ACTION: Notice; reopening of comment period.

SUMMARY: EPA issued a notice in the **Federal Register** of October 21, 2009, announcing the Agency's receipt of an initial filing of a pesticide petition proposing the establishment/ modification of regulations for residues of the biochemical pesticide 2,6-diisopropylnaphthalene (2,6-DIPN) in or on various food commodities. This document reopens the comment period until November 16, 2009.

DATES: Comments, identified by docket identification (ID) number EPA–HQ–OPP–2009–0802, must be received on or before November 16, 2009.

ADDRESSES: Follow the detailed instructions as provided under **ADDRESSES** in the **Federal Register** document of October 21, 2009.

FOR FURTHER INFORMATION CONTACT: Leonard Cole, Biopesticides and Pollution Prevention Division, Office of Pesticide Programs, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460–0001; telephone number: (703) 305–5412; e-mail address: *cole.leonard@epa.gov*.

SUPPLEMENTARY INFORMATION: This document reopens the public comment period established in the **Federal Register** of October 21, 2009 (74 FR 54043) (FRL–8795–7). EPA is hereby reopening the comment period, which was originally scheduled to end on November 2, 2009, to November 16, 2009.

To submit comments, or access the docket, please follow the detailed instructions as provided under **ADDRESSES** in the October 21, 2009 **Federal Register** document. If you have questions, consult the person listed under **FOR FURTHER INFORMATION CONTACT**.

List of Subjects

Environmental protection, Agricultural commodities, Feed additives, Food additives, Pesticides and pests, Reporting and recordkeeping requirements.

Dated: November 2, 2009.

Keith A. Matthews,

Acting Director, Biopesticides and Pollution Prevention Division, Office of Pesticide Programs.

[FR Doc. E9–26842 Filed 11–5–09; 8:45 am]

BILLING CODE 6560–50–S

ENVIRONMENTAL PROTECTION AGENCY

[FRL–8978–4]

Request for Nominations to the Farm, Ranch, and Rural Communities Committee (FRRCC)

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice of request for nominations to the Farm, Ranch, and Rural Communities Committee (FRRCC).

SUMMARY: The U.S. Environmental Protection Agency (EPA) invites nominations from a diverse range of qualified candidates to be considered for appointment to the Farm, Ranch, and Rural Communities Federal Advisory Committee (FRRCC). The FRRCC is a federal advisory committee chartered under the Federal Advisory Committee Act (FACA), Public Law 92463. The FRRCC was established in 2008 and provides independent advice to the EPA Administrator on a broad range of environmental issues and policies that are of importance to agriculture and rural communities. Members serve as representatives from academia, industry (*e.g.*, farm groups and allied industries), non-governmental organizations, and state, local, and tribal governments.

Members are appointed by the EPA Administrator for two-year terms with the possibility of reappointment. The FRRCC generally meets two (2) times annually, or as needed and approved by the Designated Federal Officer (DFO). Meetings will generally be held in Washington, DC. Members serve on the Committee in a voluntary capacity. However, EPA may provide reimbursement for travel expenses associated with official government business. EPA is seeking nominations from all sectors, including academia, industry (*e.g.*, farm groups and allied industries), non-governmental organizations, and state, local, and tribal governments. Members who are actively engaged in farming or ranching are encouraged to apply. EPA values and welcomes diversity. In an effort to obtain nominations of diverse candidates, EPA encourages nominations of women and men of all racial and ethnic groups.

In selecting Committee members, EPA will seek candidates who possess: extensive professional knowledge of agricultural issues and environmental policy; a demonstrated ability to examine and analyze complicated environmental issues with objectivity and integrity; excellent interpersonal as well as oral and written communication skills; and an ability and willingness to participate in a deliberative and collaborative process. In addition, well-qualified applicants must be prepared to process a substantial amount of complex and technical information, and have the ability to volunteer approximately 10 to 15 hours per month to the Committee's activities, including participation in teleconference meetings and preparation of text for Committee reports.

Submissions Procedure: All nominations must be identified by name, occupation, organization, position, current business address, e-mail address, and daytime telephone number, and must include: (1) A resume detailing relevant experience and professional and educational qualifications of the nominee; and (2) a brief statement (one page or less) describing the nominee's interest in serving on the Committee. Interested candidates may self-nominate.

DATES: Applicants are encouraged to submit all nominations materials by December 31, 2009 in order to ensure fullest consideration. It is anticipated that vacancies will be filled by spring 2010.

ADDRESSES: Submit all nominations to: Alicia Kaiser, Designated Federal Officer, Office of the Administrator, U.S. Environmental Protection Agency (MC 1101A), 1200 Pennsylvania Avenue, NW., Washington, DC 20460. You may also e-mail nominations to: *Kaiser.Alicia@epa.gov.*

FOR FURTHER INFORMATION CONTACT: Alicia Kaiser, Designated Federal Officer, U.S. Environmental Protection Agency; E-mail: *Kaiser.Alicia@epa.gov*; Telephone: (202) 564–7273.

Dated: November 2, 2009.

Alicia Kaiser,

Designated Federal Officer.

[FR Doc. E9–26820 Filed 11–5–09; 8:45 am]

BILLING CODE 6560–50–P

FEDERAL RESERVE SYSTEM

[Docket No. OP–1375]

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 2010 of $50.2 million and the 2010 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 4, 2010.

FOR FURTHER INFORMATION CONTACT: For questions regarding the fee schedules: Jeffrey C. Marquardt, Deputy Director, (202/452–2360); Jeffrey S.H. Yeganeh, Manager, Retail Payments, (202/728–5801); 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 Rebekah Ellsworth, Financial Analyst, (202/452–3480), 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 2010 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 1999 through 2008, the Reserve Banks recovered 98.7 percent of their total expenses (including special project costs and imputed expenses) and targeted after-tax profits or return on equity (ROE) for providing priced services.[1]

Table 1 summarizes 2008, 2009 estimated, and 2010 budgeted cost-recovery rates for all priced services. Cost recovery is estimated to be 92.0 percent in 2009 and budgeted to be 96.8 percent in 2010. The check service accounts for approximately 60 percent 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)]
2008	873.8	820.4	53.4	66.5	98.5%
2009 (estimate)	679.8	718.0	−38.3	21.1	92.0%
2010 (budget)	565.8	565.7	0.1	18.9	96.8%

[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, 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. 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.

[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 2009 estimate, the targeted ROE reflects average actual clearing balance levels through July 2009.

[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 1999 to 2008, 2008, 2009 budget, 2009 estimate, and 2010 budget by priced service. The check service is the only service with a ten-year cost recovery rate below 100 percent. The Reserve Banks have been aggressively reducing costs in response to the banking industry's transition to an end-to-end electronic check processing environment and declining check volumes nationwide. Since 2003, the Reserve Banks have reduced the number of offices at which they process paper checks from forty-five to four and plan to process paper checks at only one office by early 2010. In addition, the Reserve Banks have significantly reduced check service staff as well as their physical check transportation network. The Reserve Banks believe that their ongoing cost reduction efforts should enable the check service to return to full cost recovery within the next several years.

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

TABLE 2—PRICED SERVICES COST RECOVERY

[Percent]

Priced service	1999–2008	2008	2009 Budget	2009 Estimate	2010 Budget [a]
All services	98.7	98.5	94.3	92.0	96.8
Check	97.6	97.8	92.3	92.0	94.5
FedACH	104.6	101.5	100.3	92.0	100.0
Fedwire Funds and NSS	103.0	100.4	98.6	90.9	100.4
Fedwire Securities	102.4	102.5	100.8	94.7	103.3

[a] 2010 budget figures reflect the latest data from the Reserve Banks. The Reserve Banks will transmit final budget data to the Board in November 2009, for Board consideration in December 2009.

