Fees

The new Fed ACH processing environment is expected to enable the Federal Reserve to realize significant operating efficiencies. The Board has approved several fee reductions effective January 1997. These changes support the System's strategic direction of moving from a paper-based to an electronic payments system and recognize the technological and operational changes implemented during the past year.

TABLE 5

Fee category	Current fee	Pro- posed 1997 fee
Premium surcharge .....	\$0.01	\$0.005
Addenda fee .....	0.004	0.003
Discrete/commingled file fee.	10.00	Elimi- nate.

As Table 5 indicates, the Reserve Banks will reduce the premium surcharge by 50 percent on items deposited after 8:00 p.m. Eastern Time. Reducing the premium cycle surcharge recognizes the improvements made in the Federal Reserve's processing of ACH transactions that reduce operational and

<sup>8</sup>The Debt Collection Improvement Act of 1996 mandates the use of electronic funds transfers for federal government payments to recipients who become eligible after July 26, 1996. The Act also mandates that all federal government payments, with limited exceptions, be made electronically after January 1, 1999.

float risk. The Reserve Banks will continue to review originating institutions' deposit patterns to determine whether the current premium deposit deadline can be extended. In addition, the Reserve Banks will reduce the fee for addenda records by \$0.001, or 25 percent. The reduction in the addenda record fee is intended to promote the use of electronic payments for financial electronic data interchange applications. Finally, the Reserve Banks will eliminate the monthly discrete/commingled file receipt fee. The discrete/commingled file fee, which is charged to receiving points that receive multiple files segregated by routing

number, is being eliminated because of the new delivery features that are available in Fed ACH.

In addition to the above changes, the Reserve Banks plan to propose a new fee schedule during 1997 that fully reflects the efficiencies of the Fed ACH processing environment.

To determine the nature and extent of the expected efficiencies, the Reserve Banks are studying their processing costs in the new environment. It is anticipated that, under delegated authority, the Director of the Board's Division of Reserve Bank Operations and Payment Systems will be requested to approve a new ACH fee schedule by mid-1997.

The Reserve Banks project that the ACH service will recover 100.5 percent of its 1997 costs, including \$11.1 million in automation consolidation special project costs and targeted ROE. Approximately \$10.8 million in automation consolidation special project costs will continue to be deferred and financed for recovery in future years.

#### *D. Funds Transfer and Net Settlement*

Table 6 presents the actual 1995, estimated 1996, and projected 1997 cost recovery performance for the funds transfer and net settlement service.

TABLE 6.—FUNDS TRANSFER AND NET SETTLEMENT PRO FORMA COST AND REVENUE PERFORMANCE  
[\$ millions]

Year	1 Revenue	2 Operating costs & imputed expenses	3 Special project costs recovered	4 Total expense [2+3]	5 Net Income (ROE) [1 - 4]	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs deferred & financed
1995 .....	90.6	74.1	9.7	83.8	6.8	3.4	103.8	0.0
1996 (Est) .....	97.3	69.6	9.3	78.8	18.5	3.8	117.7	0.3
1997 (Bud) .....	95.2	80.2	7.4	87.6	7.6	5.1	102.7	0.0

#### 1. 1995 Performance

For 1995, the funds transfer and net settlement service recovered 103.8 percent of total expenses, including automation consolidation special project costs and targeted ROE. Basic funds transfer origination volume increased 5.6 percent over the 1994 level, resulting in higher revenues.

#### 2. 1996 Performance

Through August 1996, the funds transfer and net settlement service recovered 117.9 percent of total expenses, including automation consolidation special project costs budgeted for recovery and targeted ROE. For full-year 1996, the Reserve Banks estimate that the funds transfer service will recover 117.7 percent of total expenses, compared to a targeted recovery rate of 106.0 percent. This difference is attributable to both lower-than-anticipated costs and higher-than-anticipated revenue. The Reserve Banks estimate that operating costs will be lower than the original budget estimates due to lower-than-budgeted allocations of local and national data communications costs. In addition, the Reserve Banks are beginning to realize the efficiencies from processing funds transfers in a centralized software environment.

Total revenue is estimated to be \$6.4 million (or 7.1 percent) over the original

budget, due to higher-than-expected on-line funds transfer volume. Basic origination volume growth is estimated to be 8.3 percent in 1996 compared to original budget projections of 2.1 percent. The higher volume has been attributed to sharply increased mutual fund activity, aggressive marketing of cash management services by depository institutions to their customers, and, to a lesser extent, increased mortgage activity and securities-related settlement payments (the latter due to the market's move to a T+3 settlement cycle and same-day funds settlement on securities trades).

