FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than November 21, 2011.

A. Federal Reserve Bank of Minneapolis (Jacqueline G. King, Community Affairs Officer) 90 Hennepin Avenue, Minneapolis, Minnesota 55480–0291:

1. *James E. Gaarder,* Ossining, New York; to retain voting shares of Citizens State Bancshares, Inc., and thereby indirectly retain voting shares of Citizens State Bank of Lankin, both in Lankin, North Dakota.

Board of Governors of the Federal Reserve System, November 1, 2011.

Robert deV. Frierson,

Deputy Secretary of the Board.

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FEDERAL RESERVE SYSTEM

[Docket No. OP–1436]

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 2012 of $29.9 million and the 2012 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. The Board has also approved maintaining the current earnings credit rate on clearing balances.

DATES: The new fee schedules and earnings credit rate become effective January 3, 2012.

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 2012 fee schedules for the check service are available from the Board, the Federal Reserve Banks, or the Reserve Banks' financial services Web site at *http://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. Similarly, investment income is imputed and netted with related direct costs associated with clearing balances to estimate net income on clearing balances (NICB). From 2001 through 2010, the Reserve Banks recovered 97.9 percent of their total expenses (including imputed costs) and targeted after-tax profits or return on equity (ROE) for providing priced services.[1]

Table 1 summarizes 2010 actual, 2011 estimated, and 2012 budgeted cost-recovery rates for all priced services. Cost recovery is estimated to be 102.3 percent in 2011 and budgeted to be 100.8 percent in 2012. The check service accounts for slightly over 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)]
2010 (actual)	574.7	532.8	41.8	13.1	105.3%
2011 (estimate)	471.4	444.1	27.3	16.8	102.3%
2012 (budget)	436.7	419.6	17.1	13.8	100.8%

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

[b] Revenue includes net income on clearing balances. Clearing balances are assumed to be invested in a broad portfolio of investments, such as short-term Treasury securities, government agency securities, federal funds, commercial paper, long-term corporate bonds, and money market funds. To impute income, a constant spread is determined from the historical average return on this portfolio and applied to the rate used to determine the cost of clearing balances. For 2012, investments are limited to short-term Treasury securities and federal funds with no constant spread imputed. 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.

[1] 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 95.1 percent for the ten-year period. This measure of long-run cost recovery is also published in the Board's *Annual Report*.

[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 2011 estimate, the targeted ROE reflects average actual clearing balance levels through July 2011.

[e] The recovery rates in this 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 2001 to 2010, 2010 actual, 2011 budget, 2011 estimate, and 2012 budget by priced service.

TABLE 2—PRICED SERVICES COST RECOVERY

[Percent]

Priced service	2001–2010	2010 Actual	2011 Budget	2011 Estimate	2012 Budget [a]
All services	97.9	105.3	102.1	102.3	100.8
Check	96.9	107.1	102.9	103.6	101.0
FedACH	102.7	103.4	100.2	100.2	100.5
Fedwire Funds and NSS	101.4	100.6	100.5	101.5	100.0
Fedwire Securities	100.9	102.8	106.5	100.4	102.5

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

1. 2011 Estimated Performance—The Reserve Banks estimate that they will recover 102.3 percent of the costs of providing priced services in 2011, including imputed costs and targeted ROE, compared with a budgeted recovery rate of 102.1 percent, as shown in table 2. The Reserve Banks estimate that all services will achieve full cost recovery. Overall, the Reserve Banks estimate that they will fully recover actual and imputed costs and earn net income of $27.3 million, compared with the target of $16.8 million. The greater-than-targeted net income is driven largely by the performance of the check service, which had greater-than-expected operational cost savings.

2. 2012 Private Sector Adjustment Factor—The 2012 PSAF for Reserve Bank priced services is $29.9 million. This amount represents a decrease of $7.6 million from the revised 2011 PSAF estimate of $37.5 million. This reduction is primarily the result of a change in the FDIC assessment as well as a decrease in the cost of equity, which is due to a lower amount of imputed equity.[2]

3. 2012 Projected Performance—The Reserve Banks project a priced services cost recovery rate of 100.8 percent in 2012. The 2012 fees for priced services are projected to result in a net income of $17.1 million compared with the target ROE of $13.8 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. 2012 Pricing—The following summarizes the Reserve Banks' changes in fee schedules for priced services in 2012:

Check

- The Reserve Banks will reduce by half their forward and return deadlines from 8 to 4 and 4 to 2, respectively. FedForward cash letter fees will decrease by 8 percent on a per-item basis. In addition the Reserve Banks will increase FedForward fees for checks presented electronically by 4 percent and increase FedForward fees for checks presented as substitute checks by 2 percent.[3] The net result is only a modest increase in the per item weighted effective average fee.
- The Reserve Banks will retain at current levels FedReturn fees for checks returned electronically and for endpoints that receive substitute checks.[4] The effective average fee paid by FedReturn depositors will decrease approximately 16 percent as the number of institutions that accept their returns electronically increases.[5]
- The Reserve Banks will retain traditional paper forward collection and return fees at their current levels.
- The Reserve Banks will price separately for two categories of adjustment types that are identified commonly in Reserve Bank processing operations: Encoding errors and non-conforming items that fail Reserve Bank edit checks.
- With the 2012 fees, the price index for the total check service will have increased 63 percent since 2002. 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 50 percent.

FedACH

- The Reserve Banks will raise the fee charged to receivers of ACH returns from $0.0025 to $0.005. The Reserve Banks will also increase the information extract file monthly fee from $75 to $100 and increase the international

[2] In October 2010, the Board approved a budgeted 2011 PSAF of $39.5 million, which was based on the July 2010 clearing balance level of $2,600.3 million. Since that time, clearing balances have continued to decline, which affects the 2011 PSAF and NICB. The 2011 estimated PSAF of $37.5 million, which is based on actual average clearing balances of $2,595.8 million through July 2011, reflects a change in the FDIC assessment. Similar to 2010, the 2011 final PSAF will be adjusted to reflect average clearing balance levels through the end of 2011.

[3] FedForward is the electronic forward check collection product. 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.

[4] FedReturn is the electronic check return product.

[5] The Reserve Banks' Check 21 service fees include separate and substantially different fees for the delivery of checks to electronic endpoints and substitute check endpoints. Therefore, the effective average fee paid by depository institutions that use Check 21 services is dependent on the proportion of institutions that accept checks electronically.

ACH transaction (IAT) output file sort monthly fee from $35 to $50. Fees for FedLine Web origination returns and notification of change will also rise from $0.30 to $0.35.

• With the 2012 fees, the price index for the FedACH service will have decreased 16 percent since 2002.

Fedwire Funds and National Settlement

• The Reserve Banks will implement a new per item fee of $0.12 on all transfers sent and received that exceed $10 million (high-value transfer surcharge).

• The Reserve Banks will implement a new per item fee of $0.20 on all transfers sent that contain any data in the new tag field {3620} that supports payment notification and tracking (payment notification surcharge).

• The Reserve Banks will increase the Tier 1 per item pre-incentive fee from $0.52 to $0.58 per transaction; the Tier 2 per item pre-incentive fee from $0.23 to $0.24; and the Tier 3 per item pre-incentive fee from $0.13 to $0.135.[6]

• The Reserve Banks will increase the monthly fee for the usage of the import/export feature of the FedLine Advantage electronic access package from $10 to $20.

• The Reserve Banks will increase the end-of-day origination surcharge from $0.18 to $0.20.

• The Reserve Banks will increase the Fedwire monthly participation fee from $75 to $85.

• The Reserve Banks will increase the National Settlement Service's settlement file charge from $20 to $21, and the settlement charge per entry from $0.90 to $1.00.

• With the 2012 fees, the price index for the Fedwire Funds and National Settlement Services will have increased 44 percent since 2002.

Fedwire Securities

• The Reserve Banks will increase the online transfer fee from $0.35 to $0.45.

• The Reserve Banks will increase the monthly account maintenance fee from $36 to $40.

• The Reserve Banks will increase the monthly issue maintenance fee from $0.40 to $0.45 per issue.

