disclose facts or considerations which indicate that the settlement is inappropriate, improper, or inadequate.

ADDRESSES: Copies of the settlement are available from Ms. Paula V. Painter. Submit your comments by Site name Ellis Road/American Electric Corporation Site by one of the following methods:

- *www.epa.gov/region4/superfund/programs/enforcement/enforcement.html.*
- Email. *Painter.Paula@epa.gov.*
- U.S. Environmental Protection Agency, 61 Forsyth Street SW., Atlanta, Georgia 30303.

FOR FURTHER INFORMATION CONTACT: Paula V. Painter at 404/562–8887.

Dated: October 18, 2012.

Anita L. Davis,

Chief, Superfund Enforcement & Information Management Branch, Superfund Division.

[FR Doc. 2012–27321 Filed 11–7–12; 8:45 am]

BILLING CODE 6560–50–P

EXPORT-IMPORT BANK OF THE UNITED STATES

Sunshine Act Meeting; Notice of a Partially Open Meeting of the Board of Directors of the Export-Import Bank of the United States

TIME AND PLACE: Thursday, November 15, 2012 at 9:30 a.m. The meeting will be held at Ex-Im Bank in Room 321, 811 Vermont Avenue NW., Washington, DC 20571.

OPEN AGENDA ITEMS: Item No. 1: Ex-Im Bank Advisory Committee for 2013.

Note: This item was originally scheduled for discussion on November 1, 2012. However, the meeting was cancelled due to Federal Government closures because of inclement weather earlier in the week.

PUBLIC PARTICIPATION: The meeting will be open to public observation for Item No. 1 only.

FURTHER INFORMATION: For further information, contact: Office of the Secretary, 811 Vermont Avenue NW., Washington, DC 20571, (202) 565–3336.

Lisa V. Terry,

Assistant General Counsel.

[FR Doc. 2012–27474 Filed 11–7–12; 8:45 am]

BILLING CODE 6690–01–P

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

Sunshine Act Notice

November 2, 2012.

TIME AND DATE: 1:00 p.m., Friday, November 16, 2012.

PLACE: The Richard V. Backley Hearing Room, Room 511N, 1331 Pennsylvania Avenue NW., Washington, DC 20004 (entry from F Street entrance).

STATUS: Open.

MATTERS TO BE CONSIDERED: The Commission will consider and act upon the following in open session: *Secretary of Labor* v. *The American Coal Co.,* Docket No. LAKE 2010–408–R. (Issues include whether the Administrative Law Judge erred in vacating an order issued under section 103(k) of the Mine Act, 30 U.S.C. 813(k).)

Any person attending this meeting who requires special accessibility features and/or auxiliary aids, such as sign language interpreters, must inform the Commission in advance of those needs. Subject to 29 CFR 2706.150(a)(3) and 2706.160(d).

CONTACT PERSON FOR MORE INFO: Jean Ellen, (202) 434–9950/(202) 708–9300 for TDD Relay/1–800–877–8339 for toll free.

Emogene Johnson,

Administrative Assistant.

[FR Doc. 2012–27322 Filed 11–6–12; 11:15 am]

BILLING CODE 6735–01–P

FEDERAL RESERVE SYSTEM

[Docket No. OP–1448]

Federal Reserve Bank Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) has approved the private sector adjustment factor (PSAF) for 2013 of $14.1 million and the 2013 fee schedules for Federal Reserve priced services and electronic access. 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 new fee schedules become effective January 2, 2013.

FOR FURTHER INFORMATION CONTACT: For questions regarding the fee schedules: Susan V. Foley, Associate Director, (202/452–3596); Samantha J. Pelosi, Manager, Retail Payments, (202/530–6292); Linda S. Healey, Senior Financial Services Analyst, (202/452–5274), Division of Reserve Bank Operations and Payment Systems. For questions regarding the PSAF and earnings credits on clearing balances: Gregory L. Evans, Deputy Associate Director, (202/452–3945); Brenda L. Richards, Manager, Financial Accounting, (202/452–2753); or John W. Curle, Senior Financial Analyst, (202/452–3916), Division of Reserve Bank Operations and Payment Systems. For users of Telecommunications Device for the Deaf (TDD) *only,* please call 202/263–4869. Copies of the 2013 fee schedules for the check service are available from the Board, the Federal Reserve Banks, or the Reserve Banks' financial services web site at *www.frbservices.org.*

SUPPLEMENTARY INFORMATION:

I. Private Sector Adjustment Factor and Priced Services

A. Overview—Each year, as required by the Monetary Control Act of 1980, the Reserve Banks set fees for priced services provided to depository institutions. These fees are set to recover, over the long run, all direct and indirect costs and imputed costs, including financing costs, taxes, and certain other expenses, as well as the return on equity (profit) that would have been earned if a private business firm provided the services. The imputed costs and imputed profit are collectively referred to as the PSAF.[1] From 2002 through 2011, the Reserve Banks recovered 98.6 percent of their total expenses (including imputed costs) and targeted after-tax profits or return on equity (ROE) for providing priced services.[2][3]

[1] The methodology for computing imputed profit and imputed costs was changed for 2013 (see Attachment I). This change follows the elimination of the clearing balance program (77 FR 21846, April 12, 2012). In the 2012 methodology, investment income is imputed and netted with related direct costs associated with clearing balances to estimate net income on clearing balances (NICB).

[2] The ten-year recovery rate is based on the pro forma income statement for Federal Reserve priced services published in the Board's *Annual Report.* Effective December 31, 2006, the Reserve Banks implemented Statement of Financial Accounting Standards (SFAS) No. 158: *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* [Accounting Standards Codification (ASC) 715 *Compensation—Retirement Benefits*], which resulted in recognizing a reduction in equity related to the priced services' benefit plans. Including this reduction in equity results in cost recovery of 95.3 percent for the ten-year period. This measure of long-run cost recovery is also published in the Board's *Annual Report.*

[3] Over this period, the Reserve Banks have undertaken a range of cost-reduction and revenue-generation initiatives as part of their long-term business strategy. These initiatives have included streamlining management structures, reducing

Table 1 summarizes 2011 actual, 2012 estimated, and 2013 budgeted cost-recovery rates for all priced services. Cost recovery is estimated to be 101.4 percent in 2012 and budgeted to be 102.7 percent in 2013. The check service accounts for nearly half of the total cost of priced services and thus significantly influences the aggregate cost-recovery rate.

TABLE 1—AGGREGATE PRICED SERVICES PRO FORMA COST AND REVENUE PERFORMANCE [a]

[$ millions]

Year	1 [b] Revenue	2 [c] Total expense	3 Net income (roe) [1–2]	4 [d] Targeted roe	5 [e] Recovery rate after targeted roe [1/(2+4)]
2011 (actual)	478.6	444.4	34.1	16.8	103.8%
2012 (estimate)	446.3	431.0	15.3	9.1	101.4%
2013 (budget)	423.6	408.3	15.3	4.2	102.7%

[a] Calculations in table 1 and subsequent pro forma cost and revenue tables may be affected by rounding.

[b] For 2011 and 2012, revenue includes net income on clearing balances (NICB). Clearing balances were assumed to be invested in short-term Treasury securities and federal funds. NICB equals the imputed income from these investments less earnings credits granted to holders of clearing balances. The cost of earnings credits is based on the discounted three-month Treasury bill rate. For 2013, revenue includes imputed investment income from additional equity imputed to meet minimum capital requirements.

[c] The calculation of total expense includes operating, imputed, and other expenses. Imputed and other expenses include taxes, FDIC insurance, Board of Governors' priced services expenses, the cost of float, and interest on imputed debt, if any. Credits or debits related to the accounting for pension plans under FAS 158 [ASC 715] are also included.

[d] Targeted ROE is the after-tax ROE included in the PSAF. For the 2012 estimate and 2011 actuals, the targeted ROE reflects average actual clearing balance levels through July 2012 and December 2011, respectively. The clearing balance program was eliminated in 2012; therefore, the clearing balances are not included in the 2013 budget.

[e] The recovery rates in table 1 and subsequent tables do not reflect the unamortized gains or losses that must be recognized in accordance with FAS 158 [ASC 715]. Future gains or losses, and their effect on cost recovery, cannot be projected.

Table 2 portrays an overview of cost-recovery performance for the ten-year period from 2002 to 2011, 2011 actual, 2012 budget, 2012 estimate, and 2013 budget by priced service.

TABLE 2—PRICED SERVICES COST RECOVERY

[Percent]

Priced service	2002–2011	2011 Actual	2012 Budget	2012 Estimate	2013 Budget [a]
All services	98.6	103.8	101.2	101.4	102.7
Check	97.6	105.4	102.2	103.8	107.2
FedACH	102.4	100.8	100.7	100.3	100.4
Fedwire Funds and NSS	101.8	103.0	99.2	98.3	98.0
Fedwire Securities	102.2	103.1	102.6	98.2	100.9

[a] 2013 budget figures reflect the initial budget submissions from the Reserve Banks. The Reserve Banks will transmit final budget data to the Board in November 2012, for Board consideration in December 2012. 2012 budget figures reflect the final budget as approved by the Board in December 2011.

1. *2012 Estimated Performance*—The Reserve Banks estimate that they will recover 101.4 percent of the costs of providing priced services in 2012, including imputed costs and targeted ROE, compared with a budgeted recovery rate of 101.2 percent, as shown in table 2. Overall, the Reserve Banks estimate that they will fully recover actual and imputed costs and earn net income of $15.3 million, compared with the target of $9.1 million. While the check service and the FedACH Service are expected to achieve full cost recovery in 2012, the Fedwire Funds and National Settlement Services and the Fedwire Securities Service are expected to recover 98.3 and 98.2 percent of their costs, respectively. The shortfalls are due to both lower revenue, associated with less-than-anticipated volume growth, and greater costs, associated with technological upgrades. Greater-than-expected check volume processed by the Reserve Banks has been the single most significant factor influencing priced services cost recovery.

2. *2013 Private Sector Adjustment Factor*—The 2013 PSAF for Reserve Bank priced services is $14.1 million. This amount represents a decrease of $8.7 million from the revised 2012 PSAF estimate of $22.8 million. This reduction is primarily the result of a decrease in the cost of equity, which is due to a lower amount of imputed equity associated with the elimination of clearing balances, and the elimination of the FDIC assessment.[4] [5]

staffing levels, increasing productivity, and selectively raising fees. These initiatives largely involved the check service, which contributes significantly to overall cost recovery and drove several years of under recovery earlier in the time period. For instance, the Reserve Banks restructured the number of offices at which paper checks were processed from forty-five at the beginning of 2003 to one location in 2010. The System's electronic check processing was also consolidated at one Federal Reserve site.

[4] In October 2011, the Board approved a budgeted 2012 PSAF of $29.9 million, which was based on the July 2011 clearing balance level of $2,661.1 million. The 2012 estimated PSAF of $22.8 million, which is based on actual average clearing balances that were $2,073.3 at July 2012, reflects the

Continued

3. *2013 Projected Performance*—The Reserve Banks project that the check, FedACH, and Fedwire Securities Services will fully recover their costs in 2013. The Reserve Banks also project that the Fedwire Funds and National Settlement Service will achieve close to full-cost recovery. Overall, the Reserve Banks project a priced services cost-recovery rate of 102.7 percent in 2013, with a net income of $15.3 million, compared to a targeted ROE of $4.2 million.