1. *2009 Estimated Performance*—The Reserve Banks estimate that they will recover 92.0 percent of the costs of providing priced services in 2009, including imputed expenses and targeted ROE, compared with a budgeted recovery rate of 94.3 percent, as shown in table 2. The Reserve Banks expect to recover 95 percent of actual expenses, incurring an overall net loss of $38.3 million, which is $59.4 million less than the budgeted net income of $21.1 million. This shortfall is largely driven by lower-than-expected net income from clearing balances (NICB) and increased pension costs.[2]

2. *2010 Private Sector Adjustment Factor*—The 2010 PSAF for Reserve Bank priced services is $50.2 million. This amount represents a decrease of $2.6 million from the estimated 2009 revised PSAF of $52.8 million. This reduction is primarily the result of a decrease in the cost of equity, which is due to both a lower required return on equity and a lower amount of imputed equity.[3]

3. *2010 Projected Performance*—The Reserve Banks project that the FedACH® service, Fedwire® Funds and National Settlement Services, and Fedwire® Securities Service will fully recover their costs in 2010 and that the check service will not recover its costs.[4] Overall, the Reserve Banks project a priced services cost-recovery rate of 96.8 percent in 2010, with a net income of $0.1 million.[5] The projected priced services' cost recovery is heavily influenced by the check service's underrecovery. This underrecovery is driven by a projected reduction in check deposit volume and a projected decline in the effective price of Check 21 services, resulting in lower revenue for the service.[6]

The primary risks to the Reserve Banks' ability to achieve their targeted cost recovery rates are (1) unanticipated check volume and revenue reductions, (2) the potential for cost overruns or delays with technological upgrades, and (3) further substantial declines in clearing balances resulting in significant changes to the projected PSAF and NICB. Although the check service will not achieve full cost recovery in 2010, the Reserve Banks believe that they will return to full cost recovery within the next several years by aggressively managing operating costs, taking advantage of efficiencies gained from technological upgrades, and increasing value-added product revenue.

4. *2010 Pricing*—The following summarizes the Reserve Banks' changes in fee schedules for priced services in 2010:

Check

- The Reserve Banks will increase FedForward fees 6 percent for checks presented electronically and 17 percent for checks presented as substitute checks.[7] The average fee paid by FedForward depositors will decline by 23 percent over the average 2009 fee as the number of depository institutions that accept their presentments electronically increases. The Reserve Banks will also raise FedReturn fees 23 percent for electronic endpoints and almost 46 percent for substitute check endpoints.[8] The average fee paid by depository institutions using FedReturn will rise only 7 percent as the number of institutions that accept their returns electronically increases.[9]
- The Reserve Banks will increase traditional paper forward collection fees 47 percent and traditional paper return service fees 33 percent.
- With the 2010 fees, the price index for the total check service will have increased 83 percent since 2000. 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 57 percent.

FedACH

- The Reserve Banks will introduce a $25 minimum monthly fee for an originating depository financial institution (ODFI) that originates forward items and the revenue associated with origination is less than $25. Additionally, the Reserve Banks will introduce a $15 minimum monthly fee for a receiving depository financial institution (RDFI) that does not originate forward transactions and that has revenue less than $15 associated with receipts.
- The Reserve Banks will increase the monthly fees for FedACH settlement

[2] The 2009 estimated NICB was projected to be $48.8 million and is now estimated at $14.0 million. The decrease in NICB is due to decreases in the level of clearing balances and in the imputed investment rate in 2009. The 2009 estimated pension costs are $53.1 million higher than budgeted.

[3] In October 2008, the Board approved a budgeted 2009 PSAF of $62.2 million, which was based on the July 2008 clearing balance level of $7,361.6 million. Since that time, clearing balances have declined, which affects 2009 PSAF and NICB. The 2009 estimated PSAF of $52.8 million, which is based on actual average clearing balances of $4,560.1 million through July 2009, reflects the lower equity costs resulting from the decrease in clearing balances. The 2009 final PSAF will be adjusted to reflect average clearing balance levels through the end of 2009.

[4] FedACH and Fedwire are registered servicemarks of the Reserve Banks.

[5] The Reserve Banks expect to recover all of their actual and imputed expenses in 2010, and earn a small profit.

[6] The decline in the effective price of Check 21 services will result primarily from an increase in the proportion of checks presented to electronic endpoints, which incur relatively lower fees than checks presented to paper endpoints.

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

[8] FedReturn is the electronic check return product.

[9] The Reserve Bank's Check 21 service fees include separate and substantially different fees for the delivery of checks to electronic endpoints and substitute check endpoints. Therefore, the average effective fee paid by depository institutions that use Check 21 services is dependent on the proportion of institutions that accept checks electronically. Although the Reserve Banks are raising FedForward fees for the presentment of checks to both electronic and substitute check endpoints, the effective fee paid by depository institutions will decline by 23 percent in 2010 due to the expected increase in the number of institutions that accept checks electronically. The Reserve Banks are also raising FedReturn fees to both electronic and substitute check endpoints. However, because of the relatively larger changes for the FedReturn fees, the effective fee paid by depository institutions will rise by 7 percent in 2010.

from $37 to $45 per routing number and for information extract files from $35 to $50 per routing number. In addition, Reserve Banks will raise the addenda record fees for originations and receipts 0.3 mills and introduce a $0.15 fee for the use of automated notification of change functionality.

• The Reserve Banks will realign the volume-based pricing for receipts by implementing a per-item fee of 2.5 mills for items up to 1 million each month, a per-item fee of 1.8 mills for items over 1 million and up to 25 million each month, and a per-item fee of 1.6 mills for all items when volume is greater than 25 million each month.

• With the 2010 fees, the price index for the FedACH service will have decreased 36 percent since 2000.

Fedwire Funds and National Settlement

• The Reserve Banks will raise the monthly participation fee for Fedwire Funds customers with activity in that month from $60 to $75. In addition, the Reserve Banks will increase the online transfer fee by $0.04 in the highest-priced tier, $0.02 in the mid-priced tier, and $0.01 in the lowest-priced tier and increase the threshold to qualify for volume-based discounts.

• The Reserve Banks will increase the National Settlement Service's special settlement arrangement fee from $100 to $150.

• With the 2010 fees, the price index for the Fedwire Funds and National Settlement Services will have increased 12 percent since 2000.

Fedwire Securities

• The Reserve Banks will retain fees at their current levels.

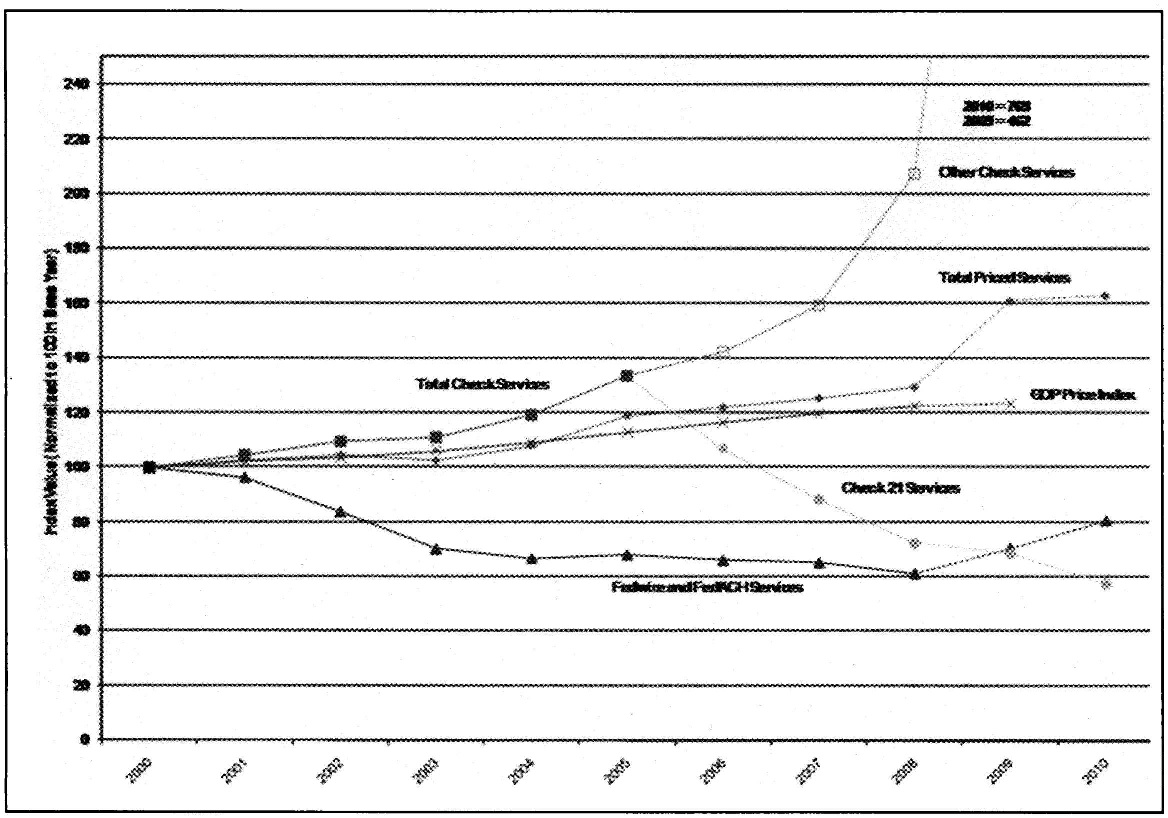
• With the 2010 fees, the price index for the Fedwire Securities Service will have decreased 23 percent since 2000.