• The Reserve Banks will increase the offline surcharge from $60 to $66.

• The Reserve Banks will increase the claim adjustment fee from $0.60 to $0.66.

• With the 2012 fees, the price index for the Fedwire Securities Service will have decreased 14 percent since 2002.

Electronic Access

• The Reserve Banks propose adding a new package, FedLine Advantage Premier to the FedLine packaged solutions that will be priced at $500 per month.

• The Reserve Banks will begin to charge $15 per month for FedPhone.

• The Reserve Banks will also charge an additional $20 per month for the FedLine Advantage Plus packages, $100 per month for the FedLine Command Plus packages, $250 per month for FedLine Direct packages, and $200 per month for the FedLine Direct Premier packages.

• The Reserve Banks will raise the monthly fees for additional dedicated electronic access connections, specifically, the 56K, T1, and VPN surcharge by $250, $150, and $25, respectively.

• The FedLine international one-time setup fee will increase from $1,000 to $5,000.

• The Reserve Banks will also increase the monthly fees for accounting information services basic reports to improve the alignment of value and revenue.

• Electronic access fees are allocated to each priced service and are not separately reflected in comparison with the GDP price index.

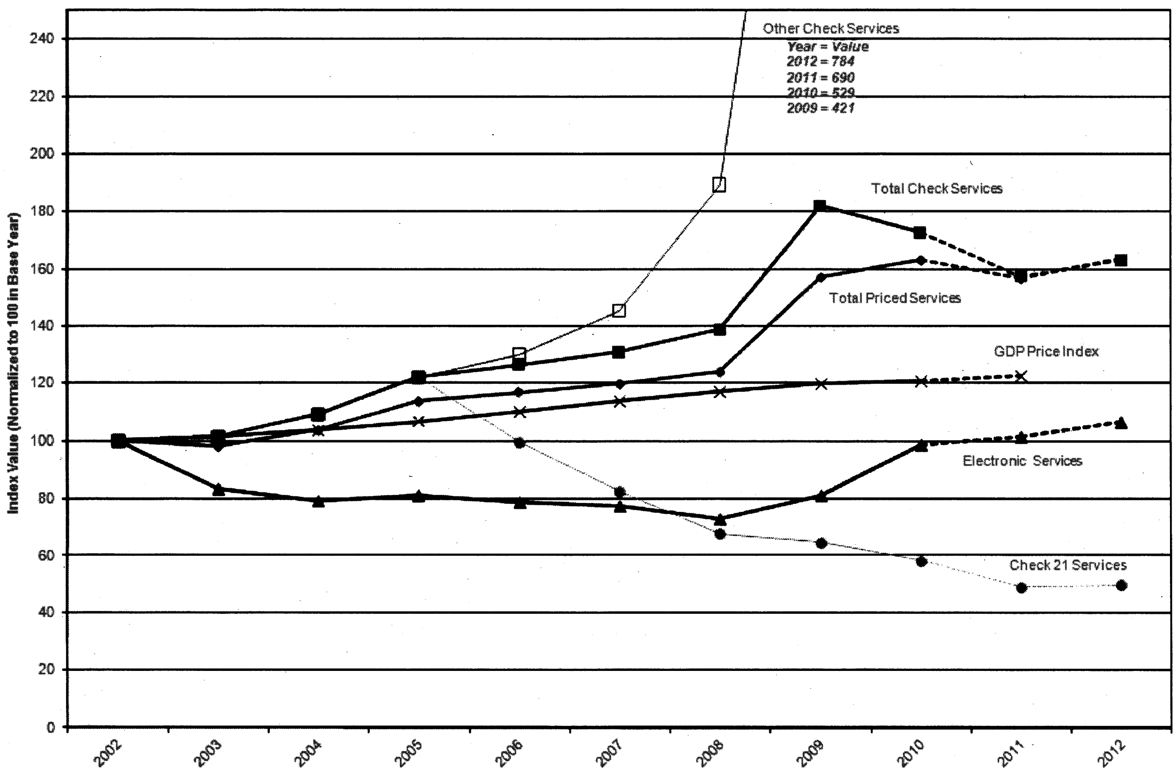
• *5. 2012 Price Index*—Figure 1 compares indexes of fees for the Reserve Banks'' priced services with the GDP price index. Compared with the price index for 2011, the price index for all Reserve Bank priced services is projected to increase 4 percent in 2012. The price index for total check services is projected also to increase approximately 4 percent. The price index for Check 21 services is projected to increase just over 1 percent, reflecting a slight increase in the effective prices paid to collect and return checks using Check 21 services and stabilization in the adoption of electronic check services. The price index for all other check services is projected to increase approximately 14 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 5 percent. For the period 2002 to 2012, the price index for all priced services is expected to increase 64 percent. In comparison, for the period 2002 to 2010, the GDP price index increased 21 percent.

[6] 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.

FIGURE 1

2012 PRICE INDEX

PRICE INDEXES FOR FEDERAL RESERVE PRICED SERVICES



B. *Private Sector Adjustment Factor*—In 2009, the Board requested comment on proposed changes to the methodology for calculating the PSAF.[7] The Board proposed replacing the current correspondent bank model with a ''publicly traded firm model'' in which the key components used to determine the priced-services balance sheet and the PSAF costs would be based on data for the market of U.S. publicly traded firms. The proposed changes were prompted by the implementation of the payment of interest on reserve balances held by depository institutions at the Reserve Banks and the anticipated consequent decline in balances held by depository institutions at Reserve Banks for clearing priced-services transactions (clearing balances).

Since the implementation of the payment of interest on reserve balances, clearing balances have not decreased as much as anticipated and remain significant. Between the October 2008 implementation of the payment of interest on reserve balances and January 2009, the total level of clearing balances held by depository institutions decreased approximately $2.0 billion, from $6.5 billion to $4.5 billion. During the first half of 2009, clearing balance levels were nearly flat at approximately $4.5 billion. Since mid-2009, clearing balances have declined further, and as of the end of July 2011, clearing balances were $2.7 billion. As a result of the relative significance of the remaining balances, the Board used the correspondent bank model for the 2011 PSAF, and will continue using the correspondent bank model for the 2012 PSAF.

The Board recently requested public comment on proposed amendments to Regulation D, which implements section 19 of the Federal Reserve Act and requires reserve requirements be held on certain deposits and other liabilities of depository institutions for the purpose of implementing monetary policy.[8] The proposed amendments eliminate the contractual clearing balance program and its administrative complexities as part of an effort to simplify reserve balance administration. Because contractual clearing balances are a significant element in determining imputed costs that must be recovered by Reserve Bank priced services fees, the Board requested comment on additional questions related to imputing costs to be recovered by Reserve Bank priced services fees after the proposed elimination of the contractual clearing balance program.

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 if these priced services were provided by a private business firm are imputed. The same generally accepted accounting principles that apply to commercial-entity financial statements apply to the

[7] 74 FR 15481–15491 (Apr. 6, 2009).

[8] 76 FR 64250–64259 (Oct. 18, 2011).

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 clearing balances and other liabilities such as accounts payable and accrued expenses.

Long-term debt is imputed only when core clearing balances, other long-term liabilities, and equity are not sufficient to fund long-term assets.[9] Short-term debt is imputed only when other short-term liabilities and clearing balances not used to finance long-term assets are insufficient to fund short-term assets. A portion of clearing balances is used as a funding source for short-term priced-services assets. Long-term assets may be partially funded from core clearing balances.

Imputed equity is 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.[10] 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 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 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.

The PSAF also includes the estimated priced-services-related expenses of the Board of Governors and imputed sales taxes based on Reserve Bank estimated expenditures. An assessment for FDIC insurance is imputed based on current FDIC rates during 2012 and projected clearing balances held with the Reserve Banks.

1. *Net Income on Clearing Balances*—The NICB calculation is performed each year along with the PSAF calculation and is 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.[11] The Reserve Banks impute a constant spread, determined by the return on a portfolio of investments, over the three-month Treasury bill rate and apply this investment rate to the net level of clearing balances.[12] A return on the imputed reserve requirement, which is based on the level of clearing balances on the pro forma balance sheet, is imputed to reflect the return that would be earned on a required reserve balance held at a Reserve Bank.