#### 3. 1997 Issues

The Reserve Banks expect funds transfer origination volume to increase 5.3 percent over 1996 estimated levels. This projected growth rate is lower than the 1996 estimated growth rate but slightly above the ten-year historical average annual growth rate of 5.0 percent. Uncertainties in achieving the projected volume growth include the effects of increased bank mergers and consolidations as interstate branch banking takes effect in 1997 and the level of mutual fund and cash management activity in 1997.

Operating costs also are anticipated to increase in 1997 due primarily to two changes to the Reserve Banks' cost accounting methodology that become

effective in 1997.<sup>9</sup> Partially offsetting this increase is a projected decline in data processing costs due to the conversion of the New York Reserve Bank's funds transfer application to the consolidated FRAS environment in spring 1997.

#### 4. 1997 Fees

Despite projected increased costs in 1997, the benefits of automation consolidation combined with strong volume growth will enable the Reserve Banks to reduce the basic funds transfer fee by 10 percent from \$0.50 to \$0.45. All other funds transfer and net settlement fees will remain unchanged. The Reserve Banks project that revenues will recover 102.7 percent of total funds transfer expenses, including targeted ROE and all allocated automation consolidation special project costs.

#### *E. Book-Entry Securities*<sup>10</sup>

Table 7 presents the actual 1995, estimated 1996, and projected 1997 cost

<sup>9</sup>The Reserve Banks have modified their methodology for allocating FRAS data processing and data communications (DP/DC) costs to provide more incentives for the efficient use of DP/DC resources, and for allocating certain joint overhead costs to recognize that these costs are not closely related to particular services. These cost accounting changes are consistent with general industry practices.

<sup>10</sup>Includes Purchase and Sale Activity.

recovery performance for the book-entry securities service.<sup>11</sup>

TABLE 7.—BOOK-ENTRY SECURITIES PRO FORMA COST AND REVENUE PERFORMANCE  
[\$ millions]

Year	1 Revenue	2 Operating costs & im- puted ex- penses	3 Special project costs recov- ered	4 Total ex- pense	5 Net income (ROE)	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs de- ferred & fi- nanced
1995 .....	15.9	14.6	0.9	15.5	0.4	0.7	97.8	2.4
1996 (Est) .....	16.9	14.3	1.7	16.0	0.9	0.8	100.7	3.2
1997 (Bud) .....	16.7	14.4	1.5	15.8	0.9	0.9	100.1	3.8

#### 1. 1995 Performance

The book-entry securities service recovered 97.8 percent of total expenses in 1995, including automation consolidation special project costs budgeted for recovery and targeted ROE. Origination volume declined 0.3 percent from the 1994 level, compared to a budgeted increase of 3.1 percent. Total costs were over budget due to higher-than-expected data communication costs as a result of increased circuit expenses and lower-than-expected savings from reductions in local data processing operations.

#### 2. 1996 Performance

Through August 1996, the book-entry securities service recovered 100.6 percent of total expenses, including automation consolidation special project costs and targeted ROE. For the full-year 1996, the Reserve Banks estimate that revenues will recover 100.7 percent of total costs compared to a budgeted recovery rate of 100.0 percent. Total revenue is expected to be \$1.1 million higher than budget due primarily to higher-than-anticipated growth in on-line origination volume. Volume in 1996 is estimated to grow 9.7 percent, compared to a budgeted decline of 0.4 percent. This unexpected growth partially reflects the one-time movement of securities associated with mergers and higher-than-expected mortgage-backed securities activity.

#### 3. 1997 Issues

The Reserve Banks expect book-entry securities transfer origination volume to decline 1.3 percent in 1997 from the 1996 estimated level. Participants Trust Company (PTC) expects to expand its mortgage-backed securities business by mid-1997 to include Fedwire-eligible securities issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. In addition, Reserve Banks may face potential volume reductions resulting from bank mergers and consolidations as interstate branch banking takes effect in 1997. The Board believes that there is some risk in achieving the volume levels projected by the Reserve Banks because of uncertainties regarding the extent to which Reserve Banks' mortgage-backed securities transfer volume will move to PTC's new service.

#### 4. 1997 Fees

The Reserve Banks will maintain 1997 book-entry securities fees at the 1996 level. The Reserve Banks project that the book-entry securities service will recover 100.1 percent of costs, including targeted ROE and \$1.5 million in automation consolidation special project costs.