• 5. *2010 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 2009, the price index for all Reserve Bank priced services is projected to increase 1.3 percent in 2010. The price index for the FedACH service, Fedwire Funds and National Settlement Services, and Fedwire Securities Service is projected to increase 14 percent. The price index for Check 21 services is projected to decrease 16 percent, reflecting the rapid increase in the number of depository institutions accepting checks electronically and the resulting reductions in the effective prices paid to collect and return checks using Check 21 services. The price index for all other check services is projected to increase 66 percent. For the period 2000 to 2010, the price index for all priced services is expected to increase 63 percent. In comparison, for the period 2000 to 2008 the GDP price index increased 22 percent.

Figure 1

2010 Price Index

Priced Indexes For Federal Reserve Priced Services



B. *Private Sector Adjustment Factor*—In March 2009, the Board requested comment on proposed changes to the methodology for calculating the PSAF.[10] 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. Specifically, these components include the capitalization ratio used to determine financing on the priced-services balance sheet and the effective tax rate, return on equity rate, and debt financing rates. The proposed changes were prompted by the implementation of the payment of interest on reserve (IOR) balances held by depository institutions (DIs) at the Reserve Banks and the anticipated consequent decline in balances held by DIs at Reserve Banks for clearing priced-services transactions (clearing balances).

Since the implementation of IOR, clearing balances have not declined as rapidly or significantly as originally anticipated. Between the implementation of IOR in October 2008 and January 2009, the total level of clearing balances held by DIs decreased approximately $2 billion, from $6.5 billion to $4.5 billion. During the first half of 2009, clearing balance levels were fairly flat at approximately $4.5 billion. Recently, clearing balances have begun to moderately decline again, with an average balance of $4.0 billion in September 2009. As a result of the relative stability in clearing balance behavior and the continued significant level of balances, the Board will continue to use the correspondent bank model, with two minor modifications, for the 2010 PSAF. First, given the lower level of clearing balances, the Board will reduce the level of core clearing balances.[11] Second, in the event that debt is required, the Board will use market-based rather than bank holding company (BHC)-based debt rates. Both of these changes are outlined below.

The Board is currently analyzing further the proposed publicly traded firm model and an alternate model suggested by several commenters based on a peer group of publicly traded payments processors.

B. *Private Sector Adjustment Factor*—The method for calculating the financing and equity costs in the PSAF requires determining the appropriate imputed levels of debt and equity and then applying the applicable financing rates. In this process, a pro forma balance sheet using estimated assets and liabilities associated with the Reserve Banks' priced services is developed, and the remaining elements that would exist 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 also apply to the relevant elements in the priced-services pro forma financial statements.

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

Long-term debt is imputed only when core clearing balances, long-term liabilities, and equity are not sufficient to fund long-term assets or if the interest rate risk sensitivity analysis, which measures the interest rate effect of the difference between interest rate sensitive assets and liabilities, indicates that a 200 basis point change in interest rates would change cost recovery by more than two percentage points. Short-term debt is imputed only when 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 are partially funded from core clearing balances.

Because of the notable reduction in clearing balances since the implementation of IOR, the Board will adjust the level of core clearing balances from $4 billion to $1 billion. In addition, the Board will base the imputed debt rate on a market-based average debt rate for any imputed debt, if necessary, rather than an average BHC debt rate.[12] As compared to an average BHC rate, a market-based debt rate is easier to calculate and more transparent. The Board will use the average of the 3-month AA and A2/P2 nonfinancial commercial paper rates for short-term debt and the Merrill Lynch Corporate and High Yield Bond Index yield for long-term debt. The Board requested comment on this proposed change to the correspondent bank model. No comments were received that addressed this proposal.

Imputed equity meets 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.[13] 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 fifty 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

[10] 74 FR 15481–15491 (Apr. 6, 2009).

[11] Core clearing balances are considered the portion of clearing balances that has remained stable over time and are used to fund long-term priced services assets as needed.

[12] This change will likely have little practical effect on the PSAF because the funding need on the priced services balance sheet historically has been a fraction of the available clearing balances. Given current priced services assets and liabilities, the Board anticipates that even with sizable decreases in clearing balances through 2010, imputed debt will not be necessary.

[13] 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.

taxes based on Reserve Bank estimated expenditures. An assessment for FDIC insurance is imputed based on current FDIC rates 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.[14] 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.[15]

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 Treasury bill rate. Rates and clearing balance levels used in the 2010 projected NICB are based on July 2009 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.

Because the Reserve Banks now pay interest on reserve balances, a return on the imputed reserve requirement based on the level of clearing balances on the pro forma balance sheet is also projected.[16] Similar to the NICB calculation, the interest income on the imputed reserve requirement calculation is based on July 2009 clearing balance and rate information. In addition, because all excess balances held at the Reserve Banks receive explicit interest following the implementation of IOR, the priced services no longer impute investment income on any portion of excess balances. Consequently, the clearing balances on the priced-services pro forma balance sheet do not reflect excess clearing balances and only consist of contracted clearing balances held.

2. *Calculating Cost Recovery*—The PSAF and NICB are incorporated into the projected and actual annual cost recovery calculations for Reserve Bank priced services. In the fall of 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 projected PSAF derived during the price-setting process with only minimal adjustments for actual rates or balance levels.[17] For 2009, in light of the uncertainty about the long-term effect that IOR would have on the level of clearing balances, the Board will adjust the PSAF used in the actual cost-recovery calculation to reflect the actual clearing balance levels maintained throughout 2009. NICB is also projected in the fall of each year using July data and is recalculated to reflect actual interest rates and clearing balance levels throughout the year when calculating actual priced services cost recovery.

3. *Analysis of the 2010 PSAF*—The 2010 PSAF for Reserve Bank priced services is $50.2 million. This amount represents a decrease of $2.6 million from the estimated 2009 revised PSAF of $52.8 million and a decrease of $12.0 million from the 2009 budgeted PSAF of $62.2 million. The decrease in the 2010 PSAF is primarily due to a reduction in the level of imputed equity and in the targeted ROE rate provided by the CAPM, partially offset by an increase in the imputed FDIC assessment.

Estimated 2010 Federal Reserve priced-services assets, reflected in table 3, have decreased $1,780.7 million, mainly due to a decline in imputed investments in marketable securities of $1,634.3 million. This reduction stems from the decline in clearing balances held by DIs at Reserve Banks following the implementation of IOR in October 2008.

The priced-services balance sheet includes projected clearing balances of $4,831.5 million, which represent a decrease of $2,530.1 million from the amount of clearing balances on the balance sheet for the budgeted 2009 PSAF. Because of the continued uncertainty regarding the level of clearing balances in an IOR environment, the actual PSAF costs used in cost-recovery calculations will continue to be based on the actual levels of clearing balances held throughout 2010.[18] To the extent that clearing balances fall below the current level of core clearing balances, debt would be imputed.

Credit float, which represents the difference between items in process of collection and deferred credit items, increased from $617.8 million in 2009 to $1,200.0 million in 2010.[19] The increase is primarily a result of new check products introduced in 2009.

As previously mentioned, clearing balances are available as a funding source for priced-services assets. As shown in table 4, in 2010, $10.2 million in clearing balances is used as a funding source for short-term assets. Because of moderate decreases in several long-term assets in 2010 ($154.4 million in pension assets, $86.9 million in Bank premises, and $30.7 million in furniture and equipment), long-term liabilities exceed long-term assets by $46.5 million. Consequently, no core clearing balances are used to fund long-term assets and the excess $46.5 million in equity capital is included in the NICB projection calculation as additional imputed investments. This represents a decrease of $72.3 million in clearing balances used to fund priced-services assets in 2010 over the level of clearing balances used to fund assets for the 2009 PSAF. The interest rate sensitivity analysis in table 5 indicates that a 200 basis point decrease in interest rates affects the ratio of rate-sensitive assets to rate-sensitive liabilities and increases cost recovery by 1.3 percentage points, while an increase of 200 basis points in

[14] Reserve requirements are the amount of funds that a DI must hold in reserve against specified deposit liabilities. DIs must hold reserves in the form of vault cash or deposits with Federal Reserve Banks. The dollar amount of a DI'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 ten percent, which is applied to the amount of clearing balances held with the Reserve Banks.