The calculation also involves 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 projected NICB are based on July 2011 rates and clearing balance levels. Because clearing balances are held for clearing priced services transactions or offsetting priced-services fees, they are directly related to priced services. The net earnings or expense attributed to the investments and the cost associated with holding clearing balances, therefore, are considered net income for priced services.

NICB is projected to be $1.0 million for 2012, including earnings on imputed reserve requirements.[13] The imputed rate is equal to the three-month Treasury bill rate with no constant spread due to the results of the interest rate sensitivity analysis. See the section of this memo ''Analysis of the 2012 PSAF'' for more information on the interest rate sensitivity analysis results and the effect on the 2012 NICB.

2. *Calculating Cost Recovery*—The PSAF and NICB are incorporated into the projected and actual annual cost-recovery calculations for Reserve Bank priced services. Each year, the Board projects the PSAF for the following year using July clearing balance and rate data during the process of establishing priced services fees. 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.[14] 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 adjusts the PSAF used in the actual cost-recovery calculation to reflect the actual clearing balance levels maintained throughout the year. NICB is projected in the fall of each year using July data and is recalculated to reflect actual interest rates and clearing balance levels during the year when calculating actual priced services cost recovery.

3. *Analysis of the 2012 PSAF*—The decrease in the 2012 PSAF is due

[9] Core clearing balances, currently $1 billion, are considered the portion of the balances that has remained stable over time without regard to the magnitude of actual clearing balances.

[10] As shown in table 7, 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.

[11] 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.

[12] 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. As shown in table 7, the investments imputed for 2012 are three-month Treasury bills and federal funds.

[13] The 2011 NICB was initially budgeted to be $1.2 million and the estimate is consistent with the budget.

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

primarily to a reduction in the level of imputed equity associated with a decrease in assets and credit float.

Projected 2012 Federal Reserve priced-services assets, reflected in table 3, have decreased $850.8 million, mainly due to a decline in imputed investments in marketable securities of $477.9 million as a result of lower expected credit float. The priced services balance sheet includes projected clearing balances of $2,661.1 million for 2012, which represents an increase of $60.8 million from the amount of clearing balances on the balance sheet for the budgeted 2011 PSAF. Because of the continued uncertainty regarding the level of clearing balances in an interest-on-reserves environment, the actual PSAF costs used in cost-recovery calculations will continue to be based on the actual levels of clearing balances held throughout 2012.

Credit float, which represents the difference between items in process of collection and deferred credit items, decreased from $1,800.0 million in 2011 to $1,100.0 million in 2012.[15] The decrease is primarily a result of credit float generated by a less use of Check 21 deferred-availability products.

As previously mentioned, 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 is used as a funding source for short-term assets. Long-term liabilities and equity exceed long-term assets by $124.9 million; therefore, no core clearing balances are used to fund long-term assets.

The Board uses an interest rate sensitivity analysis to ensure that the interest rate risk of the priced services balance sheet, and its effect on cost recovery, are appropriately managed and that the priced services long-term assets are appropriately funded with long-term liabilities and equity. The interest rate sensitivity analysis measures the relationship between rate sensitive assets and liabilities when they reprice as a result of a change in interest rates.[16] If a 200 basis point increase or decrease in interest rates changes priced services cost recovery by more than 2 percentage points, rather than using core clearing balances to fund long-term assets, long-term debt is imputed.

The interest rate sensitivity analysis shown in table 5 indicates that a 200 basis point decrease in rates decreases cost recovery 3.9 percentage points, while an increase of 200 basis points in rates increases cost recovery 3.8 percentage points. The greater-than-two-percentage-point effect on cost recovery is the result of a large gap between rate-sensitive assets and liabilities, and the relationship to priced services net income. The gap is caused by an increase in rate sensitive assets, specifically, the imputed federal funds investment needed to offset the projected level of credit float in 2011. The results of the analysis have the following effects on the 2012 PSAF and NICB:

Generally, the results of the interest rate sensitivity analysis indicate when long-term debt should be imputed rather than using core clearing balances to fund long-term assets. The requirement to impute debt remedies an asset mismatch when too many clearing balances (rate sensitive liabilities) are being used to fund long-term assets and there is a need for another funding source (*i.e.* long-term debt). For the 2011 and 2012 PSAF, however, the mismatch arises from the level of credit float rather than the use of clearing balances to fund long-term assets. If the Board were to impute debt for the 2012 PSAF, clearing balances now used to finance assets would be invested in rate-sensitive assets. Therefore, imputing debt would cause the gap between interest-rate-sensitive assets and liabilities to widen further, resulting in an even greater effect on cost recovery than shown in table 5. Accordingly, the Board will not impute debt for the 2012 PSAF. Imputed debt is limited to the amount of clearing balances used to finance long-term assets. (See table 4 for the portion of clearing balances used to fund priced-services assets.) Because of the heightened cost recovery sensitivity to interest rate fluctuations, the investment of clearing balances is limited to three-month Treasury bills (with no additional imputed constant spread). As shown in table 3, the amount of equity imputed for the 2012 PSAF is $234.7 million, a decrease of $42.5 million from the imputed equity for 2011. In accordance with FAS 158 [ASC 715], this amount includes an accumulated other comprehensive loss of $537.7 million. Both the capital-to-total-assets ratio and the capital-to-risk-weighted-assets ratio meet or exceed the regulatory requirements for a well-capitalized depository institution. Equity is calculated as 5 percent of total assets, and the ratio of capital to risk-weighted assets exceeds 10 percent.[17] The Reserve Banks imputed an FDIC assessment for the priced services based on the FDIC's assessment rates and the level of total priced services assets held at Reserve Banks.[18] For 2012, the FDIC assessment is imputed at $2.2 million, compared with an FDIC assessment of $5.3 million in 2011.

Table 6 shows the imputed PSAF elements for 2012 and 2011, including the pretax ROE and other required PSAF costs. The $4.9 million decrease in ROE is caused by a lower amount of imputed equity and a lower target ROE rate. Imputed sales taxes decreased from $4.2 million in 2011 to $3.7 million in 2012. The effective income tax rate used in 2012 decreased to 30.9 percent from 32.4 percent in 2011. The priced services portion of the Board's expenses decreased $1.1 million, from $5.2 million in 2011 to $4.1 million in 2012.

TABLE 3—COMPARISON OF PRO FORMA BALANCE SHEETS FOR BUDGETED FEDERAL RESERVE PRICED SERVICES [19]

[Millions of dollars—projected average for year]

	2012	2011	Change
Short-term assets:			
Imputed reserves requirements on reserveable liabilities	$376.1	$440.0	$(63.9)
Receivables	36.3	41.4	(5.1)
Materials and supplies	0.9	1.5	(0.6)
Prepaid expenses	10.3	7.6	2.7

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

[16] Interest rate sensitive assets and liabilities are defined as those balances that will reprice within a year.

[17] 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 impute total equity at 5 percent of assets, as indicated above, until the regulators announce a final ruling.