The primary risks to the Reserve Banks' ability to achieve their targeted cost recovery rates are unanticipated volume and revenue reductions and the potential for cost overruns or delays with technological upgrades. In light of these risks, the Reserve Banks will continue to refine their business and operational strategies to manage aggressively operating costs, take advantage of efficiencies gained from technological upgrades, and increase product revenue.

4. *2013 Pricing*—The following summarizes the Reserve Banks' changes in fee schedules for priced services in 2013:

Check

- The Reserve Banks will retain at current levels FedForward and FedReturn fees for checks presented and returned electronically. At the same time, the Reserve Banks will increase fees for items destined for endpoints that receive substitute checks for forward items and for return items.[6] The per item fee charged for electronic deposits that are presented as substitute checks will increase from $0.12 to $0.15 and the per item fee charged for electronic returns that are delivered to the depositary bank as substitute checks will increase from $1.40 to $1.45. The effective average fee for collecting a check destined to a substitute check endpoint is expected to be $.1564, an increase of 19 percent, for forward items and $1.4500, an increase of 4 percent, for return items.
- The projected weighted effective average price to collect a check deposited electronically in 2013 will decline 4 percent to $0.0186 and the weighted effective average price to return a check deposited electronically will decline 3 percent to $0.6505. Virtually all forward and return items are now delivered electronically.
- The Reserve Banks also will simplify the fee structure for paper check forward and return collection deposits. The Reserve Banks will charge for two categories of forward collection deposits: encoded and unencoded. The fees are $10.00 per cash letter and $2.00 for each encoded item and $3.00 for each unencoded item. Additionally, the Reserve Banks will charge for two categories of return item deposits: qualified and unqualified. The fees are $15.00 per cash letter and $5.00 for each qualified item and $12.00 for each unqualified return. The fee to encode Canadian items will increase from $0.50 to $1.00 per item.
- The Reserve Banks project that approximately 0.01 percent of check forward deposit volume and approximately 0.53 percent of return check volume will be in paper-based products. The weighted effective average price for clearing a forward paper item and processing a return paper item in 2013 is projected to be $6.76 and $7.89 (increases of 55 and 5 percent), respectively, which reflects the high costs of handling the remaining paper volume.
- The Reserve Banks will reduce their forward presentment and return delivery options to FedReceipt Plus, PDF (for returns only), and paper.[7] Additionally, the Helena Pilot, in which paying banks in the former Helena zone received FedReceipt Plus at no charge, will be discontinued.[8]
- The Reserve Banks also will introduce incentive pricing for depository institutions that designate the Reserve Banks as their electronic presentment and return point. Such depository institutions will receive discounts on fees charged for electronically deposited and returned items of $0.002 and $0.10, respectively. To receive the discounts, depository institutions will be required to register for the incentive, which will then begin the first full month after registration.
- With the 2013 fees, the price index for the total check service will have increased 54 percent since 2003. In comparison, since 2005, the first full year in which the Reserve Banks offered Check 21 services, the price index for Check 21 services will have decreased about 51 percent.

FedACH

- The Reserve Banks will raise the fee charged to receivers of ACH returns from $0.005 to $0.0075. The Reserve Banks will also increase the FedACH monthly settlement fee from $45 to $50 per routing number and the monthly international ACH transaction (IAT) output file sort fee from $50 to $75 per routing number. The fee for facsimile exception return and notification of change will rise from $30 to $45.
- The Reserve Banks will also introduce volume-tiered package pricing for the FedACH Risk Management and FedPayments Reporter Services, to make more attractive the usage of these services.
- With the 2013 fees, the price index for the FedACH service will have decreased 6 percent since 2003.

Fedwire Funds and National Settlement

- The Reserve Banks will implement a new per item fee of $0.30 on all transfers sent and received that exceed $100 million (high-value transfer surcharge). The Reserve Banks will also increase the end-of-day origination surcharge from $0.20 to $0.21, the surcharge for offline transfers from $40 to $45, and the monthly fee for the usage of the FedPayments Manager import/export tool from $20 to $30.[9]
- The Reserve Banks will increase the Tier 1 per item pre-incentive fee from $0.58 to $0.65 per transaction, the Tier 2 per item pre-incentive fee from $0.24 to $0.25, and the Tier 3 per item pre-incentive fee from $.0135 to $.0145.[10]
- The Reserve Banks will increase the National Settlement Service's settlement file charge from $21 to $25 and the settlement charge per entry from $1.00 to $1.20. The Reserve Banks will also increase the National Settlement Service's surcharge for offline file origination from $40 to $45.
- With the 2013 fees, the price index for the Fedwire Funds and National

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elimination of the clearing balance program effective July 12, 2012 (77 FR 21846, April 12, 2012). Clearing balances after July 12, 2012 were zero.

[5] The Board has changed its methodology for calculating the PSAF from a correspondent bank model to a publicly traded firm (PTF) model. These changes affect the comparative analysis of the 2013 and 2012 PSAF. (Published elsewhere in today's **Federal Register**.)

[6] A substitute check is a paper reproduction of an original check that contains an image of the front and back of the original check and is suitable for automated processing in the same manner as the original check.

[7] FedReceipt is electronic presentment with accompanying images of all items delivered to a paying bank or depositary bank.

[8] The Helena pilot was put in place in mid-2007 before the Helena office closed to encourage Helena zone customers to move to FedReceipt Plus, which would minimize the transportation costs associated with delivering paper items once the office closed.

[9] This fee is charged to any Fedwire Funds participant that originates a Fedwire Funds transfer message via the FedPayments Manager (FPM) Funds tool and has the import/export processing option setting active at any point during the month.

[10] The per item pre-incentive fee is the fee that the Reserve Banks charge for transfers that do not qualify for incentive discounts. The Tier 1 per item pre-incentive fee applies to the first 14,000 transfers, the Tier 2 per item pre-incentive fee applies to the next 76,000 transfers, and the Tier 3 per item pre-incentive fee applies to any additional transfers. The Reserve Banks apply an 80 percent incentive discount to every transfer over 50 percent of a customer's historic benchmark volume.

Settlement Services will have increased 77 percent since 2003.

Fedwire Securities

- The Reserve Banks will increase the online transfer fee from $0.45 to $0.54.
- The Reserve Banks will increase the monthly issue maintenance fee from $0.45 to $0.54 per issue. The Reserve Banks will also increase the claim adjustment fee from $0.66 to $0.75.
- With the 2013 fees, the price index for the Fedwire Securities Service will have increased 65 percent since 2003.

FedLine Access Solutions

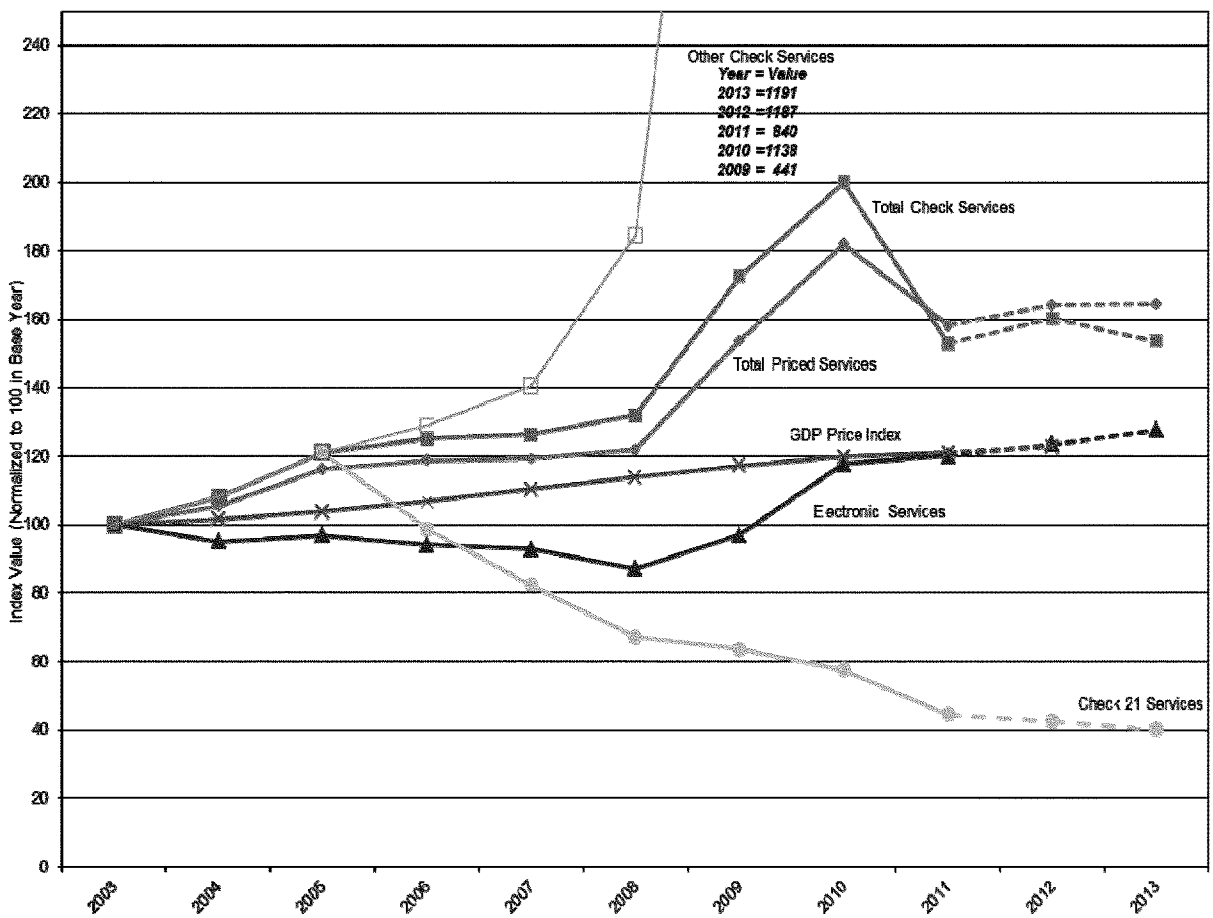
- The Reserve Banks will increase the fees on legacy services, such as an additional $10 per month for FedMail Fax, $450 per month for FedLine Direct (56K), and $100 per month for the Dial-Only VPN surcharge. The Reserve Banks will also increase the monthly fees for basic cash management reports within the accounting services.
- The Reserve Banks will increase the monthly fees for FedLine Direct Plus (256K) and FedLine Direct Premier (T1) by $100 and $300, respectively. Fees for additional 256K and T1 connections will also increase by $50, as well as the fees for additional FedLine Command and FedLine Direct certificates by $20 per month. The Reserve Banks will also increase FedMail Email by $10 per month. Monthly fees for enhanced cash management reports, which include respondent and subaccount activity will also increase.
- Although the Reserve Banks will not change published fees, they will raise certain volume thresholds for FedComplete packages, which will improve the business case for customers.
- Electronic access fees are allocated to each priced service and are not separately reflected in comparison with the GDP price index.