#### F. Electronic Connections

The Reserve Banks charge fees for the electronic connections used by depository institutions to access priced

services and allocate the cost and revenue associated with electronic access to the various priced services. The Reserve Banks will retain the current monthly fees for electronic access for all connection types in 1997 without modification but increase the fees for installation and training.

Currently, the Reserve Banks assess an installation and training fee of \$300 for new Fedline customers and a \$300 fee for the installation of new computer-interface connections. These fees have not changed since 1986. The current fees assessed for customer training and installation do not reflect fully the costs of these activities, particularly for computer-interface customers.

In 1997, the Reserve Banks will charge separate fees for installation and training activities. Compared to the current combined installation and training fee of \$300, the Reserve Banks will assess a fee of \$150 for the training of new Fedline customers and a fee of \$300 for Fedline installations; the \$150 fee for retraining is unchanged. In addition, the Reserve Banks will increase the one-time computer-interface installation fee from \$300 to \$800.

#### G. Noncash Collection

Table 8 presents the actual 1995, estimated 1996, and projected 1997 cost recovery performance for the noncash collection service.

<sup>11</sup> The Reserve Banks provide securities transfer services for securities issued by the U.S. Treasury, federal government agencies, government sponsored enterprises, and certain international

institutions. The priced component of this service, reflected in this memorandum, consists of the revenues, expenses, and volumes associated with the transfer of all non-Treasury securities. For

Treasury securities, the Reserve Banks act as fiscal agents and the Treasury Department assesses fees for those transfer services.

TABLE 8.—NONCASH COLLECTION PRO FORMA COST AND REVENUE PERFORMANCE  
[\$ millions]

Year	1 Revenue	2 Operating costs & im- puted ex- penses	3 Special project costs recov- ered	4 Total ex- pense [2+3]	5 Net income (ROE) [1-4]	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs de- ferred & fi- nanced
1995 .....	4.0	4.5	0.0	4.5	(0.5)	0.2	84.7	0.3
1996 (Est) .....	5.6	5.2	0.0	5.2	0.4	0.2	103.0	0.3
1997 (Bud) .....	4.5	3.8	0.3	4.1	0.3	0.2	102.8	0.0

#### 1. 1995 Performance

The noncash collection service recovered 84.7 percent of total expenses, including targeted ROE, in 1995. Volume increased 23.2 percent compared to an original budgeted growth rate of 16.6 percent. The cost recovery shortfall was attributed to transition costs associated with consolidation of the Federal Reserve's noncash collection service at two processing sites—the Cleveland Reserve Bank and the Jacksonville Branch of the Federal Reserve Bank of Atlanta.

#### 2. 1996 Performance

Through August 1996, the noncash collection service recovered 103.3 percent of total expenses, including targeted ROE. For the year, Reserve Banks now estimate that the noncash collection service will recover 103.0 percent of total expenses, including targeted ROE, compared with the targeted full-year recovery rate of 100.0

percent. Noncash collection volume is expected to continue its long-term contraction.<sup>12</sup> The Reserve Banks estimate that 1996 volume will be less than 24 percent of the peak volume processed in 1985. Due to this declining demand, most national providers have withdrawn from providing noncash collection services. As a result, the Reserve Banks estimate that volume will increase 31.8 percent in 1996, compared to the budgeted increase of 22.5 percent. The combined effect of higher than budgeted volume, fee increases, and cost containment efforts account for the better-than-anticipated cost recovery.

#### 3. 1997 Issues

The Depository Trust Company (DTC) has recently entered the noncash collection business. The Reserve Banks believe that DTC's entrance into this service will not materially affect the Reserve Banks' 1997 noncash volume, since DTC's noncash collection service is limited to its participants. For 1997,

the Reserve Banks project a 19.6 percent volume decline from the 1996 estimated volume.

#### 4. 1997 Fees

The current fees will be retained in 1997. At these fee levels, the Reserve Banks project a cost recovery of 102.8 percent for 1997.

#### H. Special Cash Services

Priced special cash services represent a very small portion (approximately 2 percent) of overall cash services provided by the Reserve Banks to depository institutions. Special cash services include cash transportation, coin wrapping, nonstandard packaging of currency orders and deposits, and nonstandard frequency of access to cash services.

Table 9 presents the actual 1995, estimated 1996, and projected 1997 cost recovery performance for special cash services.