[18] 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 [19]—Continued

[Millions of dollars—projected average for year]

	2012	2011	Change
Items in process of collection [20]	250.0	300.0	(50.0)
Total short-term assets	673.6	790.5	(116.9)
Imputed investments	3,490.7	3,968.6	(477.9)
Long-term assets:			
Premises [21]	148.2	173.1	(24.9)
Furniture and equipment	36.3	43.2	(6.9)
Leasehold improvements and long-term prepayments	75.9	68.2	7.7
Prepaid pension costs	....	299.8	(299.8)
Prepaid FDIC asset	19.4	10.9	8.5
Deferred tax asset	249.1	189.7	59.4
Total long-term assets	528.9	784.9	(256.0)
Total assets	4,693.2	5,544.0	(850.8)
Short-term liabilities: [22]			
Clearing balances	2,661.1	2,600.3	60.8
Deferred credit items [20]	1,350.0	2,100.0	(750.0)
Short-term payables	28.3	35.0	(6.7)
Total short-term liabilities	4,039.4	4,735.3	(695.9)
Long-term liabilities: [22]			
Postemployment/postretirement benefits liability and pension liabilities [23]	419.1	531.5	(112.4)
Total liabilities	4,458.5	5,266.8	(808.3)
Equity [24]	234.7	277.2	(42.5)
Total liabilities and equity	4,693.2	5,544.0	(850.8)

TABLE 4—PORTION OF CLEARING BALANCES USED TO FUND PRICED-SERVICES ASSETS

[Millions of dollars]

	2012	2011
A. Short-term asset financing		
Short-term assets to be financed:		
Receivables	$36.3	$41.4
Materials and supplies	0.9	1.5
Prepaid expenses	10.3	7.6
Total short-term assets to be financed	47.5	50.5
Short-term funding sources:		
Short-term payables	28.3	35.0
Portion of short-term assets funded with clearing balances [25]	19.2	15.5
B. Long-term asset financing		
Long-term assets to be financed:		
Premises	148.2	173.1
Furniture and equipment	36.3	43.2
Leasehold improvements and long-term prepayments	75.9	68.2
Prepaid pension costs	....	299.8
Prepaid FDIC asset	19.4	10.9
Deferred tax asset	249.1	189.7
Total long-term assets to be financed	528.9	784.9
Long-term funding sources:		
Postemployment/postretirement benefits liability	419.1	531.5

[19] The 2011 PSAF values in tables 3, 4, and 6 reflect the budgeted 2011 PSAF of $39.5 million approved by the Board in October 2010.

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

[21] Includes the allocation of Board of Governors assets to priced services of $0.6 million and $0.7 million for 2012 and 2011, respectively.

[22] No debt is imputed because clearing balances are a funding source.

[23] Includes the allocation of Board of Governors liabilities to priced services of $0.5 million and $0.5 million for 2012 and 2011, respectively. Includes pension liabilities of $4.1 and $0.0 million for 2012 and 2011, respectively.

[24] Includes an accumulated other comprehensive loss of $537.7 million for 2012 and $343.2 million for 2011, 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.

TABLE 4—PORTION OF CLEARING BALANCES USED TO FUND PRICED-SERVICES ASSETS—Continued

[Millions of dollars]

	2012	2011
Imputed equity [26]	234.7	277.2
Total long-term funding sources	653.8	808.7
Portion of long-term assets funded with core clearing balances [25]	0.0	0.0
C. Total clearing balances used for funding priced-services assets	19.2	15.5

TABLE 5—2012 INTEREST RATE SENSITIVITY ANALYSIS [27]

[Millions of dollars]

	Rate sensitive	Rate insensitive	Total
Assets:			
Imputed reserve requirement on clearing balances	$ 376.1		$376.1
Imputed investments	3,490.7		3,490.7
Receivables		$36.3	36.3
Materials and supplies		0.9	0.9
Prepaid expenses		10.3	10.3
Items in process of collection		250.0	250.0
Long-term assets		528.9	528.9
Total assets	3,866.8	826.4	4,693.2
Liabilities:			
Clearing balances	2,661.1		2,661.1
Deferred credit items		1,350.0	1,350.0
Short-term payables		28.3	28.3
Long-term liabilities		419.1	419.1
Total liabilities	2,661.1	1,797.4	4,458.5

Rate change results	200 basis point decrease in rates	200 basis point increase in rates
Asset yield ($4,408.4 × rate change)	$(77.3)	$77.3
Liability cost ($2,600.3 × rate change)	(53.2)	53.2
Effect of 200 basis point change	(24.1)	24.1
2012 budgeted revenue	436.7	436.7
Effect of change	(24.1)	24.1
Revenue adjusted for effect of interest rate change	412.6	460.8
2012 budgeted total expenses	401.9	401.9
2012 budgeted PSAF	31.4	31.4
Tax effect of interest rate change ($ change × 30.9%)	(7.5)	7.5
Total recovery amounts	425.8	440.8
Recovery rate before interest rate change	100.8%	100.8%
Recovery rate after interest rate change	96.9%	104.5%
Effect of interest rate change on cost recovery [28]	(3.9)%	3.8%

[25] Clearing balances shown in table 3 are available for financing priced-services assets. Using these balances reduces the amount available for investment in the NICB calculation. Long-term assets are financed with long-term liabilities, equity, and core clearing balances; a total of $1 billion in clearing balances is available for this purpose in 2011 and 2012, respectively. Short-term assets are financed with short-term payables and clearing balances not used to finance long-term assets. No short- or long-term debt is imputed.

[26] See table 6 for calculation of required imputed equity amount.

[27] The interest rate sensitivity analysis evaluates the level of interest rate risk presented by the difference between rate-sensitive assets and rate-sensitive liabilities. The analysis reviews the ratio of rate-sensitive assets to rate-sensitive liabilities and the effect on cost recovery of a change in interest rates of up to 200 basis points. Calculations may be affected by rounding.

[28] The effect of a potential change in rates is greater than a two percentage point change in cost

Continued

TABLE 6—DERIVATION OF THE 2012 AND 2011 PSAF

[Millions of dollars]

	2012	2011
A. Imputed elements		
Short-term debt [29]	$0.0	$0.0
Long-term debt [30]	0.0	0.0
Equity.		
Total assets from table 3	4,693.2	5,544.0
Required capital ratio [31]	5%	5%
Total equity	234.7	277.2
B. Cost of capital		
1. Financing rates/costs		
Short-term debt	N/A	N/A
Long-term debt	N/A	N/A
Pretax return on equity [32]	8.5%	8.9%
2. Elements of capital costs		
Short-term debt	0.0	0.0
Long-term debt	0.0	0.0
Equity	234.7 × 8.5% = 19.9	277.2 × 8.9% =24.8
	19.9	24.8
C. Other required PSAF costs		
Sales taxes	3.7	4.2
FDIC assessment	2.2	5.3
Board of Governors expenses	4.1	5.2
	10.0	14.7
D. Total PSAF	29.9	39.5
As a percent of assets	0.6%	0.7%
As a percent of expenses [33]	6.5%	8.9%
E. Tax rates	30.9%	32.4%

TABLE 7—COMPUTATION OF 2012 CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[millions of dollars]

	Assets	Risk weight	Weighted assets
Imputed reserve requirement on clearing balances	$376.1	0.0	$0.0
Imputed investments:			
3-month Treasury bills [34]	2,390.7	0.0	0.0
Federal funds [35]	1,100.0	0.2	220.0
Total imputed investments	3,490.7	....	220.0
Receivables	36.3	0.2	7.3
Materials and supplies	0.9	1.0	0.9
Repaid expenses	10.3	1.0	10.3
Items in process of collection	250.0	0.2	50.0
Premises	148.2	1.0	148.2
Furniture and equipment	36.3	1.0	36.3
Leasehold improvements and long-term prepayments	75.9	1.0	75.9
Prepaid pension costs	....	1.0	....
Prepaid FDIC asset	19.4	1.0	19.4
Deferred tax asset	249.1	1.0	249.1

recovery; however, no long-term debt is imputed for 2012 because the priced services have adequate funding sources. See the section of the memo ''Analysis of the 2012 PSAF'' for more information on the interest rate sensitivity analysis results and its effect on the 2012 PSAF and NICB.

[29] No short-term debt is imputed because clearing balances are a funding source for those assets that are not financed with short-term payables.

[30] No long-term debt is imputed because core clearing balances are a funding source.

[31] Based on the regulatory requirements for a well-capitalized institution for the purpose of assessing insurance premiums.

[32] The 2012 ROE is equal to a risk-free rate plus a risk premium (beta * market risk premium). The 2012 after-tax CAPM ROE is calculated as 0.04% + (1 * 5.83%) = 5.87%. Using a tax rate of 30.9%, the after-tax ROE is converted into a pretax ROE, which results in a pretax ROE of (5.87% / (1–30.9%)) = 8.5%. Calculations may be affected by rounding.

[33] System 2012 and 2011 budgeted priced services expenses less shipping and float are $430.8 million and $441.7 million, respectively. A new methodology was adopted for the estimation of budgeted priced services in 2012.