5. *2013 Price Index*—Figure 1 compares indexes of fees for the Reserve Banks' priced services with the GDP price index. Compared with the price index for 2012, the price index for all Reserve Bank priced services is projected to increase less than 1 percent in 2013. The price index for total check services is projected to decrease approximately 4 percent. The price index for Check 21 services is projected to decrease approximately 5 percent, reflecting a slight decrease in the effective prices paid to collect and return checks using Check 21 services and wide adoption of electronic check services. The price index for all other check services is projected to increase less than 1 percent. The price index for electronic payment services, which include the FedACH Service, Fedwire Funds and National Settlement Services, and Fedwire Securities Service, is projected to increase approximately 3 percent. For the period 2003 to 2013, the price index for all priced services is expected to increase 64 percent. In comparison, for the period 2003 to 2011, the GDP price index increased 20 percent.

FIGURE 1

2013 Price Index

PRICE INDEXES FOR FEDERAL RESERVE PRICED SERVICES



B. Private Sector Adjustment Factor—The method for calculating the financing and equity costs in the PSAF requires determining the appropriate imputed levels of debt and equity and then applying the applicable financing rates. In this process, a pro forma balance sheet using estimated assets and liabilities associated with the Reserve Banks' priced services is developed, and the remaining elements that would exist are imputed, as if these priced services were provided by a private business firm. The same generally accepted accounting principles that apply to commercial-entity financial statements apply to the relevant elements in the priced services pro forma financial statements.

The portion of Federal Reserve assets that will be used to provide priced services during the coming year is determined using information on actual assets and projected disposals and acquisitions. The priced portion of these assets is determined based on the allocation of the related depreciation expense. The priced portion of actual Federal Reserve liabilities consists of pension and other benefits, accounts payable, and other liabilities.

The equity financing rate is the targeted ROE rate produced by the capital asset pricing model (CAPM). In the CAPM, the required rate of return on a firm's equity is equal to the return on a risk-free asset plus a market risk premium. To implement the CAPM, the risk-free rate is based on the three-month Treasury bill; the beta is assumed to equal 1.0, which approximates the risk of the market as a whole; and the monthly returns in excess of the risk-free rate over the most recent 40 years are used as the market risk premium. The resulting ROE influences the dollar level of the PSAF because this is the return a shareholder would require in order to invest in a private business firm.

For simplicity, given that federal corporate income tax rates are graduated, state income tax rates vary, and various credits and deductions can apply, an actual income tax expense is not calculated for Reserve Bank priced services. Instead, the Board targets a pretax ROE that would provide sufficient income to fulfill the priced services' imputed income tax obligations. To the extent that actual performance results are greater or less than the targeted ROE, income taxes are adjusted using an imputed income tax rate.

The Board has changed its methodology for calculating the PSAF from a correspondent bank model to a publicly traded firm (PTF) model. These changes affect the comparative analysis of the 2013 and 2012 PSAF. (Published elsewhere in today's **Federal Register**.)

Capital structure. In the new PTF model, the capital structure is imputed based on the funding need (assets less liabilities), subject to minimum equity constraints. If estimated assets are in excess of estimated liabilities, the Board imputes first debt funding (either short- or long-term) and then equity to meet the capital structure of the U.S. publicly traded firm market or minimum equity constraints. Minimum equity follows the FDIC requirements for a well-capitalized institution of at least 5 percent of total assets and 10 percent of risk-weighted assets. If minimum equity constraints are not met after imputing equity based on all other financial statement components, additional equity is imputed to meet these constraints. Additional equity imputed to meet minimum equity requirements is imputed as invested in Treasury securities.

The capital structure in the correspondent bank model was derived from the portion of Federal Reserve assets and liabilities associated with priced services. Short-term debt was imputed only when short-term liabilities were insufficient to fund short-term assets. Long-term debt was imputed only when core clearing balances, other long-term liabilities, and equity were not sufficient to fund long-term assets.[11] Short-term debt was imputed only when other short-term liabilities and clearing balances not used to finance long-term assets were insufficient to fund short-term assets. A portion of clearing balances was used as a funding source for short-term priced-services assets. In addition, long-term assets have been partially funded from core clearing balances. Imputed equity was set to meet the FDIC requirements for a well-capitalized institution for insurance premium purposes and represents the market capitalization, or shareholder value, for Reserve Bank priced services.[12]

Effective tax rate. As with the imputed capital structure, the effective tax rate in the PTF model is based on data from U.S. publicly traded firms. This tax rate is the mean of the weighted average rates of the U.S. publicly traded firm market over the past 5 years.

The effective tax rate used in the correspondent bank model was an imputed income tax rate that is the median of the rates paid by the top 50 bank holding companies based on deposit balances over the past five years, adjusted to the extent that they invested in tax-free municipal bonds.

Debt and equity financing. In the PTF model, the imputed short- and long-term debt financing rates are derived from nonfinancial commercial paper rates from the Federal Reserve Board's H.15 Selected Interest Rates release and the annual Merrill Lynch Corporate & High Yield Index rate, respectively. The rates for debt and equity financing are applied to the priced services estimated imputed liabilities and imputed equity derived from the target capital structure. In the correspondent bank model, the debt financing rate, where applicable, was based on the debt financing rate observed from data from the top 50 bank holding companies.

Net income on clearing balances. In 2012, the correspondent bank model imposed investment constraints based on interest rate fluctuations. Because of cost recovery sensitivity constraints to interest rate fluctuations, the investment of clearing balances in 2012 was limited to three-month Treasury bills (with no additional imputed constant spread from an imputed investment portfolio). Clearing balances were eliminated in July 2012, and therefore are no longer a factor in calculating the PSAF.

1. *Calculating Cost Recovery*—In 2012, the PSAF and NICB are incorporated into the projected and actual cost-recovery calculations for Reserve Bank priced services. When calculating actual cost recovery for the priced services at the end of each year, the Board historically has used the PSAF derived during the price-setting process with only minimal adjustments for actual rates or balance levels.[13] Beginning in 2009, in light of the uncertainty about the long-term effect that the payment of interest on reserve balances would have on the level of clearing balances, the Board adjusted the PSAF used in the actual cost-recovery calculation to reflect the actual clearing balance levels maintained throughout the year.

The NICB in the correspondent bank model was imputed based on the assumption that the Reserve Banks invest clearing balances net of an imputed reserve requirement and balances used to finance priced services assets.[14] The Reserve Banks imputed a constant spread, determined by the return on a portfolio of investments, over the three-month Treasury bill rate and applied this investment rate to the net level of clearing balances.[15] A return on the imputed reserve requirement, which was based on the level of clearing balances on the pro forma balance sheet, was imputed to reflect the return that would be earned on a required reserve balance held at a Reserve Bank. The clearing balance program was eliminated effective July 12, 2012 as a part of reserve simplification efforts.[16]

The calculation also involved determining the priced services cost of earnings credits (amounts available to offset service fees) on contracted clearing balances held, net of expired earnings credits, based on a discounted three-month Treasury bill rate. Rates and clearing balance levels used in the 2012 estimated NICB were based on July 2012 rates and clearing balance levels.

2. *Analysis of the 2013 PSAF*—The decrease in the 2013 PSAF is due primarily to the elimination of the clearing balance program and the resulting reduction in the level of imputed investments and equity.

Projected 2013 Federal Reserve priced-services assets, reflected in table 3, have decreased $3,324.3 million as compared to 2012, as a result of the decline in imputed investments associated with the elimination of clearing balances.

Credit float, which represents the difference between items in process of

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[11] For 2012, $1 billion of core clearing balances were considered the portion of the balances that has remained stable over time without regard to the magnitude of actual clearing balances.

[12] For 2013 and 2012 PSAF, the FDIC requirements for a well-capitalized depository institution are 1) a ratio of total capital to risk-weighted assets of 10 percent or greater, 2) a ratio of Tier 1 capital to risk-weighted assets of 6 percent or greater, and 3) a leverage ratio of Tier 1 capital to total assets of 5 percent or greater. The priced services balance sheet has no components of Tier 1 or total capital other than equity; therefore, requirements 1 and 2 are essentially the same measurement.

As used in this context, the term ''shareholder'' does not refer to the member banks of the Federal Reserve System, but rather to the implied shareholders that would have an ownership interest if the Reserve Banks' priced services were provided by a private firm.

[13] The largest portion of the PSAF, the target ROE, historically has been fixed. Imputed sales tax, income tax, and the FDIC assessment (where applicable) are recalculated at the end of each year to adjust for actual expenditures, net income, and clearing balance levels.

[14] Reserve requirements are the amount of funds that a depository institution must hold, in the form of vault cash or deposits with Federal Reserve Banks, in reserve against specified deposit liabilities. The dollar amount of a depository institution's reserve requirement is determined by applying the reserve ratios specified in the Board's Regulation D to the institution's reservable liabilities. The Reserve Banks priced services impute a reserve requirement of 10 percent, which is applied to the amount of clearing balances held with the Reserve Banks and to credit float.

[15] The allowed portfolio of investments is comparable to a bank holding company's investment holdings, such as short-term Treasury securities, government agency securities, federal funds, commercial paper, long-term corporate bonds, and money market funds. The investments imputed for 2012 are three-month Treasury bills and federal funds.

[16] 77 FR 21846, April 12, 2012.

collection and deferred credit items, decreased to $550.0 million in 2013 from $1,100.0 million in 2012.[17] The decrease is primarily a result of decreased use of products that tend to generate credit float.

As previously mentioned, the clearing balance program was discontinued in 2012, eliminating clearing balances as a funding source in 2013. The PTF methodology for calculating PSAF in 2013 does not incorporate clearing balances; therefore, funding for assets is derived exclusively from debt and equity. In 2013, $14.4 million in short-term debt was imputed to meet financing needs of short-term assets. Additional equity was imputed to meet the minimum capital to risk-weighted asset ratio constraint of the PTF model. In 2012, clearing balances are available as a funding source for priced-services assets. As shown in table 4, in 2012, $19.2 million in clearing balances was used as a funding source for short-term assets. Long-term liabilities and equity exceeded long-term assets by $124.9 million; therefore, no core clearing balances were used to fund long-term assets. In 2013, additional equity imputed was $58.1 million and the corresponding investment income was $0.1 million.

In 2013, minimum equity constraints were not met after imputing equity based on all other financial statement components. The calculation of cost recovery included imputing investment income associated with additional equity that resulted from imputing equity to meet the equity constraints in the model. If additional equity is imputed to meet these constraints, it is invested in Treasury securities.

As shown in table 3, the amount of equity imputed for the 2013 PSAF is $72.3 million, a decrease of $162.4 million from the imputed equity for 2012. In accordance with FAS 158 [ASC 715], this amount includes an accumulated other comprehensive loss of $615.3 million. In 2013, the capital-to-total-assets ratio and the capital-to-risk-weighted-assets ratio must be equal to or greater than the regulatory requirements for a well-capitalized depository institution. The ratio of capital to risk-weighted assets is calculated at 10 percent, and equity exceeds 5 percent of total assets.[18] For 2013, with the replacement of the correspondent bank model, the FDIC assessment no longer applies. For 2012, the Reserve Banks imputed an FDIC assessment of $2.2 million for the priced services based on the FDIC's assessment rates and the level of total priced services assets on the pro forma balance sheet.[19]

Table 5 shows the imputed PSAF elements for 2013 and 2012, including the pretax ROE and other required PSAF costs. The $13.1 million decline in the 2012 ROE of $19.9 million is mainly caused by a lower amount of imputed equity. Imputed sales taxes decreased to $3.3 million in 2013 from $3.7 million in 2012. The effective income tax rate used in 2013 increased to 38.5 percent from 30.9 percent in 2012. The priced services portion of the Board's expenses decreased $0.1 million to $4.0 million in 2013 from $4.1 million in 2012.