[15] The investment portfolio is composed of investments comparable to a bank holding company's investment holdings, such as short-term Treasury securities, government agency securities, commercial paper, long-term corporate bonds, and money market funds. See table 7 for the investments imputed in 2010.

NICB is projected to be $14.5 million for 2010. This result uses an investment rate equal to a constant spread of 29 basis points over the three-month Treasury bill rate, applied to the clearing balance levels used in the 2010 pricing process. The 2009 NICB estimate is $14.0 million.

[16] The imputed interest income on the imputed reserve requirement is projected to be $1.5 million for 2010. The projected 2010 rate for imputed interest income on the reserve requirement is based on the July 2009 rate of 0.25 percent.

[17] 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.

[18] To the extent that the interest rates on excess balances are higher than the earnings credit rate, clearing balances will likely continue to decline. It is difficult to forecast the rapidity and degree of this shift because it depends on DI behavior and the disparity between the excess reserves rate and the earnings credit rate, which at current rates is negligible. The Board is planning to evaluate DIs' views as to any continued benefit to retaining the clearing balance program.

[19] Credit float occurs when the Reserve Banks present items for collection to the paying bank prior to providing credit to the depositing bank.

interest rates decreases cost recovery by 1.3 percentage points. The established threshold for a change in cost recovery is two percentage points; therefore, interest rate risk associated with using these balances is within acceptable levels and no long-term debt is imputed.

As shown in table 3, the amount of equity imputed for the 2010 PSAF is $369.4 million, a decrease of $89.0 million from the imputed equity for 2009. In accordance with FAS 158 [ASC 715], this amount includes an accumulated other comprehensive loss of $407.7 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 DI. Equity is calculated as 5.0 percent of total assets, and the ratio of capital to risk-weighted assets is 10.0 percent.[20] The Reserve Banks imputed an FDIC assessment for the priced services based on the FDIC's proposed 2010 assessment rates and the level of clearing balances held at Reserve Banks. For 2010, the FDIC assessment is imputed at $9.6 million, compared with a net FDIC assessment of $0.9 million in 2009. The increase is due to the exhaustion of the one-time FDIC credit that was used in prior years to offset a majority of the estimated FDIC assessment.[21] The imputed FDIC assessment also reflects the increased rates and new assessment calculation methodology from the FDIC's most recent proposed rule, which resulted in a prepaid FDIC asset of $24.6 million on the priced-services balance sheet.[22]

Table 6 shows the imputed PSAF elements, including the pretax ROE and other required PSAF costs, for 2009 and 2010. The $18.0 million decrease in ROE is caused by the combination of a lower amount of imputed equity and a decrease in the risk-free rate of return. Sales taxes decreased from $7.3 million in 2009 to $5.2 million in 2010. The effective income tax rate used in 2010 increased to 33.1 percent from 32.6 percent in 2009. The priced-services portion of the Board's expenses decreased $0.6 million from $7.8 million in 2009 to $7.2 million in 2010.

TABLE 3—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES [23]

[Millions of dollars—projected average for year]

	2010	2009	Change
Short-term assets:			
Imputed reserve requirement on clearing balances	$603.1	$797.9	$(194.8)
Receivables	45.9	53.6	(7.7)
Materials and supplies	0.9	1.9	(1.0)
Prepaid expenses	23.2	26.3	(3.1)
Items in process of collection [24]	520.0	236.4	283.6
Total short-term assets	1,193.1	1,116.1	77.0
Imputed investments	$5,464.7	$7,099.0	$(1,634.3)
Long-term assets:			
Premises [25]	$235.4	$322.3	$(86.9)
Furniture and equipment	62.1	92.8	(30.7)
Leasehold improvements and long-term prepayments	60.3	83.0	(22.7)
Prepaid pension costs	148.9	303.3	(154.4)
Prepaid FDIC asset	24.6	0.0	24.6
Deferred tax asset	198.9	152.2	46.7
Total long-term assets	730.2	953.6	(223.4)
Total assets	$7,388.0	$9,168.7	$(1,780.7)
Short-term liabilities [26]			
Clearing balances	$4,831.5	$7,361.6	$(2,530.1)
Deferred credit items [24]	1,720.0	854.2	865.8
Short-term payables	59.8	84.3	(24.5)
Total short-term liabilities	6,611.3	8,300.1	(1,688.8)
Long-term liabilities [26]			
Postemployment/postretirement benefits liability	$407.3	$410.2	$(2.9)
Total liabilities	$7,018.6	$8,710.3	$(1,691.7)
Equity [27]	369.4	458.4	(89.0)
Total liabilities and equity	$7,388.0	$9,168.7	$(1,780.7)

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[20] 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.

[21] Previously, per FDIC rules, any remaining portion of the one-time assessment credit could offset up to 90 percent of the assessment amount. For 2009, 90 percent of the total imputed assessment of $9.3 million was offset by the remaining assessment credit, resulting in a net assessment of $0.9 million. No credit remained in 2010 to offset any portion of the $9.6 million assessment.

[22] For information on the proposed 2009 FDIC assessment rates, see *http://www.fdic.gov/news/news/press/2009/pr09178.html.*

[23] The 2009 PSAF values in tables 3, 4 and 6 reflect the budgeted 2009 PSAF of $62.2 million approved by the Board in October 2008.

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

[25] Includes the allocation of Board of Governors assets to priced services of $0.9 million for 2010 and $1.1 million for 2009.

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

[27] Includes an accumulated other comprehensive loss of $322.6 million for 2009 and $407.7 million for 2010, which reflect 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
(millions of dollars)

	2010		2009	
A. Short-term asset financing				
Short-term assets to be financed:				
Receivables	$ 45.9		$ 53.6	
Materials and supplies	0.9		1.9	
Prepaid expenses	23.2		26.3	
Total short-term assets to be financed	$ 70.0		$ 81.8	
Short-term funding sources:				
Short-term payables	$ 59.8		$ 84.3	
Portion of short-term assets funded with clearing balances[28]		$ 10.2		$ (2.5)
B. Long-term asset financing				
Long-term assets to be financed:				
Premises	$ 235.4		$ 322.3	
Furniture and equipment	62.1		92.8	
Leasehold improvements and long-term prepayments	60.3		83.0	
Prepaid pension costs	148.9		303.3	
Prepaid FDIC asset	24.6		0.0	
Deferred tax asset	198.9		152.2	
Total long-term assets to be financed	$ 730.2		$ 953.6	
Long-term funding sources:				
Postemployment/postretirement benefits liability	$ 407.3		$ 410.2	
Imputed equity[29]	369.4		458.4	
Total long-term funding sources	$ 776.7		$ 868.6	
Portion of long-term assets funded with core clearing balances[28]		$ 0.0		$ 85.0
C. Total clearing balances used for funding priced-services assets		$ 10.2		$ 82.5

[28] 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 $4 billion and $1 billion in clearing balances is available for this purpose in 2009 and 2010, 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.

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

TABLE 5—2010 INTEREST RATE SENSITIVITY ANALYSIS [30]

[millions of dollars]

	Rate sensitive	Rate insensitive	Total
Assets:			
Imputed reserve requirement on clearing balances		$603.1	$603.1
Imputed investments	$5,464.7		5,464.7
Receivables		45.9	45.9
Materials and supplies		0.9	0.9
Prepaid expenses		23.2	23.2
Items in process of collection [31]	(1,200.0)	1,720.0	520.0
Long-term assets		730.2	730.2
Total assets	$4,264.7	$3,123.3	$7,388.0
Liabilities:			
Clearing balances	$4,831.5		$4,831.5
Deferred credit items		$1,720.0	1,720.0
Short-term payables		59.8	59.8
Long-term liabilities		407.3	407.3
Total liabilities	$4,831.5	$2,187.1	$7,018.6

Rate change results	200 basis point decrease in rates	200 basis point increase in rates
Asset yield ($4,264.7 × rate change)	$(85.3)	$85.3
Liability cost ($4,831.5 × rate change)	(96.6)	96.6
Effect of 200 basis point change	$11.3	$(11.3)
2010 budgeted revenue	$565.8	$565.8
Effect of change	11.3	(11.3)
Revenue adjusted for effect of interest rate change	$577.1	$554.5
2010 budgeted total expenses	$543.7	$543.7
2010 budgeted PSAF (net of $9.3 tax effect) [32]	40.9	40.9
Tax effect of interest rate change ($ change × 33.1%)	3.8	(3.8)
Total recovery amounts	$588.4	$580.8
Recovery rate before interest rate change	96.8%	96.8%
Recovery rate after interest rate change	98.1%	95.5%
Effect of interest rate change on cost recovery [33]	1.3%	(1.3)%

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[30] 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-sensitive assets to rate-sensitive liabilities and the effect on cost recovery of a change in interest rates of up to 200 basis points.