TABLE 7—COMPUTATION OF 2012 CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES—Continued

[millions of dollars]

	Assets	Risk weight	Weighted assets
Total	$4,693.2	....	$817.4
Imputed equity for 2012	$234.7	....	....
Capital to risk-weighted assets	28.7%	....	....
Capital to total assets	5.0%	....	....

C. *Earnings Credits on Clearing Balances*—The Reserve Banks will maintain the current rate of 80 percent of the three-month Treasury bill rate to calculate earnings credits on clearing balances.[36]

Clearing balances were introduced in 1981, as part of the Board's implementation of the Monetary Control Act, to facilitate access to Federal Reserve priced services by institutions that did not have sufficient reserve balances to support the settlement of their payment transactions. The earnings credit calculation uses a percentage discount on a rolling 13-week average of the annualized coupon equivalent yield of three-month Treasury bills in the secondary market. Earnings credits, which are calculated monthly, can be used only to offset charges for priced services and expire if not used within one year.[37]

D. *Check Service*—Table 8 shows the 2010 actual, 2011 estimated, and 2012 budgeted cost recovery performance for the commercial check service.

TABLE 8—CHECK 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 [1/(2+4)]
2010 (actual)	358.4	326.5	31.9	8.1	107.1%
2011 (estimate)	254.8	237.1	17.7	8.8	103.6%
2012 (budget)	209.1	200.4	8.6	6.5	101.0%

1. *2011 Estimate*—For 2011, the Reserve Banks estimate that the check service will recover 103.6 percent of total expenses and targeted ROE, compared with the budgeted recovery rate of 102.9 percent. The Reserve Banks expect to recover all actual and imputed costs of providing check services and earn a net income of $17.7 million (see table 8).

The general decline in the number of checks written continues to influence the decline in checks collected by the Reserve Banks. Through September, total forward check volume and return check volume is 14 percent and 17 percent lower, respectively, than the same period last year. For full-year 2011, the Reserve Banks estimate that their total forward check collection volume will decline nearly 16 percent and return check volume will decline 15 percent from 2010 levels.[38] The proportion of checks deposited and presented electronically has grown steadily in 2011 (see table 9). The Reserve Banks expect that year-end 2011 FedForward deposit and FedReceipt presentment penetration rates will reach 99.9 percent and 99.6 percent, respectively. The Reserve Banks also expect that year-end 2011 FedReturn and FedReceipt Return volume penetration rates will reach 98.8 percent and 99.1 percent, respectively.

TABLE 9—CHECK 21 PRODUCT PENETRATION RATES [a]

[Percent] [b]

	Forward deposit volume				Return volume [c]			
	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

[34] 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.*

[35] 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.

[36] The Board has requested public comment on proposed amendments to Regulation D to eliminate the clearing balance program. If the Board adopts these amendments, effective during 2012, the clearing balances would be redesignated as excess reserves, and would be subject to explicit interest, rather than earnings credits. See 76 FR 64250–64259 (Oct. 18, 2011).

[37] A band is established around the contracted clearing balance to determine the maximum balance on which credits are earned as well as any deficiency charges. The clearing balance allowance is 2 percent of the contracted amount or $25,000, whichever is greater. Earnings credits are based on the period-average balance maintained up to a maximum of the contracted amount plus the clearing balance allowance. Deficiency charges apply when the average balance falls below the contracted amount less the allowance, although credits are still earned on the average maintained balance.

[38] Total Reserve Bank forward check volumes are expected to drop from roughly 7.7 billion in 2010 to 6.4 billion in 2011. Total Reserve Bank return check volumes are expected to drop from roughly 73.2 million in 2010 to 62.3 million in 2011.

TABLE 9—CHECK 21 PRODUCT PENETRATION RATES [a]—Continued

[Percent] [b]

	Forward deposit volume				Return volume [c]			
	FedForward		FedReceipt		FedReturn		FedReceipt return	
	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end
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	95.8	98.9	94.3	96.2	65.4	80.0
2011 (estimate)	99.9	99.9	99.5	99.6	97.9	98.8	87.2	99.1
2012 (budget)	> 99.9	99.9	99.7	99.8	99.3	99.3	99.1	99.1

[a] FedForward is the electronic forward check collection product; FedReceipt is electronic presentment with accompanying images; FedReturn is the electronic check return product; and FedReceipt Return is the electronic delivery of returned checks with accompanying images.

[b] 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.

[c] The Reserve Banks began offering PDF delivery of returned checks in 2009. For 2011 estimate and 2012 budget, volume associated with the delivery of returned checks in PDF files is included in FedReceipt Return volume.

2. *2012 Pricing*—In 2012, the Reserve Banks project that the check service will recover 101.0 percent of total expenses and targeted ROE. Revenue is projected to be $209.1 million, a decline of $45.7 million from 2011. 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 $200.4 million, a decline of $36.7 million from 2011. 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.

The Reserve Banks estimate that total Reserve Bank forward check volumes and return check volumes will decline approximately 14 percent, to 5.5 billion and 53.5 million, respectively. The decline in Reserve Bank check volume can be attributed to increased competition, increased use of direct exchanges, and the continued decline in check use nationwide.

The Reserve Banks will reduce by half the number of forward and return deadlines from 8 to 4 and 4 to 2, respectively, to respond to customer requests for a simplified deadline structure. The Reserve Banks will also eliminate the presort deposit options, which result in higher per item fees for those depositors. Reserve Banks project far fewer cash letters will be submitted in 2012 and that cash letters that are submitted will have a larger number of items per cash letter thus decreasing the per item cash letter fee. Savings in cash letter fees are partially offset by a 4 percent increase in FedForward fees for checks presented electronically and a 2 percent increase in FedForward fees for checks presented as substitute checks, resulting in only a modest increase in the per item weighted effective average fee (see Table 10).[39]

The Reserve Banks will retain at current levels FedReturn fees for checks returned electronically and for endpoints that receive substitute checks.[40] The effective average fee paid by FedReturn depositors will decrease approximately 16 percent as the number of institutions that accept their returns electronically increases. The effective average fee for forward collection and returned checks that are deposited with Reserve Banks in electronic form and presented in electronic form is projected to be $0.02 and $0.57, respectively.

The Reserve Banks project that approximately 0.02 percent of check forward deposit volume and approximately 0.74 percent of return check volume will be in traditional paper-based products. The effective average fee for forward collection and returned checks that are deposited with Reserve Banks in paper form is projected to be $5.29 and $10.31, respectively, which reflects the high costs of handling the small remaining paper volume. The Reserve Banks will retain paper check collection fees at their current levels.

TABLE 10—2012 FEE CHANGES

	2011 Effective average fee	2012 Effective average fee	Fee change (percent)
FedForwarder:			
Per item cash letter fee	$0.0017	$0.0015	−8
Electronic endpoints	0.0188	0.0196	4
Substitute check endpoints	0.1304	0.1329	2
Weighted effective average fee [a b]	$0.0213	$0.0215	1
FedReturn:			
Per item cash letter fee	0.0902	0.0755	−16
Electronic endpoints.			
FedReceipt	0.4300	0.4285	0
PDF	0.8500	0.8500	0
Substitute check endpoints	1.3999	1.4000	<1
Weighted effective average fee [a b]	0.6826	0.5728	−16

[39] FedForward is the electronic forward check collection product. 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.

[40] FedReturn is the electronic check return product.

TABLE 10—2012 FEE CHANGES—Continued

	2011 Effective average fee	2012 Effective average fee	Fee change (percent)
Paper: [c]			
Forward collection	1.8020	5.2938	194
Returns	$6.9624	$10.3100	48

[a] The weighted average fees in this table represent combined cash letter and per-item fees for each product type, whereas the electronic and substitute check endpoints reflect only per item fees.
[b] The weighted average fees for FedForward and FedReturn products are dependent on electronic receipt penetration rates. In this table, the weighted average fees are based on electronic receipt penetration rates estimated for full-year 2011 and projected for full-year 2012.
[c] The effective average fee reflects the respective per item cash letter fee.