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[17] Credit float occurs when the Reserve Banks present transactions to the paying bank prior to providing credit to the depositing bank.

[18] In December 2006, the Board, the FDIC, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision announced an interim ruling that excludes FAS 158 [ASC 715]-related accumulated other comprehensive income or losses from the calculation of regulatory capital. The Reserve Banks, however, elected to include accumulated other comprehensive income or losses, as indicated above, until the regulators announce a final ruling.

[19] The FDIC changed the base of its assessments from deposits to total assets. For information on the FDIC assessment rates, see the Final Rule at *http://www.fdic.gov/news/news/press/2011/pr11028.html.*

Table 3

Comparison of Pro Forma Balance Sheets for Budgeted Federal Reserve Priced Services[20]
(millions of dollars – projected average for year)

	2013	2012	Change
Short-term assets			
Imputed reserves requirements on reserveable liabilities[21]	$ -	$ 376.1	$ (376.1)
Receivables	35.3	36.3	(1.0)
Materials and supplies	0.9	0.9	-
Prepaid expenses	5.5	10.3	(4.8)
Items in process of collection[22]	150.0	250.0	(100.0)
Total short-term assets	191.7	673.6	(481.9)
Imputed investments	$ 608.1	$ 3,490.7	$ (2,882.6)
Long-term assets			
Premises[23]	$ 135.0	$ 148.2	$ (13.2)
Furniture and equipment	32.8	36.3	(3.5)
Leasehold improvements and long-term prepayments	75.3	75.9	(0.6)
Prepaid FDIC asset[21]	-	19.4	(19.4)
Deferred tax asset	326.0	249.1	76.9
Total long-term assets	569.1	528.9	40.2
Total assets	$ 1,368.9	$ 4,693.2	$ (3,324.3)
Short-term liabilities			
Clearing balances[21]	$ -	$ 2,661.1	$ (2,661.1)
Deferred credit items[22]	700.0	1,350.0	(650.0)
Short-term debt	14.4	-	14.4
Short-term payables	27.3	28.3	(1.0)
Total short-term liabilities	741.7	4,039.4	(3,297.7)
Long-term liabilities			
Postemployment/postretirement benefits liability and pension liabilities[24]	$ 554.9	$ 419.1	$ 135.8
Total liabilities	$ 1,296.6	$ 4,458.5	$ (3,161.9)
Equity[25]	$ 72.3	$ 234.7	$ (162.4)
Total liabilities and equity	$ 1,368.9	$ 4,693.2	$ (3,324.3)

[20] The 2012 PSAF values in tables 3, 4, and 5 reflect the budgeted 2012 PSAF of $29.9 million approved by the Board in October 2011 when determining fees for priced services. 2013 budget figures reflect the latest data from the Reserve Banks. The Reserve Banks will transmit final budget data to the Board in November 2012 for Board consideration in December 2012. 2012 budget figures reflect the budget as approved by the Board. Calculations in table 3 and subsequent pro forma tables may be affected by rounding.

[21] Imputed reserve requirements on reservable liabilities, Prepaid FDIC asset, and Clearing balances do not exist in the 2013 PSAF methodology.

[22] Represents float that is directly estimated at the service level.

[23] Includes the allocation of Board of Governors assets to priced services of $0.6 million and $0.6 million for 2013 and 2012, respectively.

[24] Includes the allocation of Board of Governors liabilities to priced services of $0.5 million and $0.5 million for 2013 and 2012, respectively.

[25] Includes an accumulated other comprehensive loss of $615.3 million for 2013 and $537.7 million for 2012, which reflects the ongoing amortization of the accumulated loss in accordance with FAS 158 [ASC 715]. Future gains or losses, and their effects on the pro forma balance sheet, cannot be projected. See table 5 for calculation of required imputed equity amount.

Table 4
Portion of Clearing Balances Used to Fund Priced-Services Assets
(millions of dollars)

	2013	2012
A. Short-term asset financing		
Short-term assets to be financed:		
Receivables	$ 35.3	$ 36.3
Materials and supplies	0.9	0.9
Prepaid expenses	5.5	10.3
Total short-term assets to be financed	$ 41.7	$ 47.5
Short-term funding sources:		
Short-term payables	$ 27.3	$ 28.3
Short-term debt	14.4	-
Portion of short-term assets funded with clearing balances[26]	$ -	$ 19.2
B. Long-term asset financing		
Long-term assets to be financed:		
Premises	$ 135.0	$ 148.2
Furniture and equipment	32.8	36.3
Leasehold improvements and long-term prepayments	75.3	75.9
Prepaid FDIC asset[26]	-	19.4
Deferred tax asset	326.0	249.1
Total long-term assets to be financed	$ 569.1	$ 528.9
Long-term funding sources:		
Postemployment/postretirement benefits liability	$ 554.9	$ 419.1
Imputed equity[27]	72.3	234.7
Total long-term funding sources	$ 627.2	$ 653.8
Portion of long-term assets funded with core clearing balances[26]	$ -	$ -
C. Total clearing balances used for funding priced-services assets	$ -	$ 19.2

26 Prepaid FDIC asset and clearing balances do not exist in the 2013 PSAF methodology.

Clearing balances for 2012 shown in table 3 were available for financing priced-services assets. Using these balances reduced the amount available for investment in the NICB calculation. Long-term assets were financed with long-term liabilities, equity, and core clearing balances; a total of $1 billion in clearing balances was available for this purpose in 2012. Short-term assets for 2013 and 2012 are financed with short-term debt, payables, and clearing balances that are not used to finance long-term assets.

27 See table 5 for calculation of required imputed equity amount.

Table 5

Derivation of the 2013 and 2012 PSAF
(millions of dollars)

	2013	2012
A. Imputed elements		
Short-term debt[28]	$ 14.4	$ 0.0
Long-term debt[29]	0.0	0.0
Equity[30]		
Total assets (table 3)	$ N/A	$ 4,693.2
Total risk-weighted assets (table 6)	722.6	N/A
Required capital ratio	10%	5%
Total equity	$ 72.3	$ 234.7
B. Cost of capital		
Elements of capital costs		
Short-term debt	$14.4 x 0.4%= $0.1	$ - x 0.3% = $ 0.0
Long-term debt	-x 6.4% = $0.0	- x 6.7% = 0.0
Equity[31]	72.3 x 9.4% = $6.8	234.7 x 8.5% = 19.19
	$6.9	$19.9
C. Other required PSAF costs		
Sales taxes	$ 3.3	$ 3.7
FDIC assessment	-	2.2
Board of Governors	4.0	4.1
	7.3	10.0
D. Total PSAF	$14.1	$ 29.9
As a percent of assets	1.0%	0.6%
As a percent of expenses	3.3%	6.5%
E. Tax rates	38.5%	30.9%

[28] In 2012, no short-term debt is imputed because clearing balances are a funding source for those assets that are not financed with short-term payables.

[29] In 2013 and 2012, no long-term debt is imputed because imputed funding of priced services assets was met with other long-term funding sources (see table 4).

[30] The minimum equity constraint is defined by FDIC requirements and equity must be equal to or greater than 10% of risk-weighted assets and 5% of total assets. In 2013, the model constrained equity to be imputed based on risk-weighted assets, or 10%. In 2012, the model constrained equity to be imputed based on total assets, or 5%.

If minimum equity constraints are not met after imputing equity based on all other financial statement components, additional equity is imputed to meet these constraints. Additional equity imputed to meet minimum equity requirements is invested in Treasury securities. Income from these investments is included revenue.

[31] The 2013 ROE is equal to a risk-free rate plus a risk premium (beta * market risk premium). The 2013 after-tax CAPM ROE is calculated as 0.10% + (1.0 * 5.68%) = 5.78%. Using a tax rate of 38.5%, the after-tax ROE is converted into a pretax ROE, which results in a pretax ROE of (5.78% / (1-38.5%)) = 9.4%. Calculations may be affected by rounding.

Table 6
Computation of 2013 Capital Adequacy for Federal Reserve Priced Services
(millions of dollars)

	Assets	Risk Weight	Weighted Assets
Imputed investments:			
3-month Treasury bills[32]	$ 58.1	0.0	$ 0.0
Federal funds[33]	550.0	0.2	110.0
Total imputed investments	608.1		110.0
Receivables	$ 35.3	0.2	$ 7.1
Materials and supplies	0.9	1.0	0.9
Prepaid expenses	5.5	1.0	5.5
Items in process of collection	150.0	0.2	30.0
Premises	135.0	1.0	135.0
Furniture and equipment	32.8	1.0	32.8
Leasehold improvements and long-term prepayments	75.3	1.0	75.3
Deferred tax asset	326.0	1.0	326.0
Total	$ 1,368.9		$ 722.6
Imputed equity			$ 72.3
Capital to risk-weighted assets	10.0 %		
Capital to total assets	5.3 %		

[32] If minimum equity constraints are not met after imputing equity based on all other financial statement components, additional equity is imputed to meet these constraints. Additional equity imputed to meet minimum equity requirements is invested solely in Treasury securities. The imputed investments are similar to those for which rates are available on the Federal Reserve's H.15 statistical release, which can be located at http://www.federalreserve.gov/releases/h15/data.htm.

[33] The investments are computed from the amounts arising from the collection of items prior to providing credit according to established availability schedules. These imputed amounts are invested in federal funds.

C. *Check Service*—Table 8 shows the 2011 actual, 2012 estimated, and 2013 budgeted cost recovery performance for the commercial check service.

Table 8

Check Service Pro Forma Cost and Revenue Performance
($ millions)

	1	2	3	4	5
YEAR	REVENUE	TOTAL EXPENSE	NET INCOME (ROE) [1-2]	TARGETED ROE	RECOVERY RATE AFTER TARGETED ROE [1/(2+4)]
2011 (actual)	259.9	237.8	22.2	8.8	105.4%
2012 (estimate)	217.6	205.3	12.2	4.3	103.8%
2013 (budget)	185.3	171.1	14.2	1.7	107.2%

1. *2012 Estimate*—For 2012, the Reserve Banks estimate that the check service will recover 103.8 percent of total expenses and targeted ROE, compared with the budgeted recovery rate of 102.2 percent. The Reserve Banks expect to recover all actual and imputed costs of providing check services and earn a net income of $12.2 million (see table 8). Greater-than-expected check volume processed by the Reserve Banks has influenced significantly the check services cost recovery as additional fee revenue has exceeded the costs of processing new volumes.[34]

The general decline in the number of checks written continues to influence the decline in checks collected by the Reserve Banks. Through August, total forward check volume and return check volume is 3 percent and 19 percent lower, respectively, than for the same period last year. For full-year 2012, the Reserve Banks estimate that their total forward check collection volume will decline nearly 5 percent and return check volume will decline 21 percent from 2011 levels.[35] The proportion of checks deposited and presented electronically continues to grow (see table 9). The Reserve Banks expect that year-end 2012 FedForward deposit and FedReceipt presentment penetration rates will exceed 99.9 percent.[36] The Reserve Banks also expect that year-end 2012 FedReturn and FedReceipt Return volume penetration rates will reach 99.2 percent and 95.0 percent, respectively.[37]

Table 9

Check 21 Product Penetration Rates
(percent)[a]

	FORWARD DEPOSIT VOLUME				RETURN VOLUME[b]			
	FEDFORWARD		FEDRECEIPT		FEDRETURN		FEDRECEIPT RETURN	
	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end
2005	1.9	5.0	<0.1	0.1	4.0	6.9	N/A	N/A
2006	14.4	26.0	1.0	3.5	19.7	30.5	<0.1	<0.1
2007	42.6	57.9	12.5	22.7	37.8	45.4	0.5	1.1
2008	76.8	91.8	41.5	60.7	58.4	72.0	6.4	13.2
2009	96.5	98.6	80.4	91.7	81.2	91.2	34.1	50.8
2010	99.4	99.7	95.7	98.4	94.5	96.8	63.0	71.7
2011	99.9	>99.9	99.3	99.7	97.5	98.0	84.5	90.8
2012 (estimate)	>99.9	>99.9	99.9	>99.9	98.8	99.2	93.2	95.0
2013 (budget)	>99.9	>99.9	>99.9	>99.9	99.3	99.5	96.1	97.0

[a] Deposit and presentment statistics are calculated as a percentage of total forward collection volume. Return statistics are calculated as a percentage of total return volume.
[b] The Reserve Banks began offering PDF delivery of returned checks in 2009. Starting in 2011, volume associated with the delivery of returned checks in PDF files is included in FedReceipt Return volume.

