

Iowa, and thereby indirectly acquire Security Savings Bank, Ireton, Iowa.

Board of Governors of the Federal Reserve System,

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 96-10604 Filed 4-29-96; 8:45 am]

BILLING CODE 6210-01-F

**[Docket No. R-0922]**

**Federal Reserve Uniform Cash Access Policy**

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

**ACTION:** Policy statement.

**SUMMARY:** The Board has revised its cash access policy to provide greater consistency in Federal Reserve Bank cash service levels. The policy provides for a base level of free currency access to all depository institutions, but restricts the number of offices served and the frequency of access. Depository institution offices that meet minimum volume thresholds will be able to obtain more frequent free access. Additional access, beyond the free service level, will be priced.

**EFFECTIVE DATE:** May 1, 1998.

**FOR FURTHER INFORMATION CONTACT:** Jon J. Cameron, Manager (202/452-2220) or Kathleen M. Connor, Senior Financial Services Analyst (202/452-3917), Cash Section, Division of Reserve Bank Operations and Payment Systems; for the hearing impaired only: Telecommunications Device for the Deaf, Dorothea Thompson (202/452-3544).

**SUPPLEMENTARY INFORMATION:**

**I. Background**

The Federal Reserve Banks supply currency and coin to depository institutions throughout the nation. Reserve Banks provided cash services to Federal Reserve member banks at no explicit fee (beyond the face value of cash orders or deposits) from 1914 to 1981. Nonmember institutions received cash services from the Treasury Department until the transfer of its Subtreasury functions to the Federal Reserve Banks in 1920. As a result, nonmember institutions generally met their cash needs through correspondent member banks from 1920 to 1980. During this period, member banks could request the Federal Reserve to provide cash services to a nonmember institution. The member's reserve account would reflect the transaction, including a charge to reimburse the Federal Reserve for the cash transportation cost.

The Monetary Control Act of 1980 authorized the Federal Reserve Banks to offer priced services to both member and nonmember institutions, and included currency and coin services in its list of priced Federal Reserve Bank services. The Board determined in the development of its pricing principles that "currency and coin processing (paying, receiving and verifying both coin and currency, and issuing, processing, canceling, and destroying currency) are governmental functions and would not be priced." The Board noted, however, that "the Reserve Banks may impose reasonable limitations on frequency of service, number of offices served and size of orders/deposits." (45 FR 56893, September 4, 1980)

As part of the Federal Reserve's implementation of the Monetary Control Act, the Board adopted a policy in November 1981 to provide standard access nationwide to every depository institution that requested coin and currency directly from the Federal Reserve. (46 FR 55152, November 6, 1981) Under the policy, the Board required that all Federal Reserve offices provide access to, at a minimum, one office per depository institution or one office of a depository institution per municipality, subject to adjustment where special circumstances apply. In 1982, the Board adopted fee schedules for currency and coin transportation and coin wrapping services. (47 FR 58364, December 30, 1982)

In 1984, the Board adopted uniform cash service standards (UCSS) for Federal Reserve Banks and most recently revised the UCSS in 1987. The UCSS provide a common framework for Federal Reserve cash services. The UCSS address packaging standards, handling and verification requirements, access frequency, and depository institution service levels. The UCSS allow normal service to each authorized depository institution or office once per week and recognizes that certain depository institution offices may call for more frequent service where volume and cost justify more frequent service. Under the UCSS, Reserve Banks that wish to provide access exceeding the basic frequency may do so as a priced service but are not required to price the service.

In 1987, the Federal Reserve Bank of Minneapolis and the Detroit Branch of the Federal Reserve Bank of Chicago established access fees for additional cash services in excess of the free weekly service allowed by the UCSS. In March 1996, the Federal Reserve Bank of San Francisco modified its cash service structure to restrict the frequency of access. Under the modified

structure, a depository institution must meet a minimum bundle threshold to qualify for more frequent access.<sup>1</sup> Additional access is priced if the bundle threshold is not met.

Currently, there is a lack of consistency in the cash service levels provided by the Reserve Banks. Some Reserve Bank offices limit access to cash services to as few as five offices per depository institution, while other offices allow unrestricted access (up to 400 offices). While some Reserve Bank offices permit unrestricted frequency of access, other offices limit frequency based on parameters such as dollar values, volumes, and location. As noted above, only a few offices offer additional priced access. Consistency in Federal Reserve policies and service levels will become increasingly important as an increasing number of depository institutions have a presence in multiple Federal Reserve districts.

**II. Uniform Cash Access Policy**

The Board has approved a new cash access policy, which was developed within the following framework: (1) the structure of cash services should include a common, base level of free services to achieve greater uniformity in Federal Reserve cash service levels; (2) the base level of free cash services should be consistent with a wholesale role for the Reserve Banks, which implies that a large depository institution is responsible for servicing its own branch network; and (3) Reserve Banks that choose to provide cash services exceeding the base level may do so as a priced service, where demand exists.