The Reserve Banks will charge for two categories of adjustments: Encoding errors and a subset of non-conforming items. The fees are $5.00 for each encoding error and for each non-conforming item up to 20 items. If a non-conforming item adjustment request includes more than 20 instances of the same edit failure, then a flat fee of $125 will be charged for the group of non-conforming items. The fees will be charged to the depositor. The pricing strategy is designed to increase the efficiency of Reserve Bank operations, improve the efficiency of the adjustment process, and reduce the risk associated with the check payments system. The implementation date has not been finalized.

Risks to the Reserve Banks' ability to achieve budgeted 2012 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 cost overruns associated with unanticipated problems with technology upgrades.

E. *FedACH Service*—The table below shows the 2010 actual, 2011 estimate, and 2012 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)]
2010 (actual)	111.5	105.2	6.3	2.6	103.4%
2011 (estimate)	110.3	106.0	4.3	4.1	100.2%
2012 (budget)	112.6	108.4	4.2	3.6	100.5%

1. *2011 Estimate*—The Reserve Banks estimate that the FedACH service will recover 100.2 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 $4.3 million. Through September, FedACH commercial origination volume was nearly 1 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. *2012 Pricing*—The Reserve Banks project that the FedACH service will recover 100.5 percent of total expenses and targeted ROE in 2012. Total revenue and total expenses are budgeted to increase $2.3 million and $2.4 million, respectively. The Reserve Banks expect both FedACH commercial origination and receipt volume to grow approximately 2.5 percent in 2012.

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 $0.0025 to $0.005. Additionally, the Reserve Banks will increase fees for select value added services. Specifically, the Reserve Banks will increase per item fees for FedLine Web origination returns and notification of change, monthly fees for information extract file, and the IAT output file sort fee. The National Automated Clearing House Association (NACHA) will also increase the per entry network administration fee. The Reserve Banks estimate that the effective price will remain at the 2011 level.

Risks to the Reserve Banks' ability to achieve budgeted 2012 cost recovery for the FedACH service include greater-than-expected volume losses due to unanticipated mergers and acquisitions, direct exchanges, and the competitive environment, which could result in lower-than-anticipated revenue, and cost overruns associated with unanticipated problems with technology upgrades.

F. *Fedwire Funds and National Settlement Services*—Table 12 shows the 2010 actual, 2011 estimate, and 2012 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)]
2010 (actual)	80.3	77.9	2.4	1.9	100.6%

TABLE 12—FEDWIRE FUNDS AND NATIONAL SETTLEMENT SERVICES PRO FORMA COST AND REVENUE PERFORMANCE—Continued

[$ 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 (estimate)	83.4	79.1	4.3	3.0	101.5%
2012 (budget)	88.9	86.1	2.8	2.8	100.0%

1. *2011 Estimate*—The Reserve Banks estimate that the Fedwire Funds and National Settlement Services will recover 101.5 percent of total expenses and targeted ROE, compared with a 2011 budgeted recovery rate of 100.5 percent. Through September, online Fedwire Funds volume was up 2.2 percent from the same period in 2010. For the full year, the Reserve Banks estimate that online Fedwire Funds volume will decline by 0.9 percent. With respect to the National Settlement Service, the volume of settlement files decreased 6.2 percent while the volume of settlement file entries increased 8.3 percent through September. For the full year, the Reserve Banks estimate that the volume of settlement files will decrease by 7.2 percent while the volume of settlement entries will increase by 4.7 percent.

2. *2012 Pricing*—The Reserve Banks expect the Fedwire Funds and National Settlement Services to recover 100.0 percent of total expenses and targeted ROE in 2012. The Reserve Banks project total expenses to increase $7.0 million from the 2011 estimate. This increase is primarily due to technology upgrades and related infrastructure projects, and the establishment of a program management office to support these projects. The Reserve Banks project total revenue to increase $5.5 million from the 2011 estimate. This projected revenue increase is primarily due to the implementation of new fees for Fedwire Funds and price increases for both the Fedwire Funds and the National Settlement Services.

The Reserve Banks will implement two new fees for the Fedwire Funds Service. First, a high-value transfer per item fee of $0.12 will apply to both senders and receivers of transfers that exceed $10 million.[41] This high-value transfer surcharge is expected to increase revenue for the Fedwire Funds Service by $0.9 million.[42] Second, a payment notification per item fee of $0.20 will apply to transfers sent that contain any data in the new field tag {3620} that supports payment notification and tracking. The Reserve Banks assume no new revenue increases as a result of the payment notification surcharge.[43] In calculating projected Fedwire Funds revenue for 2012, the Reserve Banks project flat volume growth.

The implementation of the high-value transfer surcharge is consistent with the Reserve Banks' objective to maintain the safety and resilience of the Fedwire Funds Service, which is especially important for funds transfers that are of high value. Although only about 3 percent of Fedwire Funds transfers are valued at $10 million or more, these transfers collectively account for roughly 95 percent of the value settled by the Fedwire Funds Service. The Reserve Banks believe that the high-value transfer surcharge is an equitable way to shift more of the cost associated with Fedwire resiliency to those payments that drive the need for such resiliency. The implementation of the payment notification surcharge is consistent with the Reserve Banks' goals of improving their ability to retain existing business and attract new volume by aligning the services provided by the Reserve Banks with the evolving needs of their customers.

In addition to implementing the two new surcharges mentioned above, the Reserve Banks will adjust various fees for the Fedwire Funds Service. First, the Reserve Banks will increase the Tier 1 per item pre-incentive fee from $0.52 to $0.58, the Tier 2 per item pre-incentive fee from $0.23 to $0.24, and the Tier 3 per item pre-incentive fee from $0.13 to $0.135.[44] Second, the Reserve Banks will increase the end-of-day origination surcharge from $0.18 to $0.20. Third, the Reserve Banks will increase the Fedwire Funds monthly participation fee from $75 to $85. Lastly, the Reserve Banks will increase the FedLine Advantage import/export monthly fee from $10 to $20. The Reserve Banks estimate that the new surcharges and price increases will result in an effective price increase of approximately 9 percent.

With respect to the National Settlement Service, the Reserve Banks will increase the NSS file fee from $20 to $21 and the per entry fee from $0.90 to $1.00. In calculating projected NSS revenue for 2012, the Reserve Banks project flat volume growth.

G. *Fedwire Securities Service*—Table 13 shows the 2010 actual, 2011 estimate, and 2012 budgeted cost recovery performance for the Fedwire Securities Service.[45]

[41] The Reserve Banks estimate that 2.96 percent of Funds transfers are valued at $10 million or greater.

[42] Nearly 80 percent of the projected increase in revenue will come from the largest Fedwire participants that are included in the CRSO's National Account Program. About 160 out of more than 6,000 Funds participants will experience price increases more than 1 percent. About 100 participants will experience price increases greater than 2 percent while 20 participants will have price increases ranging between 7 and 30 percent.

[43] For cost recovery purposes, the Reserve Banks project no new revenue increases due to uncertainty regarding precisely how much payment notification volume will be generated once this service is introduced. The Reserve Banks, however, estimate that the surcharge could potentially raise roughly $250 thousand per year if notification features are used one percent of the time.

[44] 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. A summary of the incentive fee structure is provided in a footnote in the Fedwire Funds and National Settlement Services fee schedule.

[45] 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.

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)]
2010 (actual)	24.4	23.2	1.2	0.6	102.8%
2011 (estimate)	22.9	22.0	0.9	0.8	100.4%
2012 (budget)	26.1	24.6	1.4	0.8	102.5%

1. *2011 Estimate*—The Reserve Banks estimate that the Fedwire Securities Service will recover 100.4 percent of total expenses and targeted ROE, compared with a 2011 budgeted recovery rate of 106.5 percent. The lower-than-budgeted recovery is primarily attributed to higher-than-expected costs associated with technology upgrades and infrastructure projects. Through September, online securities volume was down 5.3 percent from the same period in 2010. For the full year, the Reserve Banks estimate that online Fedwire Securities volume will decline by 8.9 percent.