[34] The greater-than-expected check volume is attributed to two new FedForward deposit options, which were introduced in late 2011: premium mixed and select mixed. The premium mixed option allows customers to send forward collection items in a mixed cash letter for a higher cash letter fee and lower electronic per-item fee. The select mixed option offers similar incentives; however, the customer sends forward collection items drawn on specific forward collection routing numbers in separate cash letters.

[35] Total Reserve Bank forward check volumes are expected to drop from roughly 6.7 billion in 2011 to 6.4 billion in 2012. Total Reserve Bank return check volumes are expected to drop from roughly 60.4 million in 2011 to 47.7 million in 2012.

[36] FedForward is the electronic forward check collection product. FedReceipt is electronic presentment with accompanying images.

[37] FedReturn is the electronic check return product. FedReceipt Return is the electronic delivery of returned checks with accompanying images.

2. *2013 Pricing*—In 2013, the Reserve Banks project that the check service will recover 107.2 percent of total expenses and targeted ROE. Revenue is projected to be $185.3 million, a decline of 15 percent from 2012. This decline is driven largely by projected reductions in both forward check collection and return check volume. Total expenses for the check service are projected to be $171.1 million, a decline of 17 percent from 2012. The reduction in check costs is driven primarily by the cost savings associated with a mature electronic check environment and the implementation of a more efficient check processing platform.[38]

The Reserve Banks estimate that total Reserve Bank forward check volumes will decline approximately 8 percent to 5.9 billion and return check volumes will decline approximately 16 percent to 40.2 million. The decline in Reserve Bank check volume can be attributed to the continued decline in check use nationwide.[39]

The Reserve Banks will retain at current levels FedForward and FedReturn fees for checks presented and returned electronically. At the same time, the Reserve Banks will increase fees for items destined for endpoints that receive substitute checks for forward items and for return items.[40] The per item fee charged for FedForward items that are presented as substitute checks will increase from $0.12 to $0.15 and the per item fee charged for FedReturn items that are delivered to the depositary bank as substitute checks will increase from $1.40 to $1.45. The effective average fee for collecting a check for a substitute check endpoint is expected to be $.1564, an increase of 19 percent, for forward items and $1.4500, an increase of 4 percent, for return items.

The projected weighted effective average price to collect a check deposited electronically in 2013 will decline 4 percent to $0.0186 and the weighted effective average price to return a check deposited electronically will decline 3 percent to $0.6505.[41] This result is because virtually all forward and return items are now delivered electronically.

The Reserve Banks will also simplify the fee structure for paper check forward and return collection deposits. The Reserve Banks will charge for two categories of forward collection deposits: encoded and unencoded. The fees are $10.00 per cash letter and $2.00 for each encoded item and $3.00 for each unencoded item. Additionally, the Reserve Banks will charge for two categories of return item deposits: qualified and unqualified. The fees are $15.00 per cash letter and $5.00 for each qualified item and $12.00 for each unqualified. The fee to encode Canadian items will increase from $0.50 to $1.00 per item.

The Reserve Banks project that approximately 0.01 percent of check forward deposit volume and approximately 0.53 percent of return check volume will be in paper-based products. The weighted effective average price for clearing a forward paper item and processing a return paper item in 2013 is projected to be $6.7586 and $7.8891 (increases of 55 and 5 percent), respectively, which reflects the high costs of handling the remaining paper volume.

The Reserve Banks will reduce their forward presentment and return delivery options to FedReceipt Plus, PDF (for Returns only), and paper.[42] Additionally, the Helena Pilot, in which paying banks in the former Helena zone received FedReceipt Plus at no charge, will be discontinued.[43]

The Reserve Banks will introduce incentive pricing for depository institutions that designate the Reserve Banks as their electronic presentment and return point. Such depository institutions will receive discounts on fees charged for electronically deposited and returned items of $0.002 and $0.10, respectively. To receive the discounts, depository institutions will be required to register for the incentive, which will then begin the first full month after registration.

Risks to the Reserve Banks' ability to achieve budgeted 2013 cost recovery for the check service include greater-than-expected check volume losses to correspondent banks, aggregators, and direct exchanges, which would result in lower-than-anticipated revenue, and higher-than-expected support and overhead costs.

D. *FedACH Service*—Table 11 shows the 2011 actual, 2012 estimate, and 2013 budgeted cost-recovery performance for the commercial FedACH service.

Table 11

FedACH Service Pro Forma Cost and Revenue Performance
($ millions)

YEAR	1 REVENUE	2 TOTAL EXPENSE	3 NET INCOME (ROE) [1-2]	4 TARGETED ROE	5 RECOVERY RATE AFTER TARGETED ROE [1/(2+4)]
2011 (actual)	111.9	106.9	5.1	4.1	100.8%
2012 (estimate)	114.6	111.9	2.7	2.4	100.3%
2013 (budget)	116.1	114.4	1.6	1.2	100.4%

[38] The Reserve Banks are scheduled to complete a multi-year check platform modernization initiative in October 2012.

[39] In addition, return items have declined due to posting practices at paying banks.

[40] A substitute check is a paper reproduction of an original check that contains an image of the front and back of the original check and is suitable for automated processing in the same manner as the original check.

[41] The weighted average prices are dependent on deposit product mix, deadlines, and electronic receipt penetration rates. The weighted average fees are based on continued movement to lower priced deposit options and increased electronic receipt penetration rates for full year 2012 and projected for full year 2013.

[42] FedReceipt is electronic presentment with accompanying images of all items delivered to a paying bank or depositary bank. For those depository institutions that do not have the ability to accept forward or return items in X9.37 format, the Reserve Banks can send a PDF file of the depository institution's inclearings and incoming returns directly to a printer located at the depository institution. The PDF file takes the place of physical delivery of paper checks.

[43] The Helena pilot was put in place in mid-2007 before the Helena office closed to encourage Helena zone customers to move to FedReceipt Plus, which would minimize the transportation costs associated with delivering paper items once the office closed.

1. *2012 Estimate*—The Reserve Banks estimate that the FedACH service will recover 100.3 percent of total expenses and targeted ROE. The Reserve Banks expect to recover all actual and imputed costs of providing FedACH services and earn net income of $2.7 million. Through August, FedACH commercial origination volume was nearly 4 percent higher than it was during the same period last year. For the full year, the Reserve Banks estimate that volume growth will continue at current trends.

2. *2013 Pricing*—The Reserve Banks project that the FedACH service will recover 100.4 percent of total expenses and targeted ROE in 2013. Total revenue is expected to increase $1.5 million from the 2012 estimate, primarily due to projected growth in FedACH commercial origination and receipt volume of 3.0 percent. Total expenses are budgeted to increase $3.7 million from the 2012 estimate, generally due to costs associated with development of a new FedACH technology platform.

The Reserve Banks will maintain core transaction fees at current levels with one exception. The Reserve Banks will increase the per item fee charged to receivers of ACH returns from $0.005 to $0.0075. In addition, the Reserve Banks will increase fees for select FedACH services. Specifically, the Reserve Banks will increase monthly fees for FedACH settlement and IAT output file sort, as well as, the per item fees for facsimile exception return and notification of change. The Reserve Banks will also introduce volume-tiered package pricing for the FedACH Risk Management and FedPayments Reporter Services, to make these services more attractive to customers. The Reserve Banks will also standardize the on-demand report fee for the FedPayments Reporter Service.

The primary risk to the Reserve Banks' ability to achieve budgeted 2013 cost recovery for the FedACH service is higher-than-expected support and overhead costs. Other risks include lower-than-expected volume due to unanticipated mergers and acquisitions, direct exchanges, and the competitive environment, which would result in lower-than-anticipated revenue, and cost overruns associated with unanticipated problems with technology upgrades.

E. *Fedwire Funds and National Settlement Services*—Table 12 shows the 2011 actual, 2012 estimate, and 2013 budgeted cost-recovery performance for the Fedwire Funds and National Settlement Services.

Table 12

Fedwire Funds and National Settlement Services Pro Forma Cost and Revenue Performance
($ millions)

YEAR	1 REVENUE	2 TOTAL EXPENSE	3 NET INCOME (ROE) [1-2]	4 TARGETED ROE	5 RECOVERY RATE AFTER TARGETED ROE [1/(2+4)]
2011 (actual)	84.2	78.8	5.4	3.0	103.0%
2012 (estimate)	90.4	90.1	0.3	1.9	98.3%
2013 (budget)	97.9	98.9	-1.0	1.0	98.0%

1. *2012 Estimate*—The Reserve Banks estimate that the Fedwire Funds and National Settlement Services will recover 98.3 percent of total expenses and targeted ROE, compared with a 2012 budgeted recovery rate of 99.2 percent. The lower-than-projected recovery rate is primarily attributed to higher-than-expected information technology costs. Through August, average daily Fedwire Funds volume was up 4.3 percent from the same period in 2011. For the full year, the Reserve Banks estimate that Fedwire Funds volume will increase by 2.5 percent. With respect to the National Settlement Service, the volume of settlement files increased 29.4 percent and the volume of settlement files increased 21.5 percent through August.[44] For the full year, the Reserve Banks estimate that the volume of settlement files will increase by 20.0 percent while the volume of settlement entries will increase by 15.1 percent. The Board believes full-year volume growth will likely exceed the Reserve Banks' volume projections, which would raise marginally the 2012 cost recovery rate.

2. *2013 Pricing*—The Reserve Banks expect the Fedwire Funds and National Settlement Services to recover 98.0 percent of total expenses and targeted ROE. The Reserve Banks project total expenses to increase $9.8 million from the 2012 estimate. This increase is primarily due to their ongoing projects to upgrade the Fedwire application and related information technology infrastructure. The Reserve Banks project total revenue to increase $7.5 million from the 2012 estimate. This projected revenue increase is primarily the result of price increases for the Fedwire Funds and the National Settlement Services and a 2.0 percent projected growth in Fedwire Funds volume.

The Reserve Banks will introduce a $0.30 surcharge for transfers exceeding $100 million.[45] The Reserve Banks believe that high-value transfer surcharges are an equitable way to shift more of the cost associated with Fedwire resiliency to those high-value payments that drive the need for such resiliency.