TABLE 9.—CASH PRO FORMA COST AND REVENUE PERFORMANCE  
[\$ millions]

Year	1 Revenue	2 Operating costs & im- puted ex- penses	3 Special project costs recov- ered	4 Total ex- pense [2+3]	5 Net income (ROE) [1-4]	6 Target ROE	7 Recovery rate after target ROE (percent) [1/(4+6)]	8 Special project costs de- ferred & fi- nanced
1995 .....	5.2	5.2	0.0	5.2	0.0	0.1	97.7	0.0
1996 (Est) .....	5.7	5.7	0.0	5.7	0.0	0.2	96.9	0.0
1997 (Bud) .....	5.5	5.2	0.0	5.2	0.4	0.3	102.1	0.0

#### 1. 1995 Performance

The special cash services recovered 97.7 percent of total expenses, including targeted ROE, in 1995.

#### 2. 1996 Performance

Through August 1996, the special cash services recovered 98.1 percent of

total expenses, including targeted ROE. For full-year 1996, the Reserve Banks estimate that special cash services will recover 96.9 percent of total expenses, compared to a targeted recovery rate of 102.2 percent. Costs were higher than budgeted and priced volumes were lower than budgeted in certain offices.

In March 1996, the Director of the Board's Division of Reserve Bank Operations and Payment Systems, under delegated authority from the Board, approved a proposal from the Federal Reserve Bank of San Francisco to charge fees for access to cash services beyond the basic service level.<sup>13</sup> Estimated

<sup>12</sup> The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) imposed a tax disadvantage to the holding of bearer securities, which has resulted in the virtual elimination of new issues. Following the enactment of TEFRA, many bearer municipal

securities were "immobilized" in depositories, such as DTC, further reducing the demand for noncash collection services.

<sup>13</sup> In April 1996, the Board approved a new cash access policy for the Federal Reserve Banks that

becomes effective on May 1, 1998. The policy provides for a base level of free currency access to all depository institutions, but restricts the number of offices served and the frequency of access. Depository institutions that meet minimum volume



revenues are lower than budgeted for 1996 because of lower-than-anticipated volume levels in the San Francisco District.

### 3. 1997 Fees

For 1997, the Reserve Banks project that special cash services will recover 102.1 percent of costs, including targeted ROE. Several Reserve Banks will increase fees for wrapped coin.

### III. Competitive Impact Analysis

All operational and legal changes considered by the Board that have a substantial effect on payment system

participants are subject to the competitive impact analysis described in the March 1990 policy statement "The Federal Reserve in the Payments System." In this analysis, the Board assesses whether the proposed change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services due to differing legal powers or constraints or due to a dominant market position of the Federal Reserve deriving from such legal differences.

The Board believes that the recommended price and service level changes will not have a direct and material adverse effect on the ability of other service providers to compete with the Reserve Banks in providing similar services. The 1997 fees proposed by the Reserve Banks result in a projected return on equity that meets the targeted return on equity, based on the 50 bank holding company model. Over the long term, the Reserve Banks have recovered their total costs of providing priced services, including imputed costs and targeted return on equity. Other service providers have pricing flexibility that is equal to, or greater than, that used by the Reserve Banks.

TABLE A-1—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES  
[Millions of dollars—average for year]

	1997	1996
<b>Short-term assets:</b>		
Imputed reserve requirement on clearing balances .....	\$545.7	409.6
Investment in marketable securities .....	4,911.3	3,686.7
Receivables <sup>1</sup> .....	64.3	64.4
Materials and supplies <sup>1</sup> .....	11.6	8.6
Suspense & Difference <sup>1</sup> .....	0.0	0.0
Prepaid expenses <sup>1</sup> .....	14.6	13.9
Items in process of collection .....	2,548.2	2,413.2
<b>Total short-term assets .....</b>	<b>8,095.7</b>	<b>6,596.4</b>
<b>Long-term assets:</b>		
Premises <sup>1,2</sup> .....	348.0	346.4
Furniture and equipment <sup>1</sup> .....	167.0	189.4
Leasehold improvements and long-term prepayments <sup>1</sup> .....	18.0	14.6
Capital leases .....	0.7	2.3
<b>Total long-term assets .....</b>	<b>533.7</b>	<b>552.7</b>
<b>Total assets .....</b>	<b>8,629.4</b>	<b>7,149.1</b>
<b>Short-term liabilities:</b>		
Clearing balances and balances arising from early credit of uncollected items .....	5,457.0	4,096.3
Deferred credit items .....	2,548.2	2,413.2
Short-term debt <sup>3</sup> .....	90.5	86.8
<b>Total short-term liabilities .....</b>	<b>8,095.7</b>	<b>6,596.3</b>
<b>Long-term liabilities:</b>		
Obligations under capital leases .....	0.7	2.3
Long-term debt <sup>3</sup> .....	180.5	182.7
<b>Total long-term liabilities .....</b>	<b>181.2</b>	<b>185.0</b>
<b>Total liabilities .....</b>	<b>8,276.9</b>	<b>6,781.3</b>
<b>Equity<sup>3</sup> .....</b>	<b>352.5</b>	<b>367.8</b>
<b>Total liabilities and equity .....</b>	<b>8,629.4</b>	<b>7,149.1</b>