[31] The amount designated as rate-sensitive represents items collected prior to providing credit according to established availability schedules.

[32] The tax effect is due to the projected under-recovery of total actual costs, imputed costs, and targeted ROE.

[33] The effect of a potential change in rates is less than a two percentage point change in cost recovery; therefore, no long-term debt is imputed for 2010.

Table 6
Derivation of the 2010 and 2009 PSAF
(millions of dollars)

		2010			2009	
A. Imputed elements						
Short-term debt[34]		$ 0.0			$ 0.0	
Long-term debt[35]		0.0			0.0	
Equity						
Total assets from table 3	$ 7,388.0			$ 9,168.7		
Required capital ratio[36]	5%			5%		
Total equity		$ 369.4			$ 458.4	
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[37]		7.6%			10.1%	
2. Elements of capital costs						
Short-term debt			$ 0.0			$ 0.0
Long-term debt			0.0			0.0
Equity	$ 369.4	x 7.6% =	28.2	$ 458.4	x 10.1%	46.2
			$ 28.2			$ 46.2
C. Other required PSAF costs						
Sales taxes		$ 5.2			$ 7.3	
FDIC assessment		9.6			0.9	
Board of Governors		7.2			7.8	
			22.0			16.0
D. Total PSAF			$ 50.2			$ 62.2
As a percent of assets			0.7%			0.7%
As a percent of expenses[38]			9.6%			9.5%
E. Tax rates			33.1%			32.6%

34 No short-term is imputed because clearing balances are a fundign source for those assets that are not financed with short-term payables.

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

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

37 The 2010 ROE is equal to a risk-free rate plus a risk premium (beta * market risk premium). The 2010 after-tax CAPM ROE is calculated as 0.18% + (1 * 4.93%) = 5.11%. Using a tax rate of 33.1%, the after-tax ROE is converted into a pretax ROE, which results in a pretax ROE of (5.11% / (1 − 33.1%)) = 7.6%.

38 System 2010 budgeted priced services expenses less shipping and float are $521.2 million.

TABLE 7—COMPUTATION OF 2010 CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars]

	Assets	Risk weight	Weighted assets
Imputed reserve requirement on clearing balances	$603.1	0.0	$0.0
Imputed investments:			
3-month Treasury bills [39,40]	$2,317.5	0.0	$0.0
Commercial paper (1-month) [39]	2,746.3	1.0	2,746.3
GNMA mutual fund [41]	400.9	0.2	80.2
Total imputed investments	5,464.7	....	2,826.5
Receivables	$45.9	0.2	$9.2
Materials and supplies	0.9	1.0	0.9
Prepaid expenses	23.2	1.0	23.2
Items in process of collection	520.0	0.2	104.0
Premises	235.4	1.0	235.4
Furniture and equipment	62.1	1.0	62.1
Leasehold improvements and long-term prepayments	60.3	1.0	60.3
Prepaid pension costs	148.9	1.0	148.9
Prepaid FDIC asset	24.6	1.0	24.6
Deferred tax asset	198.9	1.0	198.9
Total	$7,388.0	....	$3,694.0
Imputed equity for 2010	$369.4		
Capital to risk-weighted assets	10.0%		
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.

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 thirteen-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.[42]

D. *Check Service*—Table 8 shows the 2008, 2009 estimated, and 2010 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 ROE [1/(2+4)]
2008	683.6	647.1	36.5	51.9	97.8%
2009 (estimate)	495.8	524.0	−28.2	15.1	92.0%
2010 (budget)	345.4	353.7	−8.4	11.6	94.5%

1. *2009 Estimate*—Through August 2009, the check service has recovered 95.3 percent of total costs, including imputed expenses, and targeted ROE. For the full year, the Reserve Banks do not expect to recover fully their costs of providing check services. Specifically, the Reserve Banks estimate that the check service will recover 92.0 percent of its total costs for the full year compared with the budgeted 2009 recovery rate of 92.3 percent, with an operating loss of $28.2 million (see table 8).[43] The lower-than-budgeted recovery rate is driven primarily by lower-than-anticipated NICB and higher-than-expected pension costs, which are offset largely by higher-than-expected product

[39] The imputed investments are assumed to be similar to those for which rates are available on teh Federal Reserve's H.15 statistical release, which can be located at *http://www.federalreserve.gov/releases/h15/data.htm.*

[40] Includes estimated amounts arising from the collection of items prior to providing credit according to established availability schedules. These amounts are assumed to be invested in a short-term Treasury security.

[41] The imputed mutual fund investment is based on Vanguard's GNMA Fund Investor Shares fund, which was chosen based on the investment strategies articulated in its prospectuses. The fund returns can be located at *https://personal.vanguard.com/VGApp/hnw/FundsByType.*

[42] 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.

[43] The Reserve Banks expect to recover 95 percent of their actual expenses in 2009.

revenue and lower-than-expected operating costs.

The general decline in the number of checks written continues to influence the decline in checks collected by the Reserve Banks, although the estimated decline for 2009 is somewhat less than the budgeted assumption. For full-year 2009, the Reserve Banks estimate that their total forward check collection volume will decline nearly 9 percent compared with a budgeted decline of 12 percent.[44] The proportion of checks deposited and presented electronically has grown steadily in 2009 (see table 9). The Reserve Banks expect that year-end 2009 FedForward deposit and FedReceipt presentment penetration rates will reach 99 percent and 97 percent, respectively. The Reserve Banks also expect that year-end 2009 FedReturn and FedReceipt Return penetration rates will reach 97 percent and 72 percent, respectively. FedReturn and FedReturn Receipt penetration rates have lagged those of FedForward and FedReceipt because initial efforts by the Reserve Banks and depository institutions to apply electronics to the check clearing process focused on the relatively higher volume forward collection process. Moreover, the recent economic environment has limited depository institutions' back-office investments to apply electronics to the check return process.

TABLE 9—CHECK 21 PRODUCT PENETRATION RATES [a]

[Percent] [b]

	Forward deposit volume				Return Volume			
	FedForward		FedReceipt		FedReturn		FedReceipt	Return
	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end
2007	43	58	12	23	38	45	1	1
2008	77	92	42	61	58	72	6	13
2009 (estimate)	97	98	78	90	82	93	28	45
2010 (budget)	99	99	95	97	95	97	60	72

[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.

As the vast majority of Reserve Bank check deposits are now electronic, paper forward-collection volume is expected to decline nearly 86 percent for the full year (see table 10). The Reserve Banks also estimate that paper return volume will decline at a slightly faster pace than anticipated, 60 percent for the full year, compared with a budgeted decline of 53 percent.

TABLE 10—PAPER CHECK PRODUCT VOLUME CHANGES

[Percent]

	Budgeted 2009 change	Estimated 2009 change
Forward Collection	−87	−86
Returns	−53	−60

2. *2010 Pricing*—In 2010, the Reserve Banks project that the check service will recover 94.5 percent of total expenses and targeted ROE.[45] Revenue is projected to be $345.4 million, a decline of $150.4 million from 2009. This decline is driven largely by projected reductions in check deposits and an increasing proportion of checks being presented electronically. Total expenses for the check service are projected to be $353.7 million, a decline of $170.3 million from 2009. The reduction of check costs is driven by the continued decline in the number of Reserve Bank check-processing sites and associated staff reductions. The Reserve Banks recently announced plans to further accelerate the consolidation of their check processing offices, which began in 2003 when they processed checks at 45 offices nationwide. In early 2010, the Reserve Banks will have a single full-service paper check processing site located at the Federal Reserve Bank of Cleveland.

For 2010, the Reserve Banks estimate that their total forward check volume will decline 9 percent (see table 11). FedForward and traditional paper check volumes are expected to decline 6 percent and 84 percent, 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 also expect that return volume will decline 10 percent, as FedReturn volume rises 4 percent and traditional paper returns decline 76 percent.