The Reserve Banks will also adjust various existing fees for the Fedwire Funds Service. First, the Reserve Banks will increase the Tier 1 per item pre-incentive fee (the fee before volume discounts are applied) from $0.58 to $0.65, the Tier 2 per item pre-incentive fee from $0.24 to $0.25, and the Tier 3 per item pre-incentive fee from $0.135 to $0.145. Second, the Reserve Banks will increase the late-day (after 5 p.m. ET) origination surcharge from $0.20 to $0.21. Third, the Reserve Banks will increase the Fedwire Funds offline transfer fee from $40 to $45. Lastly, the Reserve Banks will increase the FedPayments Manager import/export

[44] Although large in percentage terms, the increase in National Settlement Service activity is relatively small in magnitude. For instance, the 29.4 percent increase in settlement files represents about 7 new files per day.

[45] In 2012, the Reserve Banks introduced a $0.12 high-value surcharge for both the senders and receivers of transfers exceeding $10 million and outlined plans to introduce additional high-value surcharges in future years.

monthly fee from $20 to $30. The Reserve Banks estimate that the new surcharge and price increases will result in an approximate 9.4 percent average price increase for Fedwire Funds customers.

With respect to the National Settlement Service, the Reserve Banks will increase the settlement file fee from $21 to $25, the settlement entry fee from $1.00 to $1.20, and the offline origination fee per file from $40 to $45. In calculating projected revenue, the Reserve Banks project no volume growth.

F. *Fedwire Securities Service*—Table 13 shows the 2011 actual, 2012 estimate, and 2013 budgeted cost recovery performance for the Fedwire Securities Service.[46]

Table 13

Fedwire Securities Service Pro Forma Cost and Revenue Performance
($ millions)

YEAR	1 REVENUE	2 TOTAL EXPENSE	3 NET INCOME (ROE) [1-2]	4 TARGETED ROE	5 RECOVERY RATE AFTER TARGETED ROE [1/(2+4)]
2011 (actual)	22.5	21.0	1.5	0.8	103.1%
2012 (estimate)	23.8	23.7	0.1	0.5	98.2%
2013 (budget)	24.3	23.9	0.5	0.2	100.9%

1. *2012 Estimate*—The Reserve Banks estimate that the Fedwire Securities Service will recover 98.2 percent of total expenses and targeted ROE, compared with a 2012 budgeted recovery rate of 102.6 percent. The lower-than-projected recovery is primarily attributed to higher-than-expected pension and information technology costs combined with lower revenue due to decreased transfer volume and claims adjustment requests. Through August, securities transfer volume was down 13.9 percent from the same period in 2011 while claims adjustment requests were down 48 percent. For the full year, the Reserve Banks estimate that Fedwire Securities transfer volume will decline by 13.6 percent, reflecting lower issuance of mortgage-backed securities and the implementation of expanded multilateral pool netting of mortgage-backed securities by the Fixed Income Clearing Corporation (FICC). Claims adjustments are estimated to decline by about 55 percent for the year, reflecting corresponding declines in settlement fails in the marketplace.

2. *2013 Pricing*—The Reserve Banks project that the Fedwire Securities Service will recover 100.9 percent of total expenses and targeted ROE. The Reserve Banks project that revenue and expenses will each increase by $0.5 million compared with the 2012 estimates.

In calculating projected Fedwire Securities revenue for 2013, the Reserve Banks project that securities transfer activity will decline by 17.9 percent and the number of accounts maintained will decrease by 7.5 percent. The estimated decrease in transfer volumes reflects the projected lower issuance of mortgage-backed securities and the full-year impact of multilateral pool netting at FICC. The number of accounts is also expected to continue to decrease because of prior year account maintenance fee increases and customers continuing to assess their account structures in light of changes to the maximum amount of deposits insured by the Federal Deposit Insurance Corporation.[47]

The Reserve Banks will adjust various existing fees for the Fedwire Securities Service. First, the Reserve Banks will increase the online transfer fee from $0.45 to $0.54. Second, the Reserve Banks will increase the monthly issue maintenance fee from $0.45 to $0.54 per issue. Lastly, the Reserve Banks will increase the claim adjustment fee from $0.66 to $0.75. The Reserve Banks' fees will represent an 11.6 percent increase in average prices to achieve a target recovery rate of approximately 100.9 percent.

G. *FedLine Access*—The Reserve Banks charge fees for the electronic connections that depository institutions use to access priced services and allocate the costs and revenue associated with this electronic access to the various priced services. There are currently five FedLine channels through which customers can access the Reserve Banks' priced services: FedMail®, FedLine Web®, FedLine Advantage®, FedLine Command®, and FedLine Direct®.[48] The Reserve Banks package these channels into ten FedLine packages that are supplemented by a number of premium (or à la carte) access and accounting information options. In addition, the Reserve Banks offer three FedComplete packages, which are bundled offerings of a FedLine Advantage connection and a fixed number of FedACH, Fedwire Funds, and Check 21-enabled services.

Attended access packages offer access to critical payment and information services via a web-based interface. The FedMail email package provides access to basic information services via fax or email, while two FedLine Web packages offer FedMail email options plus online attended access to a broad range of informational services, including cash services, FedACH services, and check services. Three FedLine Advantage packages expand upon the FedLine Web informational service packages and offer attended access to transactional services: Check, FedACH, Fedwire Funds, and Fedwire Securities.

Unattended access packages are computer-to-computer, IP-based

[46] The Reserve Banks provide 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 revenues, expenses, and volumes associated with the transfer of all non-Treasury securities. For Treasury securities, the U.S. Treasury assesses fees for the securities transfer component of the service. The Reserve Banks assess a fee for the funds settlement component of a Treasury securities transfer; this component is not treated as a priced service.

[47] The increase in the maximum deposit insurance amount has reduced the demand by certain Fedwire Securities customers to hold deposits in collateral-backed accounts.

[48] FedLine Direct, FedLine Command, FedLine Advantage, FedLine Web, and FedMail are registered trademarks of the Federal Reserve Banks. These channels may also be used to access nonpriced services provided by the Reserve Banks.

interfaces designed for medium-to high-volume customers. The FedLine Command package offers an unattended connection to FedACH, as well as most accounting information services. The final three packages are FedLine Direct packages, which allow for unattended connections at one of three connection speeds to FedACH, Fedwire Funds, and Fedwire Securities transactional and information services and to most accounting information services.

Many of the FedLine access solutions fee changes in 2013 are designed to encourage customers to migrate to more efficient payments solutions. Customers that continue to use legacy solutions will see greater increases in fees for those services. To that end, the Reserve Banks will increase the fees on legacy services, such as an additional $10 per month for FedMail Fax, $450 per month for FedLine Direct (56K), and $100 per month for the Dial-Only VPN surcharge. The Reserve Banks will also increase the monthly fees for basic cash management reports within the accounting services.

In addition, the Reserve Banks will make other changes to FedLine pricing for 2013 in order to improve the alignment of value and revenue. In particular, the Reserve Banks will increase the monthly fees for FedLine Direct Plus (256K) and FedLine Direct Premier (T1) by $100 and $300, respectively. Fees for additional 256K and T1 connections will also increase by $50, as well as the fees for additional FedLine Command and FedLine Direct certificates by $20 per month. The Reserve Banks will also increase FedMail Email by $10 per month. Monthly fees for two enhanced cash management reports, which include respondent and subaccount activity will also increase.

The Reserve Banks will not change published fees for FedComplete packages; however, the Reserve Banks will raise certain volume thresholds for each of the packages to improve the business case for customers.

II. Analysis of Competitive Effect

All operational and legal changes considered by the Board that have a substantial effect on payments system participants are subject to the competitive impact analysis described in the March 1990 policy, ''The Federal Reserve in the Payments System.'' [49]

Under this policy, the Board assesses whether proposed changes 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 because of differing legal powers or constraints or because of a dominant market position deriving from such legal differences. If any proposed changes create such an effect, the Board must further evaluate the changes to assess whether the associated benefits—such as contributions to payment system efficiency, payment system integrity, or other Board objectives—can be achieved while minimizing the adverse effect on competition.

The Board projects that the 2013 fees, fee structures, and changes in service will not have a direct and material adverse effect on the ability of other service providers to compete effectively with the Reserve Banks in providing similar services. The fees should permit the Reserve Banks to earn a ROE that is comparable to overall market returns and provide for full cost recovery over the long run.

[49] Federal Reserve Regulatory Service (FRRS) 9–1558.

FedACH Service 2013 Fee Schedule

Effective January 2, 2013. **Bold indicates changes from 2012 prices.**

	Fee
FedACH minimum monthly fee:[50]	
Originating Depository Financial Institution (ODFI)	$35.00
Receiving Depository Financial Institution (RDFI)	$25.00
Origination (per item or record):[51,52]	
Forward or return items in small files	$0.0030
Forward or return items in large files	$0.0025
Addenda record	$0.0015
FedLine Web origination returns and notification of change (NOC) fee[53]	$0.35
Facsimile exception returns/NOC[54]	**$45.00**
Automated NOC fee[55]	$0.15
Volume-based discounts (based on monthly receipt volume)	
Per item when receipt volume is 10,000,000 to 17,500,000 per month	$0.0002 discount
Per item when receipt volume is 17,500,001 to 25,000,000 per month	$0.0003 discount
Per item when receipt volume is more than 25,000,000 per month	$0.0005 discount
Receipt (per item or record):[56]	
Forward item	$0.0025
Return items	**$0.0075**
Addenda record	$0.0015
Volume-based discounts (excluding FedACH SameDay service items)	
RDFIs receiving less than 90 percent of total network volume through FedACH	
Per item when volume is 1,000,001 to 12,500,000 items per month	$0.0007 discount
Per item when volume is more than 12,500,000 items per month	$0.0016 (all items)
RDFIs receiving at least 90 percent of FedACH-originated volume through FedACH	
Per item when volume is 1,000,001 to 2,500,000 items per month	$0.0007 discount
Per item when volume is 2,500,001 to 12,500,000 items per month	$0.0017 (all items)
Per item when volume is more than 12,500,000 items per month	$0.0015 (all items)
RDFIs receiving at least 90 percent of ACH volume originated through FedACH or EPN	
Per item when volume is 1,000,001 to 2,500,000 items per month	$0.0007 discount
Per item when volume is 2,500,001 to 12,500,000 items per month	$0.0016 (all items)
Per item when volume is more than 12,500,000 items per month	$0.0014 (all items)
FedACH SameDay Service:	
Origination[57,58]	

[50] An ODFI is subject to a $35 minimum fee on its origination volume; an RDFI that does not originate forward items is subject to a $25 minimum fee on its receipt volume.
[51] Small files contain fewer than 2,500 items and large files contain 2,500 or more items. These origination fees do not apply to items that the Reserve Banks receive from EPN.
[52] Origination discounts apply only to those items received by FedACH receiving points.
[53] The fee includes the item and addenda fees in addition to the conversion fee.
[54] The fee includes the item and addenda fees in addition to the conversion fee. Reserve Banks also assess a $30 fee for every government paper return/NOC they process.
[55] The fee includes the functionality usage fee and notification of change processing fee.
[56] Receipt fees do not apply to items that the Reserve Banks send to EPN.
[57] This per-item surcharge is in addition to the standard origination fees for forward items.
[58] This per-item discount is a reduction to the standard origination fees for return items.