<sup>1</sup> Financed through PSAF; other assets are self-financing.

<sup>2</sup> Includes allocations of Board of Governors' assets to priced services of \$0.5 million for 1997 and \$0.5 million for 1996.

<sup>3</sup> Imputed figures represent the source of financing for certain priced services assets.

**Note:** Details may not add to totals due to rounding.

thresholds will be able to obtain more frequent free access. Additional access, beyond the free level, will be priced.

<sup>1</sup> The Dockets Management Branch used the letter "G" to refer to the Government exhibits by the participants.

Table A-2—Derivation of the 1997 PSAF

[Millions of dollars]

A. Assets to be Financed: <sup>1</sup>		
Short-term .....		\$90.5
Long-term <sup>2</sup> .....		533.0
Total .....		\$623.5
B. Weighted Average Cost:		
1. Capital Structure: <sup>3</sup>		
Short-term Debt .....		14.5%
Long-term Debt .....		28.9%
Equity .....		56.5%
2. Financing Rates/Costs: <sup>3</sup>		
Short-term Debt .....		5.2%
Long-term Debt .....		7.1%
Pre-tax Equity <sup>4</sup> .....		19.1%
3. Elements of Capital Costs:		
Short-term Debt .....	\$90.5×5.2%=\$4.7	
Long-term Debt .....	180.5×7.1%=12.8	
Equity .....	352.5×19.1%=67.5	
Total .....		85.0
C. Other Required PSAF Recoveries:		
Sales Taxes .....		\$11.6
Federal Deposit Insurance Assessment .....		2.0
Board of Governors Expenses .....		2.9
Total .....		\$16.5
D. Total PSAF Recoveries .....		\$101.5
As a percent of capital .....		16.3%
As a percent of expenses <sup>5</sup> .....		16.6%

<sup>1</sup> Priced service asset base is based on the direct determination of assets method.<sup>2</sup> Consists of total long-term assets, including the priced portion of FRAS assets, less self financing capital leases.<sup>3</sup> All short-term assets are assumed to be financed by short-term debt. Of the total long-term assets, 33 percent are assumed to be financed by long-term debt and 67 percent by equity.<sup>4</sup> The pre-tax rate of return on equity is based on the average after-tax rate of return on equity, adjusted by the effective tax rate to yield the pre-tax rate of return on equity for each bank holding company for each year. These data are then averaged over five years to yield the pre-tax return on equity for use in the PSAF.<sup>5</sup> Systemwide 1997 budgeted priced service expenses less shipping are \$613.1 million.

TABLE A-3.—COMPARISON BETWEEN 1997 AND 1996 PSAF COMPONENTS

	1997	1996
A. Assets to be Financed (millions of dollars):		
Short-term .....	\$90.5	\$86.9
Long-term .....	533.0	550.4
Total .....	\$623.5	\$637.3
B. Cost of Capital:		
Short-term Debt		
Rate .....	5.2%	3.9%
Long-term Debt		
Rate .....	7.1%	7.6%
Pre-tax Return on Equity .....	19.1%	14.2%

TABLE A-3.—COMPARISON BETWEEN 1997 AND 1996 PSAF COMPONENTS—Continued

	1997	1996
Weighted Average Long-term Cost of Capital	15.1%	12.0%
C. Tax Rate .....	32.1%	29.9%
D. Capital Structure:		
Short-term Debt	14.5%	13.6%
Long-term Debt ..	29.0%	28.7%
Equity .....	56.5%	57.7%
E. Other Required PSAF Recoveries (millions of dollars):		
Sales Taxes .....	\$11.6	\$11.3