TABLE 11—CHECK VOLUME

	2010 Budgeted volume (millions of items)	Growth from 2009 estimate (percent)
FedForward	7,821	−6
Traditional paper forward	47	−84
Total forward	7,868	−9
FedReturn	77	4
Traditional paper return	4	−76
Total return	81	−10

The Reserve Banks will increase FedForward fees, on average, 6 percent for checks presented electronically and 17 percent for checks presented as substitute checks (see table 12). The average fee paid by FedForward depositors will decline by 23 percent over the average 2009 fee, as the number of depository institutions that accept their presentments electronically increases. FedReturn fees will also increase, on average, 23 percent and 46 percent for electronic and substitute check endpoints, respectively. The average fee paid by depository institutions using FedReturn will rise 7 percent, as the number of institutions

[44] Total forward Reserve Bank check volumes are expected to drop from roughly 9.5 billion in 2008 to 8.7 billion in 2009.

[45] The Reserve Banks expect to recover all of their actual and 10 percent of their imputed expenses in 2010.

that accept their returns electronically increases.

For the traditional paper check products, the Reserve Banks will increase forward paper check collection fees 47 percent and paper return fees 33 percent (see table 12). These increases are designed to encourage the continued adoption of Check 21 services.

TABLE 12—2010 FEE CHANGES

	2009 Average fee [a]	2010 Average fee [a]	Fee change (percent)
FedForward:			
Electronic endpoints	$0.0205	$0.0218	6
Substitute check endpoints	0.0809	0.0945	17
Weighted average fee [b]	0.0314	0.0241	−23
FedReturn:			
Electronic endpoints	0.3066	0.3766	23
Substitute check endpoints	0.8983	1.3083	46
Weighted average fee [b]	0.6847	0.7352	7
Paper:			
Forward collection	0.0860	0.1262	47
Returns	2.1467	2.8528	33

[a] The average fees in this table represent combined cash letter and per-item fees for each product type.
[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 2009 and projected for full-year 2010.

Risks to the Reserve Banks' ability to achieve budgeted 2010 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 significant cost overruns associated with unanticipated problems with the Reserve Banks' Check 21 platform.

E. *FedACH Service*—Table 13 shows the 2008, 2009 estimate, and 2010 budgeted cost-recovery performance for the commercial FedACH service.

TABLE 13—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)]
2008	97.9	88.9	9.0	7.6	101.5%
2009 (estimate)	93.6	98.7	−5.1	3.1	92.0%
2010 (budget)	113.2	109.4	3.8	3.8	100.0%

1. *2009 Estimate*—The Reserve Banks estimate that the FedACH service will recover 92.0 percent of total expenses and targeted ROE, compared with the budgeted recovery rate of 100.3 percent, for an operating loss of $5.1 million.[46] The lower-than-budgeted recovery rate is driven by shortfalls in NICB and product revenue of $5.4 million and $3.5 million, respectively, and higher-than-expected pension costs of $6.5 million. Through August, FedACH average daily commercial origination volume has declined 2 percent relative to the same period in 2008. The Reserve Banks had originally projected a 10.5 percent growth in FedACH commercial origination volume for 2009, which was in line with historical volume growth rates. The FedACH volume decline reflects weaker-than-expected industry ACH volume growth and a slight loss of market share. For the full year, the Reserve Banks estimate that volume will decline 2 percent.

2. *2010 Pricing*—The Reserve Banks project that the FedACH service will recover 100.0 percent of total expenses and targeted ROE in 2010. Total revenue is budgeted to increase $19.6 million from the 2009 estimate, primarily due to increases in monthly fixed fees, changes to volume-based receipt fees, the introduction of new monthly minimum fees, the implementation of new value-added services, and increasing electronic access revenue. Total expenses are budgeted to increase $10.7 million from 2009 due to an increase in the allocation of electronic access costs.[47]

The Reserve Banks expect FedACH commercial origination and receipt volume in 2010 to grow 2.9 percent and 2.5 percent, respectively. The growth rates for recurring ACH credits and debits are projected to be slightly lower than their historical average. Moreover, payments that have accounted for much of the ACH growth in recent years (e.g., electronic check conversion applications, including checks converted at lockboxes and at the point of sale) are unlikely to be a source of significant volume growth in 2010. Additionally, the sustained growth of direct exchanges and competition from the private-sector ACH operator, Electronic Payments Network, is expected to limit FedACH volume growth.

[46] The Reserve Banks expect to recover 95 percent of their actual expenses in 2009.

[47] Beginning in 2010, the Reserve Banks changed the methodology for allocating both revenues and costs to the electronic access channels, resulting in both higher revenues and costs allocated to the FedACH service.

The Reserve Banks will adopt several pricing strategies that are designed to better align the revenue stream with the costs of providing the service, which are predominantly fixed, and to meet competitive challenges better. Specifically, the Reserve Banks will revise the current volume-based pricing structure for ACH receipt services, which includes volume-based tier levels and per-item fee incentives. The pricing establishes three volume tiers and applies a single transaction fee across all items if a receiving institution met the threshold for the highest volume tier level (see table 14). Eligible volume includes all receipt items originated through both the Reserve Banks and the private-sector operator. Eligibility for the revised volume-based price incentive will be determined by receipt volume aggregated across all of an institution's ACH routing numbers.

TABLE 14—VOLUME-BASED FEDACH RECEIPT FEES

Receipt volume			
Tier	Minimum	Maximum	Per-item fee
Base	1	1,000,000	$0.0025
1	1,000,001	25,000,000	$0.0018
2	25,000,001	or greater	$0.0016 (all items)

The Reserve Banks will also introduce new minimum fees based on volume received from an ODFI or a RDFI, which will only be applied to FedACH participants that have one or more active routing numbers in the FedACH database. The new pricing consists of two minimum fees: (1) A $25 monthly fee for an ODFI that originates forward ACH transactions and the revenue associated with these transactions is less than the minimum fee, and (2) a $15 monthly fee for an RDFI that does not originate forward ACH transactions with the Reserve Banks and the revenue associated with the RDFI's receipt volume is less than the minimum fee.

The Reserve Banks will also increase the addenda record fees for origination and receipt transactions. At the same time, the Reserve Banks will increase monthly fees for FedACH settlement and information extract files and to introduce a fee for the use of automated notification of change functionality.

Risks to meeting the Reserve Banks' budgeted 2010 cost recovery include lower-than-anticipated volume due to competition from EPN and direct ACH exchanges, and unanticipated problems with technology upgrades that result in cost overruns.

F. *Fedwire Funds and National Settlement Services*—Table 15 shows the 2008, 2009 estimate, and 2010 budgeted cost-recovery performance for the Fedwire Funds and National Settlement Services.

TABLE 15—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)]
2008	67.8	62.3	5.5	5.3	100.4%
2009 (estimate)	65.5	69.9	−4.4	2.2	90.9%
2010 (budget)	81.5	78.5	3.0	2.7	100.4%

1. *2009 Estimate*—The Reserve Banks estimate that the Fedwire Funds and National Settlement Services will recover 90.9 percent of total expenses and targeted ROE, compared with a 2009 budgeted recovery rate of 98.6 percent.[48] The lower-than-expected recovery rate is primarily attributable to lower-than-expected NICB and higher-than-expected pension costs. For full-year 2009, the Reserve Banks estimate that online Fedwire funds transfer volume will decline 5 percent, compared to a budgeted decline of 1 percent. With respect to the National Settlement Service, the Reserve Banks estimate that the volume of settlement entries processed during 2009 will be 11 percent lower than the 2009 budget projection. The decline in National Settlement Service volume is due primarily to the continued loss and consolidation of local check clearinghouse arrangements.

2. *2010 Pricing*—The Reserve Banks expect the Fedwire Funds and National Settlement Services to recover 100.4 percent of total expenses and targeted ROE in 2010. The Reserve Banks project total revenue to increase $16.0 million from the 2009 estimate. Approximately half the increase in revenue is due to increases in the monthly participation fee and transaction fees for the Fedwire Funds Service. The other half of the increase in revenue is primarily due to an increase in electronic access revenue of $6.6 million and NICB revenue of $1 million.

The Reserve Banks project total expenses to increase $8.6 million from the 2009 estimate. This increase is mainly due to an increase in the allocation of electronic access costs as well as increased amortization and depreciation expenses associated with the Fedwire migration program.[49] Online volumes for the Fedwire Funds Service and the National Settlement Service for 2010 are budgeted to remain unchanged from 2009 estimates.

[48] The Reserve Banks expect to recover 94 percent of their actual expenses in 2009.

[49] Beginning in 2010, the Reserve Banks changes the methodology for allocating both revenues and costs to the electronic access channels, resulting in both higher revenues and costs allocated to the Fedwire Funds Service.