Forward item in a small file	$0.0030 surcharge
Forward item in a large file	$0.0035 surcharge
Addenda record	$0.0015 surcharge
Return item in a small file	$0.0030 discount
Return item in a large file	$0.0025 discount
Return addenda record	$0.0015 discount
Receipt[59]	
Forward item	$0.0025 discount
Return item	**$0.0075 discount**
Addenda record/ return addenda record	$0.0015 discount

Monthly FedACH Risk Management Services:[60]	
Risk Origination Monitoring Service/RDFI Alert Service package pricing	
For up to 5 criteria sets	**$35.00**
For 6 through 11 criteria sets	**$70.00**
For 12 through 23 criteria sets	**$125.00**
For 24 through 47 criteria sets	**$150.00**
For 48 through 95 criteria sets	**$250.00**
For 96 through 191 criteria sets	**$425.00**
For 192 through 383 criteria sets	**$675.00**
For 384 through 584 criteria sets	**$850.00**
For 585+ criteria sets	**$1,100.00**
Risk origination monitoring batch	$0.0025/batch

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[59] This per-item discount is a reduction to the standard receipt fees.
[60] Criteria may be set for both the origination monitoring service and the RDFI alert service.

Monthly FedPayments Reporter Service:	
FedPayments Reporter Service package pricing includes	
Standard reports[61]	
ACH volume summary by SEC code report - customer[62]	
Daily return ratio report	
Monthly return ratio report	
Receiver setup report	
Report delivery via FedLine file access solution	
For up to 50 reports	**$35.00**
For 51 through 150 reports	**$55.00**
For 151 through 500 reports	**$100.00**
For 501 through 1,000 reports	**$180.00**
For 1,001 through 1,500 reports	**$260.00**
For 1,501 through 2,500 reports	**$420.00**
For 2,501 through 3,500 reports	**$580.00**
For 3,501 through 4,500 reports	**$740.00**
For 4,501 through 5,500 reports	**$900.00**
For 5,501 through 7,000 reports	**$1,100.00**
For 7,001 through 8,500 reports	**$1,300.00**
For 8,501+ reports	**$1,500.00**
Premier reports[63]	
ACH volume summary by SEC code report - depository financial institution	
Reports 1 through 5	$10.00/report
Reports 6 through 10	$6.00/report
Reports 11+	$1.00/report
On Demand	**$1.00/report surcharge**
Monthly ACH routing number activity report	
Reports 1 through 5	$10.00/report
Reports 6 through 10	$6.00/report
Reports 11+	$1.00/report
On-us inclusion	
Participation fee	$10.00/month/RTN
Per item fee	$0.0030
Per addenda fee	$0.0015
Report delivery via encrypted email	$0.20/email
Other fees:	
Monthly fee (per routing number)	
Account servicing fee[64]	$37.00
FedACH settlement[65]	**$50.00**

[61] Standard reports include Customer Transaction Activity, Death Notification, International (IAT), Notification of Change, Payment Data Information File, Remittance Advice Detail, Remittance Advice Summary, Return Item, Social Security Beneficiary, and Originator Setup Reports.

[62] ACH volume summary by SEC code reports generated on demand are subject to a $1.00 per report surcharge.

[63] Premier reports generated on demand are subject to the tiered fees plus a surcharge.

[64] The account servicing fee applies to routing numbers that have received or originated FedACH transactions. Institutions that receive only U.S. government transactions through the Reserve Banks or that elect to use EPN exclusively are not assessed this fee.

[65] The FedACH settlement fee is applied to any routing number with activity during a month. This fee does not apply to routing numbers that use the Reserve Banks for only U.S. government transactions.

Information extract file	$100.00
IAT Output File Sort	**$75.00**
Non-electronic input/output fee:[66]	
CD or DVD input/output	$50.00
Paper input/output	$50.00
NACHA network administration fees[67]	
NACHA administration network fee/month	$12.00
NACHA administration network fee/entry	$0.000145
FedGlobal ACH Payments	
Canada service fee:	
Item originated to Canada[68]	$0.62
Return received from Canada[69]	$0.99
Trace of item at receiving gateway	$5.50
Trace of item not at receiving gateway	$7.00
Mexico service fee:	
Item originated to Mexico[68]	$0.67
Return received from Mexico[69]	$0.91
Item trace	$13.50
A2R item originated to Mexico[68]	$3.45
F3X item originated to Mexico[68]	$0.67
Panama service fee:	
Item originated to Panama[68]	$0.72
Return received from Panama[69]	$1.00
Item trace	$7.00
NOC	$0.72
Latin America service fee:	
A2R item originated to Latin America[68]	$4.40
Return received from Latin America[69]	$0.72
Item trace	$5.00
Europe service fee:	
Item originated to Europe[68]	$1.25
F3X item originated to Europe[68]	$1.25
Return received from Europe[69]	$1.35
Item trace	$7.00

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[66] Limited services are offered in contingency situations.
[67] NACHA network administration fees are established by NACHA in accordance with *NACHA Operating Rules*, Article One (General Rules), Section 1.11 (Network Administration Fees).
[68] This per-item surcharge is in addition to the standard domestic origination and input file processing fees.
[69] This per-item surcharge is in addition to the standard domestic receipt fees.

FEDWIRE FUNDS AND NATIONAL SETTLEMENT SERVICES 2013 FEE SCHEDULE

EFFECTIVE JANUARY 2, 2013. **BOLD INDICATES CHANGES FROM 2012 FEE SCHEDULE.**

Fedwire Funds Service

	Fee
Monthly participation fee	$85.00
Basic volume-based pre-incentive transfer fee (originations and receipts)	
Per transfer for the first 14,000 transfers per month	**$0.65**
Per transfer for additional transfers up to 90,000 per month	**$0.25**
Per transfer for every transfer over 90,000 per month	**$0.145**
Volume-based transfer fee with the incentive discount (originations and receipts)[70]	
Per eligible transfer for the first 14,000 transfers per month	**$0.13**
Per eligible transfer for additional transfers up to 90,000 per month	**$0.05**
Per eligible transfer for every transfer over 90,000 per month	**$0.029**
Surcharge for offline transfers (originations and receipts)	**$45.00**
Surcharge for high value payments > $10 million	$0.12
Surcharge for high value payments > $100 million	**$0.30**
Surcharge for payment notification	$0.20
Surcharge for end-of-day transfer originations[71]	**$0.21**
Monthly FedPayments Manager import/export fee[72]	**$30.00**

National Settlement Service

Basic	
Settlement entry fee	**$1.20**
Settlement file fee	**$25.00**
Surcharge for offline file origination	**$45.00**
Minimum monthly charge (account maintenance)[73]	$60.00
Special settlement arrangements[74]	
Fee per day	$150.00

[70] The incentive discounts apply to the volume that exceeds 50 percent of a customer's historic benchmark volume. Historic benchmark volume is based on a customer's average daily activity over the previous five calendar years. If a customer has fewer than five full calendar years of previous activity, its historic benchmark volume is based on its daily activity for as many full calendar years of data as are available. If a customer has less than one full calendar year of prior activity, historic benchmark volume is set retroactively at actual volume for the current month. The applicable incentive discounts are as follows: $0.520 for transfers up to 14,000; $0.200 for transfers 14,001 to 90,000; and $0.116 for transfers over 90,000.

[71] This surcharge applies to originators of transfers that are processed by the Reserve Banks after 5:00 p.m. ET.

[72] This fee is charged to any Fedwire Funds participant that originates a transfer message via the FedPayments Manager (FPM) Funds tool and has the import/export processing option setting active at any point during the month.

[73] This minimum monthly charge is only assessed if total settlement charges during a calendar month are less than $60.

[74] Special settlement arrangements use Fedwire Funds transfers to effect settlement. Participants in arrangements and settlement agents are also charged the applicable Fedwire Funds transfer fee for each transfer into and out of the settlement account.

FEDWIRE SECURITIES SERVICE 2013 FEE SCHEDULE

(NON-TREASURY SECURITIES)

EFFECTIVE JANUARY 2, 2013. **BOLD INDICATES CHANGES FROM 2012 FEE SCHEDULE.**

	Fee
Basic transfer fee	
Transfer or reversal originated or received	**$0.54**
Surcharge	
Offline origination & receipt surcharge	$66.00
Monthly maintenance fees	
Account maintenance (per account)	$40.00
Issues maintained (per issue/per account)	**$0.54**
Claim adjustment fee	**$0.75**
Joint custody fee	$40.00

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FedLine 2013 Fee Schedule

Effective January 2, 2013 **Bold prices indicate changes from 2012 Fee Schedule**

FedComplete Packages (monthly)[75]

FedComplete 100		$750.00
Includes:	**7,500** FedForward transactions	
	70 FedReturn transactions	
	14,000 FedReceipt transactions	
	35 Fedwire funds origination transfers	
	35 Fedwire funds receipt transfers	
	Fedwire participation fee	
	1,000 FedACH origination items	
	FedACH minimum fee	
	7,500 FedACH receipt items	
	FedACH receipt minimum fee	
	10 FedACH web return/NOC	
	500 FedACH addenda originated	
	1,000 FedACH addenda received	
	FedACH account servicing	
	FedACH settlement	
	FedLine Advantage	
FedComplete 100 Plus		$775.00
Includes:	**7,500** FedForward transactions	
	70 FedReturn transactions	
	14,000 FedReceipt transactions	
	35 Fedwire funds origination transfers	
	35 Fedwire funds receipt transfers	
	Fedwire participation fee	
	1,000 FedACH origination items	
	FedACH minimum fee	
	7,500 FedACH receipt items	
	FedACH receipt minimum fee	
	10 FedACH web return/NOC	
	500 FedACH addenda originated	
	1,000 FedACH addenda received	
	FedACH account servicing	
	FedACH settlement	
	FedLine Advantage Plus	

[75] FedComplete packages are all-electronic service options that bundle payment services with an access solution for one monthly fee.

FedComplete 200 Plus		$1,300.00
Includes:	**25,000** FedForward transactions	
	225 FedReturn transactions	
	25,000 FedReceipt transactions	
	100 Fedwire funds origination transfers	
	100 Fedwire funds receipt transfers	
	Fedwire participation fee	
	2,000 FedACH origination items	
	FedACH minimum fee	
	25,000 FedACH receipt items	
	FedACH receipt minimum fee	
	20 FedACH web return/NOC	
	750 FedACH addenda originated	
	1,500 FedACH addenda received	
	FedACH account servicing	
	FedACH settlement	
	FedLine Advantage or FedLine Advantage Plus	
Excess Volume Surcharge[76]		
	FedForward	$0.01/item
	FedReturn	$0.7500/item
	Fedwire funds origination	$0.7000/item
	FedACH origination	$0.0025/item
FedComplete package credit incentive[77]		($1,500.00)

FedLine Packages (monthly)

FedMail Email		**$40.00**
FedLine Web		$110.00
Includes:	FedMail e-mail	
	FedLine Web with three individual subscriptions	
	FedACH information services (includes RDFI file alert service)	
	Check 21 services[78]	
	Check 21 duplicate notification	
	Cash management system basic - own report only	
	Service charge information	
	Account management information[79]	
	End of day accounting file (PDF)	

[76] Per-item surcharges are in addition to the standard fees listed in the applicable priced services fee schedules.
[77] New FedComplete package customers with a new FedLine Advantage connection are eligible for a one-time $1,500 credit applied to their Federal Reserve service charges. Customers receiving credit must continue using the FedComplete package for a minimum of six months or forfeit the $1,500 credit.
[78] Check 21 services can be accessed via three options: FedLine Web, an Internet connection with Axway Secure Transport Client, or a dedicated connection using Connect:Direct.
[79] Daylight Overdraft Report, Ex-Post Activity Snapshot, and Integrated Accounting Statement of Account are available via FedMail.