TABLE A-3.—COMPARISON BETWEEN 1997 AND 1996 PSAF COMPONENTS—Continued

	1997	1996
Federal Deposit Insurance Assessment .....	2.0	2.2
Board of Governors Expenses .....	2.9	2.8
F. Total PSAF:		
Required Recovery .....	\$101.5	\$85.8
As Percent of Capital .....	16.3%	13.5%
As Percent of Expenses .....	16.6%	14.1%

TABLE A-4.—COMPUTATION OF CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars]

	Assets	Risk weight	Weighted assets
Imputed reserve requirement on clearing balances .....	\$545.7	0.0	\$0.0
Investment in marketable securities .....	4,911.3	0.0	0.0
Receivables .....	64.3	0.2	12.9
Materials and supplies .....	11.6	1.0	11.6

TABLE A-4.—COMPUTATION OF CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES—Continued  
[Millions of dollars]

	Assets	Risk weight	Weighted assets
Suspense & Difference .....	0.0	0.2	0.0
Prepaid expenses .....	14.6	1.0	14.6
Items in process of collection .....	2,548.2	0.2	509.6
Premises .....	348.0	1.0	348.0
Furniture and equipment .....	167.0	1.0	167.0
Leases & long-term prepayments .....	18.7	1.0	18.7
Total .....	\$8,629.5	.....	1,082.4
Imputed Equity for 1996 .....	\$352.5	.....	.....
Capital to Risk-Weighted Assets (percent) .....	32.6	.....	.....
Capital to Total Assets (percent) .....	4.1	.....	.....

By order of the Board of Governors of the Federal Reserve System.

Dated: November 26, 1996.

William W. Wiles,

Secretary of the Board.

[FR Doc. 96-30705 Filed 12-2-96; 8:45 am]

BILLING CODE 6210-01-P

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

### Sunshine Act Meeting

**TIME AND DATE:** 11:00 a.m., Monday, December 9, 1996.

**PLACE:** Marriner S. Eccles Federal Reserve Board Building, C Street entrance between 20th and 21st Streets, N.W., Washington, D.C. 20551.

**STATUS:** Closed.

#### MATTERS TO BE CONSIDERED:

1. Personnel actions (appointments, promotions, assignments, reassignments, and salary actions) involving individual Federal Reserve System employees.

2. Any items carried forward from a previously announced meeting.

**CONTACT PERSON FOR MORE INFORMATION:** Mr. Joseph R. Coyne, Assistant to the Board; (202) 452-3204. You may call (202) 452-3207, beginning at approximately 5 p.m. two business days before this meeting, for a recorded announcement of bank and bank holding company applications scheduled for the meeting.

Dated: November 29, 1996.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 96-30934 Filed 11-29-96; 4:03 pm]

BILLING CODE 6210-01-P

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Administration for Children and Families

#### Submission for OMB Review; Comment Request

**Title:** Case Plan, Sections 422, 471(a)(16), 475(1) and 475(5)(A) of the Social Security Act Child Care and

Development Block Grant Reporting Requirements.

OMB No.: 0980-0140.

**Description:** Under section 471(a)(16) of title IV-E of the Social Security Act, in order for a State to be eligible for payments they must have an approved State plan which provides for the development of a case plan (as defined in section 475(1)) for each child receiving foster care maintenance payments and provides a case review system which meets the requirements in section 475(5)(B). Through these requirements the State also complies with title IV-B, section 422(b)(9) (as of 4/1/96) which assures certain protection for children in foster care.

**Respondents:** State governments.

#### ANNUAL BURDEN ESTIMATES

Instrument	Number of respondents	Number of responses per respondent	Average burden hours per response	Total burden hours
Case plan .....	445,000	1	4	1,780,000

Estimated Total Annual Burden Hours: 1,780,000.

#### Additional Information

Copies of the proposed collection may be obtained by writing to The Administration for Children and Families, Office of Information Services, Division of Information Resource Management Services, 370 L'Enfant Promenade, S.W., Washington, D.C.

20447, Attn: ACF Reports Clearance Officer.

#### OMB Comment

OMB is required to make a decision concerning the collection of information between 30 and 60 days after publication of this document in the Federal Register. Therefore, a comment is best assured of having its full effect if OMB receives it within 30 days of

publication. Written comments and recommendations for the proposed information collection should be sent directly to the following: Office of Management and Budget, Paperwork Reduction Project, 725 17th Street, N.W., Washington, D.C. 20503, Attn: Ms. Wendy Taylor.