The Reserve Banks will raise volume-based transfer fees for the Fedwire Funds Service by $0.01 to $0.04 across the three volume tiers. The Reserve Banks will also restructure the three volume tiers by increasing the threshold to qualify for volume-based discounts from 3,000 transfers per month to 14,000 transfers per month. The Reserve Banks will increase the Fedwire Funds monthly participation fee by $15 to $75 in 2010. The Reserve Banks estimate that the price increases will result in an approximate 23 percent price increase to the average Fedwire Funds customer. With respect to the National Settlement Service, the Reserve Banks will retain fees at their current levels except for the special settlement arrangement fee, which the Reserve Banks will increase by $50 to $150 in 2010.[50]

G. *Fedwire Securities Service*—Table 16 shows the 2008, 2009 estimate, and 2010 budgeted cost recovery performance for the Fedwire Securities Service.[51]

TABLE 16—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)]
2008	24.5	22.2	2.3	1.7	102.5%
2009 (estimate)	24.8	25.4	−0.6	0.8	94.7%
2010 (budget)	25.7	24.1	1.6	0.8	103.3%

1. *2009 Estimate*—The Reserve Banks estimate that the Fedwire Securities Service will recover 94.7 percent of total expenses and targeted ROE, compared with a 2009 budgeted recovery rate of 100.8 percent.[52] The lower-than-budgeted recovery is primarily attributable to lower-than-expected NICB and increased pension costs. Through August, online securities volume is down almost 4 percent from the same period in 2008. The decline in revenues and higher-than-expected costs led the Reserve Banks to implement a mid-year price increase in monthly account maintenance fees.

2. *2010 Pricing*—The Reserve Banks project that the Fedwire Securities Service will recover 103.3 percent of total expenses and targeted ROE in 2010. The Reserve Banks project that total revenue will increase by $0.9 million compared with the 2009 estimate. The increase in revenue is due to the full-year effect of the mid-year price increase to account maintenance fees. Total expenses are budgeted to decrease $1.3 million from the 2009 estimate because of declining operating costs.[53] For 2010, online securities volume is projected to decline 5 percent from current 2009 estimates while offline securities volume is projected to remain unchanged.[54]

The fees for the Fedwire Securities Service will remain unchanged from 2009.

H. *Electronic Access*—The Reserve Banks allocate the costs and revenues associated with electronic access to the Reserve Banks' priced services. There are currently three electronic access channels through which customers can access the Reserve Banks' priced services: FedLine®, FedPhone®, and FedMail®.[55] The Reserve Banks package these channels into nine electronic access packages that are supplemented by a number of premium (or à la carte) access and accounting information options.

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 email, while the FedLine Web packages offer FedMail E-mail plus, online attended access to a broad range of informational services and check services. The FedLine Advantage packages expand upon the FedLine Web packages and offer attended access to FedACH and Fedwire Services.

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

For 2010, the Reserve Banks will leave prices for most attended access solutions unchanged and will increase fees on the FedLine Command and the FedLine Direct electronic access packages to improve the alignment of revenues and costs. In addition, the Reserve Banks will raise fees on various premium option services.

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 Payment System.'' [56] Under this policy, the Board assesses whether changes would have a direct and material adverse effect on the

[50] The special settlement arrangement fee currently applies only to CHIPS.

[51] 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 prices 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.

[52] The Reserve Banks expect to recover 99 percent of their actual expenses in 2009.

[53] For 2010, the Reserve Banks changed the methodology for allocating costs to the electronic access channels, resulting in lower costs allocated to the Fedwire Securities Service.

[54] The Reserve Banks expect Fedwire Securities volumes to decline when the Fixed Income Clearing Corporation's Mortgage Back Securities Division (FICC–MBSD) implements it proposal to become a central counterparty allowing for an additional around of netting. The new netting service is expected to reduce the number of securities transactions that settle over the Fedwire Securities Service.

[55] FedPhone, FedMail, and FedLine are registered service marks of the Reserve Banks. These connections may also be used to access non-priced services provided by the Reserve Banks. FedPhone is a free access option.

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

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 the 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 2010 fees will result in a net income below the targeted ROE, primarily due to shortfalls in the check service. Given the ongoing major structural transition in the nation's check clearing system, it is likely that other market participants are also not achieving an ROE equivalent to that targeted by the Reserve Banks for services similar to Reserve Bank priced services. Therefore, while it is possible, it is not likely that the Reserve Banks' failure to achieve the targeted ROE would adversely affect the ability of other service providers to compete with the Reserve Banks. In addition, any potential adverse effect on competing service providers would not be the result of differing legal powers or a dominant market position deriving from such legal differences.

The Reserve Banks have taken steps to maximize their 2010 cost recovery. They are continuing to reduce check service costs by restructuring their check processing operations as volumes continue to decline and shift to electronic product offerings. These cost reduction efforts will continue into 2010 and beyond, and should position the check service to return to full cost recovery within the next several years. In addition, the Reserve Banks are significantly increasing fees for traditional paper check services and increasing fees more-modestly for Check 21 services. The Reserve Banks believe that more-significant fee increases for Check 21 services will slow the transition to a full electronic check-processing environment nationwide and result in lower check net revenue because of additional volume losses. Given the fee increases and the check market environment, the Board believes that additional fee increases at this time may hinder the achievement of the Reserve Banks' objective of improving the efficiency of the nation's check-collection system and may not materially improve cost recovery.

FedACH Service 2010 Fee Schedule

[Effective January 4, 2010. **Bold indicates changes from 2009 prices**]

	Fee ($)
FedACH minimum monthly fee [57]	
ODFI	**25.00**
RDFI	**15.00**
Origination (per item or record): [58]	
Items in small files	0.0030
Items in large files	0.0025
Addenda record	**0.0013**
Receipt (per item or record): [59]	
Volume based fees [60]	
Base (up to 1,000,000 per month)	**0.0025**
Tier 1 (1,000,001–25,000,000 per month)	**0.0018**
Tier 2 (more than 25,000,000 per month)	**0.0016 (all items)**
Addenda record	**0.0013**
Risk Product:	
Risk origination monitoring criteria	
Tier 1 (1–20 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:	
Defined report generated	0.20
On demand report generated	0.75
Premier report	10.00
Secure delivery via e-mail	0.20
Monthly fee (per routing number):	
Account servicing fee [61]	37.00
FedACH settlement [62]	**45.00**
Information extract file	**50.00**
IAT Output File Sort	35.00
FedLine Web origination returns and notification of change (NOC) fee: [63]	0.30
Voice response returns/NOC fee: [64]	3.00
Automated NOC fee: [65]	**0.15**
Non-electronic input/output fee: [66]	
CD or DVD input/output	50.00
paper input/output	50.00
Facsimile exception returns/NOC [67]	30.00
Canadian cross-border fee:	
Item originated to Canada [68]	0.62
Return received from Canada [69]	0.99
Trace of item at receiving gateway	5.50
Trace of item not at receiving gateway	5.00
Mexico service fee:	
Item originated to Mexico [68]	0.67
Return received from Mexico [69]	0.91
Item trace	13.50

FedACH Service 2010 Fee Schedule—Continued

[Effective January 4, 2010. **Bold indicates changes from 2009 prices**]

	Fee ($)
Panama service fee:	
Item originated to Panama [68]	0.72
Return received from Panama [69]	1.00
Item trace	7.00
NOC	0.72

Fedwire Funds and National Settlement Services 2010 Fee Schedule

[Effective January 4, 2010. **Bold indicates changes from 2009 fee schedule**]

	Fee ($)
Fedwire Funds Service	
Monthly participation fee	**75.00**
Basic volume-based transfer fee (originations and receipts)	
Per transfer for the first 14,000 transfers per month	**0.30**
Per transfer for additional transfers up to 90,000 per month	**0.19**
Per transfer for every transfer over 90,000 per month	**0.09**
Surcharge for offline transfers (originations and receipts)	40.00
National Settlement Service	
Basic:	
Settlement entry fee	0.80
Settlement file fee	18.00
Surcharge for offline file origination	40.00
Minimum monthly charge (account maintenance) [70]	60.00
Special settlement arrangements [71]	
Fee per day	**150.00**

Fedwire Securities Service 2010 Fee Schedule (Non-Treasury Securities)

[Effective January 4, 2010]

	Fee
Basic transfer fee:	
Transfer or reversal originated or received	0.35
Surcharge:	
Offline transfer or reversal originated or received	60.00
Monthly maintenance fees:	
Account maintenance (per account)	36.00
Issues maintained (per issue/per account)	0.40
Claim adjustment fee	0.60
Joint custody fee	40.00