FedLine Web Plus $140.00

Includes:
- FedLine Web traditional package
- FedLine Web with five individual subscriptions
- FedACH risk management services
- FedACH FedPayments Reporter Service via secure e-mail
- Check payor bank services
- Account management information

FedLine Advantage $380.00

Includes:
- FedLine Web traditional package
- FedLine Web with five individual subscriptions
- FedACH transactions
- Fedwire funds transactions
- Fedwire securities transactions
- Fedwire cover payments
- Check payor bank services
- Account management information with intra-day search

FedLine Advantage Plus $425.00

Includes:
- FedLine Advantage traditional package
- FedLine Advantage with five individual subscriptions
- FedACH risk management services
- FedACH FedPayments Reporter Service via secure e-mail
- FedTransaction Analyzer

FedLine Advantage Premier $500.00

Includes:
- FedLine Advantage traditional package
- FedLine Advantage with five individual subscriptions
- FedACH risk management services
- FedACH FedPayments Reporter Service via secure e-mail
- FedTransaction Analyzer large volume

FedLine Command Plus $800.00

Includes:
- FedLine Advantage Plus package
- FedLine Advantage with five individual subscriptions
- FedLine Command with two certificates
- ACTS Report <20 subaccounts
- Statement of account spreadsheet file (SASF)
- FedTransaction Analyzer

FedLine Direct **$3,700.00**

Includes:
- FedLine Advantage traditional package
- 56K Dedicated WAN Connection
- FedLine Advantage with five individual subscriptions

FedLine Command with two certificates	
FedLine Direct with two certificates	
Intra-day file	
Statement of account spreadsheet file	
End of day (machine readable) file	
Service charge information	
Billing data format file	
FedLine Direct Plus	**$3,600.00**
Includes: FedLine Direct traditional package	
56K or 256K Dedicated WAN Connection	
FedACH risk management services	
FedACH FedPayments Reporter Service via secure e-mail	
FedTransaction Analyzer	
FedLine Direct Premier	**$6,500.00**
Includes: FedLine Direct Plus package	
T1 Dedicated WAN Connection	
One dedicated unattended wide area network connection for FedLine Direct	
FedTransaction Analyzer large volume	
Premium Options (monthly)[80]	
Additional subscribers package (each package contains 5 additional subscribers)	$80.00
Additional FedLine Command certificate[81]	**$100.00**
Additional FedLine Direct certificate[82]	**$100.00**
Maintenance of additional virtual private network	$60.00
FedLine Advantage 800# Usage (per hour)	**$3.00**
Additional dedicated connections[83]	
56K	**$2,600.00**
256K	**$2,500.00**
T1	**$3,200.00**
Dial Only VPN surcharge	**$200.00**
Expedited VPN device order/change	$500.00
FedLine international setup (one-time fee)	$5,000.00
FedLine Direct contingency solution[84]	$1,000.00
Check 21 large file delivery	Various
FedMail fax (monthly per routing number)	**$50.00**
VPN modify, move, replace, etc.	**Various**
Accounting Information Services	
Cash Management System[85]	

[80] Premium options for FedLine Web are limited to FedMail Fax.
[81] Additional FedLine Command Certificates available for FedLine Command and Direct packages only.
[82] Additional FedLine Direct Certificates available for FedLine Direct packages only.
[83] Network diversity supplemental charge of $2,000 a month may apply in addition to these fees.
[84] Transparent contingency is available only for FedLine Direct Plus & Premier packages.
[85] Cash Management Service options are limited to Plus and Premier packages.

Basic – Individual respondent and/or sub-account reports (per report/month)	**$25.00**
Basic – Respondent/sub-account recap report (per month)	**$100.00**
Plus – Own report—up to six files with no respondent/sub-account activity (per month)	$60.00
Plus – Own report—up to six files with less than 10 respondent and/or sub-accounts (per month)	$125.00
Plus – Own report—up to six files with 10-50 respondent and/or sub-accounts (per month)	**$250.00**
Plus – Own report—up to six files with 51-100 respondents and/or sub-accounts (per month)	**$500.00**
Plus – Own report—up to six files with 101-500 respondents and/or sub-accounts (per month)	$750.00
Plus - Own report—up to six files with >500 respondents and/or sub-accounts	$1,000.00
Statement of account end of day reconcilement file (per month)[86]	$150.00
Statement of account spreadsheet file (per month)[87]	$150.00
Intra-day download search file (with AMI) (per month)[88]	$150.00
ACTS Report – < 20 sub-accounts	$250.00
ACTS Report – 21-40 sub-accounts	$500.00
ACTS Report – 41-60 sub-accounts	$750.00
ACTS Report - >60 sub-accounts	$1,000.00

[86] End of Day Reconcilement File option is available to FedLine Web Plus and FedLine Advantage Plus packages.
[87] Statement of Account Spreadsheet File option is available to FedLine Web Plus and FedLine Advantage Plus packages.
[88] ACTS Report options are limited to FedLine Command Plus and FedLine Direct Plus and Premier packages.

BILLING CODE 6210–01–P

By order of the Board of Governors of the Federal Reserve System, October 25, 2012.

Robert deV. Frierson,

Secretary of the Board.

[FR Doc. 2012–26864 Filed 11–7–12; 8:45 am]

BILLING CODE 6210–01–C

FEDERAL RESERVE SYSTEM

[Docket No. OP–1447]

Federal Reserve Bank Services Private Sector Adjustment Factor

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board has approved modifications to its method for calculating the private-sector adjustment factor (PSAF). The PSAF is part of the Board's calculation, as required by the Monetary Control Act of 1980 (MCA), to establish the fees that Federal Reserve Banks (Reserve Banks) charge for certain financial services provided to depository institutions. Because the Federal Reserve priced services have historically had characteristics most analogous to correspondent banks, clearing balances held by depository institutions at Reserve Banks were a primary component in computing the PSAF. The clearing balance program was largely modeled after similar programs offered by correspondent banks, wherein banks maintain balances with their correspondents. The Board was prompted to consider a new PSAF methodology because clearing balances held at Reserve Banks were declining following the Board's implementation of the payment of interest on required reserve and excess balances held at Reserve Banks. Effective July 2012, the Board eliminated the contractual clearing balance program in connection with its simplification of reserve policies. Changes in the priced services market and the elimination of clearing balances have made the correspondent bank analogy less applicable to the priced services provided by the Federal Reserve. Accordingly, the Board is adopting a publicly traded firm model to set the PSAF. Use of the new methodology is reflected in priced services fees for 2013, which is published elsewhere in today's **Federal Register**.

DATES: *Effective Date:* November 8, 2012. The revised method will be used to calculate the PSAF that is reflected in the 2013 priced services fees.

FOR FURTHER INFORMATION CONTACT: Gregory L. Evans, Deputy Associate Director (202) 452–3945, Brenda L. Richards, Manager (202) 452–2753, or John W. Curle, Senior Financial Analyst (202) 452–3916; Division of Reserve Bank Operations and Payment Systems; for users of Telecommunications Device for the Deaf (TDD), contact (202) 263–4869.

SUPPLEMENTARY INFORMATION:

I. Background

Under the MCA, the Federal Reserve Banks must establish fees for ''priced services,'' to recover, over the long run, all direct and indirect costs actually incurred in providing these services as well as the imputed costs that would have been incurred had the services been provided by a private-sector firm.[1] [2] The imputed costs—sales and income taxes, debt costs, and a required return on equity (profit)—are collectively referred to as the PSAF and are an additional cost considered when setting fees and determining cost recovery.

The Board's current method for calculating the PSAF involves developing an estimated Federal Reserve priced services pro forma balance sheet using actual priced services assets and liabilities. The remaining components on the balance sheet, such as equity, are imputed as if these services were provided by a correspondent bank. Equity is imputed at a level necessary for a well-capitalized depository institution and the target return on equity capital (ROE) is estimated based on the capital asset pricing model (CAPM). Finally, the PSAF includes an estimated share of the Board of Governors' expenses incurred to oversee Reserve Bank priced services, imputed sales and income taxes, and an imputed Federal Deposit Insurance Corporation (FDIC) assessment.

The methodology underlying the PSAF is reviewed periodically to ensure that it is appropriate and relevant in light of Reserve Bank priced services activities, accounting standards, finance theory, and regulatory and business practices.[3] The Board considers five principles when reviewing the PSAF methodology: (1) Providing a conceptually sound basis for efficient pricing in the market for payments services, (2) using Reserve Bank financial information as applicable, (3) maintaining consistency with private-sector practice, (4) using data in the public domain to make the PSAF replicable, and (5) avoiding any undue cost or complexity of the PSAF methodology.

Under the current correspondent bank model, clearing balances maintained by Reserve Bank customers have been a significant component of the pro forma financial statements and an important driver in calculating nearly all of the imputed costs considered in setting fees for priced services. Similar to how a correspondent bank would use its respondent balances, the clearing balances are a funding source for short- and long-term assets, including investments, and affect the level of imputed equity. Clearing balance levels, therefore, affect the overall size of the balance sheet, influence the need to impute debt funding, and contribute to total cost recovery through imputed net income on clearing balances.

The payment of interest on balances in Federal Reserve accounts and related monetary policy actions have affected the level of clearing balances and the similarity between correspondent banks and Federal Reserve priced services.[4] Following the implementation of interest on required reserve and excess balances, the Board recognized a significant decline in clearing balances and anticipated that the trend would continue.

The Board requested comment on modifications to its computation of the PSAF in April 2009 [5] (2009 notice) and in October 2011 [6] (2011 notice) (concurrent with the Board's request for comment on reserves simplification). Because clearing balances were a significant component of the pro forma balance sheets under the current method and because of the decline in clearing balance levels, the Board requested in its 2009 notice comment on the anticipated level of clearing balances given certain interest rate scenarios, the relevance of the clearing balance program, and whether the clearing balance program should continue.[7] The Board requested comment on whether a new methodology and its associated data sources and computations would be

[1] These priced services include check, FedACH®, Fedwire® Funds, and Fedwire® Securities services (for activity unrelated to Treasury).

[2] 12 U.S.C. 248a(c)(3).

[3] The previous review of the PSAF was completed in 2005 and changes were implemented for the 2006 PSAF. 70 FR 60341 (Oct. 17, 2005).

[4] In 2008, Congress amended the Federal Reserve Act to authorize Reserve Banks to pay interest on balances of eligible institutions. (See section 19 of the Federal Reserve Act (12 U.S.C. 461(b).) Since then, interest has been paid on balances maintained to satisfy reserve balance requirements and excess reserves at a rate determined by the Board (currently 25 basis points for required and excess reserve balances).

[5] 74 FR 15481 (Apr. 6, 2009).

[6] 76 FR 64250 (Oct. 18, 2011).

[7] 74 FR at 15484.