2. *2012 Pricing*—The Reserve Banks project that the Fedwire Securities Service will recover 102.5 percent of total expenses and targeted ROE in 2012. The Reserve Banks project that 2011 revenue and expenses will increase by $3.2 million and $2.6 million, respectively, compared with the 2011 estimates.[46] In calculating projected Fedwire Securities revenue for 2012, the Reserve Banks project flat volume growth.

The Reserve Banks will adjust various fees for the Fedwire Securities Service. First, the Reserve Banks will increase the online transfer fee from $0.35 to $0.45. Second, the Reserve Banks will increase the monthly account maintenance fee from $36 to $40 and the monthly issue maintenance fee from $0.40 to $0.45 per issue. Third, the Reserve Banks will increase the offline surcharge from $60 to $66. Lastly, the Reserve Banks will increase the claim adjustment fee from $0.60 to $0.66.

The Reserve Banks' 2012 Fedwire Securities Service fees are consistent with their multi-year cost projections for a pricing strategy that takes into account technology upgrades and infrastructure projects. Under this approach, the Reserve Banks are targeting a 102.5 percent recovery rate for 2012, which would result in an effective price increase of approximately 11 percent.

H. *Electronic Access*—The Reserve Banks allocate the costs and revenues associated with electronic access to the Reserve Banks'' priced services. There are currently six electronic access channels through which customers can access the Reserve Banks'' priced services: FedPhone®, FedMail®, FedLine Web®, FedLine Advantage®, FedLine Command®, and FedLine Direct®.[47] The Reserve Banks package these channels into ten electronic access packages that are supplemented by a number of premium (or a 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.

The FedPhone access package provides a telephone link to the FedACH services'' automated voice response system, which is used to submit return items and notifications of change. The other access packages are broken into attended and unattended offerings.

Attended access packages offer access to critical payment and information services via a Web-based interface. The FedMail e-mail package provides access to basic information services via fax or e-mail, while two FedLine Web packages offer FedMail e-mail 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 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 Check, FedACH, Fedwire Funds, and Fedwire Securities transactional and information services and to most accounting information services.

For 2012, the Reserve Banks will introduce a new package to and increase the fees for select FedLine packaged solutions, to better meet their customers'' needs for access options, delivery solutions, and information services and to address increasing costs. The new package, FedLine Advantage Premier, priced at $500 per month, will accommodate the growth and expansion of value-add services as cross-business risk and information services expand. For example, the Transaction Analyzer service will be tiered based on a customers'' transaction volume with the top volume tiers covered by the new FedLine Advantage Premier package. In addition, the Reserve Banks will begin to charge $15 per month for FedPhone for current customers that use the FedPhone channel to access the Reserve Banks'' priced services; the introduction of this fee supports the Reserve Banks'' strategic direction of moving to Web-based electronic access. The Reserve Banks will also charge an additional $20 per month for the FedLine Advantage Plus packages, $100 per month for the FedLine Command Plus packages, $250 per month for FedLine Direct packages, and $200 per month for the FedLine Direct Premier packages.

In addition to raising the fees for select electronic access packages, the Reserve Banks will make other changes to electronic access pricing for 2012. In particular, the Reserve Banks will raise the monthly fees for additional dedicated electronic access connections, specifically, the 56K, T1, and VPN surcharge by $250, $150, and $25, respectively, to align with an increase in

[46] As with Fedwire Funds, estimated increases in expenses for the Fedwire Securities Service are primarily due to technology upgrades and infrastructure projects. The Reserve Banks expect peak costs associated with these efforts to occur in 2013–2014.

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

costs. The FedLine international one-time setup fee will increase from $1,000 to $5,000.[48] The Reserve Banks will also increase the monthly fees for accounting information services basic reports to improve the alignment of value and revenue.

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 2012 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.

FEDACH SERVICE 2012 FEE SCHEDULE

[Effective January 3, 2012.]

[Bold indicates changes from 2011 prices.]

	Fee
FedACH minimum monthly fee: [50]	
ODFI	$35.00
RDFI	$25.00
Origination (per item or record): [51]	
Forward or return items in small files	$0.0030
Forward or return items in large files	$0.0025
Addenda record	$0.0015
Receipt (per item or record): [52]	
Forward item fees with volume-based discount (excluding FedACH SameDay service items)	
For the first 1,000,000 items per month	$0.0025
For 1,000,001 to 25,000,000 items per month	$0.0018
For more than 25,000,000 items per month	$0.0016 (all items).
Return items	**$0.005**
Addenda record	$0.0015
FedACH SameDay Service	
Origination: [53] [54]	
Forward item in a small file	$0.0030
Forward item in a large file	$0.0035
Addenda record	$0.0015
Return item in a small file	$0.0030
Return item in a large file	$0.0025
Return addenda record	$0.0015
Receipt: [55]	
Forward item	$0.0025
Addenda record/return addenda record	$0.0015
Return item	$0.0025
FedACH Risk Management Services: [56]	
Risk origination monitoring criteria:	
Tier 1 (2–20 sets)	$8.00/set of criteria/month.
Tier 2 (21–150 sets)	$4.00/set of criteria/month.
Tier 3 (more than 150 sets)	$1.00/set of criteria/month.
Risk origination monitoring batch	$0.0025/batch.
FedEDI Plus	
Basic receiver setup report (previously RDFI Quick Scan)	Included in access fee.
Standard reports:	
Scheduled report generated	$0.20/report.
On demand report generated	$0.75/report.
Premier reports:	
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.
Daily return ratio report:	
Reports 1 through 200	$0.35/report.
Reports 201 through 1000	$0.20/report.
Reports 1001+	$0.10/report.
Monthly return ratio report:	
Reports 1 through 10	$6.00/report.

[48] The one-time set up fee is generally for customers who are moving a particular part of their operation overseas. The overseas users establish credentials that require significant administrative and legal resources to complete.

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

FEDACH SERVICE 2012 FEE SCHEDULE—Continued

[Effective January 3, 2012.]

[Bold indicates changes from 2011 prices.]

	Fee
Reports 11 through 50	$3.00/report.
Reports 51+	$1.00/report.
On-us inclusion:	
Participation fee	$10.00/month/RTN.
Per item fee	$0.0030.
Per addenda fee	$0.0015.
Report delivery options:	
Via encrypted e-mail	$0.20/e-mail.
Via FedLine file access solution	$0.30/report.
Monthly fee (per routing number):	
Account servicing fee [57]	$37.00
FedACH settlement [58]	$45.00
Information extract file	**$100.00**
IAT Output File Sort	**$50.00**
FedLine Web origination returns and notification of change (NOC) fee [59]	**$0.35**
Voice response returns/NOC fee [60]	$6.00
Automated NOC fee [61]	$0.15
Non-electronic input/output fee: [62]	
CD or DVD input/output	$50.00
Paper input/output	$50.00
Facsimile exception returns/NOC [63]	$30.00
NACHA network administration fees: [64]	
NACHA administration network fee/month	$12.00
NACHA administration network fee/entry	**$0.000145**
FedGlobal ACH Payments	
Canada service fee:	
Item originated to Canada [65]	$0.62
Return received from Canada [66]	$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 [55]	$0.67
Return received from Mexico [56]	$0.91
Item trace	$13.50
A2R item originated to Mexico [55]	$3.45
F3X item originated to Mexico [55]	$0.67
Panama service fee:	
Item originated to Panama [55]	$0.72
Return received from Panama [56]	$1.00
Item trace	$7.00
NOC	$0.72
Latin America (MFIC) service fee:	
Item originated to MFIC [55]	$4.40
Return received from MFIC [56]	$0.72
Item trace	$5.00
Europe service fee:	
Item originated to Europe [55]	$1.25
F3X item originated to Europe [55]	$1.25
Return received from Europe [56]	$1.35
Item trace	$7.00

[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] Receipt fees do not apply to items that the Reserve Banks send to EPN.

[53] This per-item surcharge is in addition to the standard origination and input file processing fees for forward items.

[54] This per-item discount is a reduction to the standard origination and input file processing fees for return items.

[55] This per-item discount is a reduction to the standard receipt fees.

[56] Criteria may be set for both the origination monitoring service and the RDFI alert service. There is no fee for the first set of monitoring criteria or for RDFI alert file-level criteria. Batch monitoring fee is assessed for each batch monitored and scanned.