Electronic Access 2010 Fee Schedule

[Effective January 4, 2010. **Bold prices indicate changes from 2009 fee schedule**]

Electronic Access Packages (monthly)	
FedMail E-mail	$20.00
FedLine Web W3	$95.00
Includes: FedMail E-mail.	
FedLine Web with three individual subscriptions.	
Service Charge Information.	
Account Management Information.	
FedACH Risk Monitoring Service.	
FedEDI Service.	
FedLine Web W5	$140.00

Electronic Access 2010 Fee Schedule—Continued

[Effective January 4, 2010. **Bold prices indicate changes from 2009 fee schedule**]

Includes: FedMail E-mail.	
FedLine Web with five individual subscriptions.	
Service Charge Information.	
Account Management Information.	
FedACH Risk Monitoring Service.	
FedEDI Service.	
Cash Management System Basic-Own report only.	
FedLine Advantage A3	**$330.00**
Includes: FedLine Web W3 package.	
FedLine Advantage with three individual subscriptions.	
Virtual Private Network maintenance for one device..	
FedLine Advantage A5	$380.00
Includes: FedLine Web W5 package.	
FedLine Advantage with five individual subscriptions.	
Virtual Private Network maintenance for one device.	
Intraday search download feature within Account Management Information.	
FedLine Command	**$700.00**
Includes: FedLine Advantage A5 package.	
Virtual Private Network maintenance for one device.	
Billing Data Format File.	
Intra-Day File.	
End of Day Reconcilement File.	
Statement of Account Spreadsheet File (SASF).	
FedLine Direct D56, D256, DT1	**D56 $2,800.00** D256 $3,500.00, and **DT1 $5,100.00**
Includes: FedLine Command package.	
One dedicated unattended wide area network connection for FedLine Direct.	
Premium Options (monthly) [72]	
Electronic Access:	
FedMail Fax (monthly per routing number)	$30.00
Additional subscribers package (each package contains 5 additional subscribers)	$80.00
Maintenance of additional Virtual Private Network	$60.00
Additional dedicated connections [73]	
56K	**$1,750.00**
256K	**$2,450.00**
T1	**$3,000.00**
FedImage/Large File Delivery	Various
Transparent Contingency	**$1,000.00**
FedLine International Setup (one-time fee)	**$1,000.00**
FedLine Advantage 800# Usage	**$2.00**
Accounting Information Services:	
Cash Management System:	
Basic—Respondent and/or sub account reports (per report/month)	$10.00
Basic—Respondent/sub account recap report (per month)	$40.00
Plus—Own report up to six times a day (per month)	**$60.00**
Plus—Less than 10 respondent and/or sub accounts	**$125.00**
Plus—10–50 respondent and/or sub accounts	$225.00
Plus—51–100 respondents and/or sub accounts	**$400.00**
Plus—101–500 respondents and/or sub accounts	**$750.00**
Plus—>500 respondents and/or sub accounts	**$1,000.00**
End of Day Reconcilement File (per month)	**$150.00**
Statement of Account Spreadsheet File (per month)	**$150.00**
Intra-Day File (per month)	**$150.00**
ACTS Report—<= 20 subaccounts	**$250.00**
ACTS Report—21–40 subaccounts	**$500.00**
ACTS Report—41–60 subaccounts	**$750.00**
ACTS Report—>60 subaccounts	**$1,000.00**

By order of the Board of Governors of the Federal Reserve System, November 2, 2009.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. E9–26743 Filed 11–5–09; 8:45 am]

BILLING CODE 6210–01–C

[57] Minimum fee of $25 for an ODFI that originates forward items and the revenue associated with origination is less than $25. Minimum fee of $15 for an RDFI that does not originate forward transactions and the revenue associated with receipt is less than $15.

[58] 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 the private-sector ACH operator.

[59] Receipt fees do not apply to items that the Reserve Banks send to the private-sector ACH operator.

[60] Depository institutions that meet Tier 2 volume requirements pay $0.0016 for all items. Eligible volume includes all forward receipt items originated through both the Reserve Banks and the private-sector operator that are delivered to the RDFI by the Reserve Banks.

[61] 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.

[62] 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.

[63] The fee includes the transaction and addenda fees in addition to the conversion fee.

[64] The fee includes the transaction and addenda fees in addition to the voice response fee.

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

[66] Limited services are offered in contingency situations.

[67] The fee includes the transaction fee in addition to the conversion fee.

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

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

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

[71] 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.

[72] Premium options for FedLine Web W3 and FedLine Advantage A3 are limited to FedMail Fax.

[73] Network diversity supplemental charge of $1,200 a month may apply in addition to these fees.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Draft Guidance on Institutional Review Board Approval of Research With Conditions

AGENCY: Office for Human Research Protections, Office of Public Health and Science, Office of the Secretary, Department of Health and Human Services.

ACTION: Notice.

SUMMARY: The Office for Human Research Protections (OHRP), Office of Public Health and Science, is announcing the availability of a draft guidance document entitled ''Guidance on IRB Approval of Research with Conditions,'' and is seeking comment on the draft guidance. The draft guidance document, when finalized, would provide OHRP's first formal guidance on this topic. The draft document, which is available on the OHRP Web site at *http://www.hhs.gov/ohrp/requests/,* is intended primarily for institutional review boards (IRBs), investigators, Department of Health and Human Services (HHS) funding agencies, and others that may be responsible for the review, conduct, or oversight of human subject research conducted or supported by HHS. OHRP will consider comments received before issuing the final guidance document.

DATES: Submit written comments by January 5, 2010.

ADDRESSES: Submit written requests for single copies of the draft guidance document entitled ''Guidance on IRB Approval of Research with Conditions'' to the Division of Policy and Assurances, Office for Human Research Protections, 1101 Wootton Parkway, Suite 200, Rockville, MD 20852. Send one self-addressed adhesive label to assist that office in processing your request, or fax your request to 301–402–2071. *See* the **SUPPLEMENTARY INFORMATION** section for information on electronic access to the draft guidance document.

You may submit comments, identified by docket ID number HHS–OPHS–2009–0017, by one of the following methods:

• *Federal eRulemaking Portal: http://www.regulations.gov.* Enter the above docket ID number in the ''Enter Keyword or ID'' field and click on ''Search.'' On the next Web page, click on the ''Submit a Comment'' action and follow the instructions.

• *Mail/Hand delivery/Courier [For paper, disk, or CD–ROM submissions]:* Michael A. Carome, M.D., Captain, U.S. Public Health Service, OHRP, 1101 Wootton Parkway, Suite 200, Rockville, MD 20852.

Comments received, including any personal information, will be posted without change to *http://www.regulations.gov.*

FOR FURTHER INFORMATION CONTACT: Michael A. Carome, M.D., Captain, U.S. Public Health Service, OHRP, 1101 Wootton Parkway, Suite 200, Rockville, MD 20852, 240–453–6900; e-mail *Michael.Carome@hhs.gov.*

SUPPLEMENTARY INFORMATION:

I. Background

A. Overview

OHRP is announcing the availability of a draft guidance document entitled ''Guidance on IRB Approval of Research with Conditions.'' The draft guidance document, when finalized, will represent OHRP's current thinking on this topic and will provide OHRP's first formal guidance on this topic. The draft document is intended primarily for IRBs, investigators, HHS funding agencies, and others that may be responsible for the review, conduct, or oversight of human subject research conducted or supported by HHS. The guidance document would apply to non-exempt human subjects research conducted or supported by HHS. It provides guidance on the authority of IRBs to approve research with conditions. In particular, OHRP offers guidance on the following topics:

(1) What actions can an IRB take when reviewing research?

(2) What does *IRB approval with conditions* mean?

(3) What circumstances preclude the IRB from approving research?

(4) What circumstances permit the IRB to approve research with conditions?

(5) How should the IRB handle changes to research that are proposed after the IRB has approved the research with conditions?

(6) How do conditions on IRB approval at the time of initial review affect the initiation of research?

(7) How do conditions on IRB approval at the time of continuing review, or at the time of review of proposed changes in previously approved research, affect ongoing research?

(8) What must the IRB records include regarding the documentation of conditions of IRB approval of research?

B. Pertinent Recommendations by the Secretary's Advisory Committee on Human Research Protections (SACHRP) Related to Continuing Review and Expedited Review

In a March 14, 2007 letter, SACHRP transmitted to the Secretary of Health and Human Services recommendations regarding IRB continuing review and expedited review of research. Two of these recommendations are addressed by the draft guidance document. The following discussion describes OHRP's response to these SACHRP recommendations and identifies the