

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

November 17, 2006

**BANKING SUPERVISION AND REGULATION:
FEE SCHEDULES FOR PAYMENT SERVICES
FOR DEPOSITORY INSTITUTIONS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

**Approved Fee Schedules for Federal Reserve Bank Payment Services for Depository
Institutions**

The Federal Reserve Board approved fee schedules for Federal Reserve Bank payment services for depository institutions (priced services), effective January 2, 2007.

Since the mid 1990's, the use of electronic payment alternatives have increased, while the use of checks have decreased. In response to this national trend, the Reserve Banks have undertaken a number of initiatives to improve operational efficiency and reduce costs, making significant changes to their payments infrastructure. In particular, the Reserve Banks have been adapting their physical check processing infrastructure, reducing the number of Federal Reserve check processing locations from forty-five in 2003 to twenty-two in 2006, and modernizing their check-processing platform. In addition, the Reserve Banks began modifying their product offerings to encourage depository institutions to move to a more electronic check- processing environment.

In 2007, the Reserve Banks will continue to encourage the movement to a more electronic check-processing environment by offering depository institutions incentives to receive their checks electronically through Check 21 and by lowering the price on Check 21 deposits destined to electronic recipients by 12.5%. The 2007 fee schedule for each of the priced services, except the check service, is included in the attached Federal Register notice. Fee schedules for all priced services are available on the Federal Reserve Banks' financial services web site at www.frbsservices.org.

In addition, the Board approved the 2007 private-sector adjustment factor (PSAF) for Reserve Bank priced services of \$132.5 million. The PSAF is an allowance for income taxes and other imputed expenses that would have to be paid and profits that would have to be earned if the Reserve Banks' priced services were provided by a private business. The Monetary Control Act of 1980 requires that the Federal Reserve establish fees to recover the costs of providing priced services, including the PSAF, over the long run, to promote competition between the Reserve Banks and private-sector service providers.

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbssf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3028.

FEDERAL RESERVE BANK OF SAN FRANCISCO

Attachment: [Docket No. OP-1269](#)