[57] The account-servicing fee applies to routing numbers that have received or originated FedACH transactions. Institutions that receive only U.S. government transactions or that elect to use the other operator exclusively are not assessed the account servicing fee.

[58] 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 U.S. government transactions only.

[59] The fee includes the item and addenda fees in addition to the conversion fee.

[60] The fee includes the item and addenda fees in addition to the voice response fee.

[61] The fee includes the notification of change processing fee.

[62] Limited services are offered in contingency situations.

[63] The fee includes the transaction fee in addition to the conversion fee. Reserve Banks also assess a $30 fee for every government paper return/NOC they process.

Continued

FEDWIRE FUNDS AND NATIONAL SETTLEMENT SERVICES 2012 FEE SCHEDULE

[Effective January 3, 2012]

[Bold indicates changes from 2011 Fee Schedule]

	Fee
Fedwire Funds Service	
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	**$0.58**
Per transfer for additional transfers up to 90,000 per month	**$0.24**
Per transfer for every transfer over 90,000 per month	**$0.135**
Volume-based transfer fee with the incentive discount (originations and receipts): [67]	
Per eligible transfer for the first 14,000 transfers per month	**$0.116**
Per eligible transfer for additional transfers up to 90,000 per month	**$0.048**
Per eligible transfer for every transfer over 90,000 per month	**$0.027**
Surcharge for offline transfers (originations and receipts)	$40.00
Surcharge for high value payments	**$0.12**
Surcharge for payment notification	**$0.20**
Surcharge for end-of-day transfer originations [68]	**$0.20**
Monthly import/export fee	**$20.00**
National Settlement Service	
Basic	
Settlement entry fee	**$1.00**
Settlement file fee	**$21.00**
Surcharge for offline file origination	$40.00
Minimum monthly charge (account maintenance) [69]	$60.00
Special settlement arrangements: [70]	
Fee per day	$150.00

FEDWIRE SECURITIES SERVICE 2012 FEE SCHEDULE, (NON-TREASURY SECURITIES)

[Effective January 3, 2012]

[Bold indicates changes from 2011 Fee Schedule]

	Fee
Basic transfer fee:	
Transfer or reversal originated or received	**$0.45**
Surcharge:	
Offline origination & receipt surcharge	**$66.00**
Monthly maintenance fees:	
Account maintenance (per account)	**$40.00**
Issues maintained (per issue/per account)	**$0.45**
Claim adjustment fee	**$0.66**
Joint custody fee	$40.00

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[64] NACHA network administration fees are established by NACHA in accordance with NACHA Operating Rules, Article One (General Rules), Section 1.11 (Network Administration Fees).

[65] This per-item surcharge is in addition to the standard domestic origination and input file processing fees.

[66] This per-item surcharge is in addition to the standard domestic receipt fees.

[67] The incentive discounts are applicable on the portion of a customer's volume that exceeds 50 percent of their historic benchmark volume. Historic benchmark volume will be based on a customer's average daily activity over the previous five full calendar years, adjusted for the number of business days in the current month. If a customer has less than five full calendar years of previous activity, then the historic benchmark volume will be based on the daily activity for as many full calendar years of available data. If a customer has less than one full year calendar year's worth of prior activity, historic benchmark volume will be set retroactively at actual volume for the current month. The applicable incentive discounts are as follows: − $0.464 for transfers up to 14,000; − $0.192 for transfers 14,001 to 90,000; and − $0.108 for transfers over 90,000.

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

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

[70] 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.

ELECTRONIC ACCESS 2012 FEE SCHEDULE

[Effective January 3, 2012

Bold prices indicate changes from 2011 Fee Schedule]

FedComplete Packages (monthly): [71]	
FedComplete	$750.00
FedComplete Plus	$775.00
FedComplete Plus 2.0	$1,400.00
Electronic Access Packages (monthly):	
FedPhone	**$15.00**
FedMail Email	$30.00
FedLine Web (W3)	$110.00
Includes:	
FedMail email	
FedLine Web with three individual subscriptions	
FedACH information services (includes RDFI file alert service)	
Check 21 services [72]	
Check 21 duplicate notification	
Cash management system basic—own report only	
Service charge information	
Account management information [73]	
End of day accounting file (PDF)	
FedLine Web Plus (W5)	$140.00
Includes:	
FedLine Web (W3) traditional package	
FedLine Web with five individual subscriptions	
FedACH risk management services	
FedACH EDI plus service via secure email	
Check payor bank services	
Account management information	
FedLine Advantage (A5)	$380.00
Includes:	
FedLine Web (W3) 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 (A5)	**$425.00**
Includes:	
FedLine Advantage A5 traditional package	
FedLine Advantage with five individual subscriptions	
FedACH risk management services	
FedACH EDI via secure email	
FedTransaction Analyzer	
FedLine Advantage Premier	**$500.00**
Includes:	
FedLine Advantage A5 traditional package	
FedLine Advantage with five individual subscriptions	
FedACH risk management services	
FedACH EDI via secure email	
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 (D56)	**$3,250.00**
Includes:	
FedLine Advantage A5 traditional package with 56K line speed	
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 (D256)	$3,500.00
Includes:	

ELECTRONIC ACCESS 2012 FEE SCHEDULE—Continued

[Effective January 3, 2012

Bold prices indicate changes from 2011 Fee Schedule]

FedLine Direct traditional (D56) package with 256K line speed	
FedACH risk management services	
FedACH EDI via secure email	
FedTransaction Analyzer	
FedLine Direct Premier (DT1)	**$6,200.00**
Includes:	
FedLine Direct Plus package with T1 line speed	
One dedicated unattended wide area network connection for FedLine Direct	
FedTransaction Analyzer large volume	
Premium Options (monthly) [74]	
Electronic Access:	
Additional subscribers package (each package contains 5 additional subscribers)	$80.00
Additional FedLine Command certificate [75]	$80.00
Additional FedLine Direct certificate [76]	$80.00
Maintenance of additional virtual private network	$60.00
FedLine Advantage 800# Usage (per hour)	$2.00
Additional dedicated connections [77]	
56K	**$2,250.00**
256K	$2,450.00
T1	**$3,150.00**
Dial Only VPN surcharge	**$50.00**
Expedited VPN device order/change	$500.00
FedLine international setup (one-time fee)	**$5,000.00**
FedLine Direct contingency solution [78]	$1,000.00
Check 21 large file delivery	Various
FedMail fax (monthly per routing number)	$40.00
Accounting Information Services	
Cash Management System: [79]	
Basic—Individual respondent and/or sub-account reports (per report/month)	**$15.00**
Basic—Respondent/sub-account recap report (per month)	**$60.00**
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)	$225.00
Plus—Own report–up to six files with 51–100 respondents and/or sub-accounts (per month)	$400.00
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) [80]	$150.00
Statement of account spreadsheet file (per month) [81]	$150.00
Intra-day download search file (with AMI) (per month) [82]	$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

Dated: October 28, 2011.

Jennifer J. Johnson,

Secretary of the Board.

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

[72] 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.

[73] Daylight Overdraft Report, Ex-Post Activity Snapshot, and Integrated Accounting Statement of Account are available via FedMail.

[74] Premium options for FedLine Web are limited to FedMail Fax.

[75] Additional FedLine Command Certificates available for FedLine Command and Direct packages only.

[76] Additional FedLine Direct Certificates available for FedLine Direct packages only.

[77] Network diversity supplemental charge of $2,000 a month may apply in addition to these fees.

[78] Transparent contingency is available only for FedLine Direct packages.

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

Dated: October 28, 2011.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 2011–28588 Filed 11–3–11; 8:45 am]

BILLING CODE 6210–01–P

[79] Cash Management System options are limited to Plus and Premier packages.

[80] End of Day Reconcilement File option is available to FedLine Web Plus and FedLine Advantage Plus packages.

[81] Statement of Account Spreadsheet File option is available to FedLine Web Plus and FedLine Advantage Plus packages.

[82] ACTS Report options are limited to FedLine Command Plus and FedLine Direct Plus and Premier packages.

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be