The new policy imposes more uniformity on the provision of cash services than currently exists. While the policy reflects the differing operating capabilities of the various Federal Reserve Bank offices, the Board's intent is to move to full uniformity within two years of implementation of this policy. The Board will review the Reserve Banks' initial experience with this policy and assess whether there are impediments to moving to a fully uniform policy. Based on the results of the review, the Board may modify the policy to achieve Systemwide uniformity with respect to volume thresholds, pricing, and additional priced access.

Following is a discussion of the new cash access policy and how and why it

<sup>1</sup> A bundle is a standard unit of 1000 currency notes of the same denomination. Deposits of lower denomination notes generally are made in bundle increments. Deposits of higher denomination notes (e.g., \$50s or \$100s) generally are made in strap increments (100 currency notes).

differs from the current policy provisions.

#### *A. Number of Depository Institution Offices Eligible for Free Access*

Under the new policy, each depository institution with a banking presence in a Federal Reserve office territory can designate up to ten offices to receive free cash access (deposit and order) service from the local Reserve Bank office. Beyond the ten offices, Reserve Bank offices will provide free cash access to large offices whose volumes exceed a specified threshold and that satisfy the local Reserve Bank office's denomination bundle standard.<sup>2</sup> Each district will set a "high bundle threshold," within the range of fifty to one hundred bundles, to accommodate the needs of the geographic area being serviced by a particular office within their district. During initial implementation of the policy, depository institutions will include the known large offices exceeding the "high bundle threshold" in the original ten designated offices to receive free access to cash services.

The current policy requires Federal Reserve Banks to provide free cash access service to depository institutions on an equal and impartial basis, consistent with their capabilities to provide such service through maximum utilization of available physical facilities. The varying application of this provision by the Reserve Bank offices has resulted in inconsistent cash service levels throughout the System.

The new ten-office provision provides uniformity in the provision of cash services. The new provision is consistent with the wholesale role of the Federal Reserve in providing cash services, particularly with respect to large institutions. The policy encourages large institutions to consolidate deposit and cash ordering functions and imposes reasonable limitations on the number of offices served.

The provision for ten free endpoints may provide many smaller depository institutions with complete coverage of their branch network. The Board considered developing a formula to set the number of endpoints eligible to receive free service based on the institution's deposit size and total number of endpoints. The Board concluded that such a formula would prove too difficult to administer and

that the provision of ten free endpoints would result in the least disruption to the current level of free cash services.

The Reserve Banks estimate that 95 percent of depository institutions would continue to receive their current level of cash services free of charge. The policy would affect primarily branch networks of large depository institutions. The policy would result in a reduction of approximately 8,700 endpoints from the current base of 29,500 endpoints that currently receive free cash services (a reduction of approximately 26 percent). The Board believes implementation of the policy will not materially affect the Reserve Banks' costs of providing cash services. Aggregate cash receipts and disbursements are expected to remain unchanged.

The Reserve Banks will establish procedures to ensure that, if a depository institution receives free access to more than ten offices, all endpoints must meet the high bundle threshold. In addition, the Reserve Banks have developed administrative guidelines to accommodate mergers and bank acquisitions. For one year after the merger or acquisition, the merged institutions can receive the same level of free access as they received at the time of the merger. After one year, the Reserve Banks will treat the merged institutions as one entity for the purposes of this policy.

#### *B. Frequency of Access*

Normal free access for each designated office of the depository institution will continue to be once per week. Access more frequent than once per week will be available free of charge to the designated endpoints whose volumes exceed a twenty-bundle aggregate threshold and that satisfy the local Reserve Bank office's denomination bundle standard.

These provisions impose reasonable limitations on the frequency of service and standardize System service levels. They are consistent with the current cross-shipping policy, which will continue under the new cash access policy.<sup>3</sup> Elimination of the cross-shipping policy could result in some depository institutions relying on the Reserve Banks as money distribution centers, which would be inconsistent with the Federal Reserve's wholesale role.

<sup>2</sup>The Reserve Banks make payments and accept deposits in standard units as defined by the UCSS. The denomination bundle standard is set by the individual Reserve Bank office to reflect the operating needs of the office. Each Reserve Bank's denomination bundle standard is included in its cash operating circular.

<sup>3</sup>The cross shipment policy states that cross shipment (deposit of excess fit currency and reorder of the same denomination within five business days) should be eliminated at the depositing-office level, and minimized, or eliminated where practicable, at the depositing-institution level.

#### *C. Priced Additional Access*

The new policy requires that Reserve Banks price additional cash services. Under the current policy, Reserve Banks that provide access exceeding the basic frequency can do so as a priced service but are not required to price the service. The Board anticipates that all Reserve Banks will offer priced cash services except for those offices that can demonstrate that operational limitations prevent them from doing so.

The pricing of additional service will recover the cost of access to the Federal Reserve cash vault only and will not reflect the costs of the governmental aspects of the Reserve Banks' cash services, such as vault storage and processing of currency. Preliminary estimates of the range of Reserve Bank fees for additional access are \$20-\$100 per deposit or order.

#### *D. Delegation of Authority*

The Board believes that flexibility is desirable in the administration of future routine changes to the policy. The Board, therefore, has delegated authority to the Director of the Division of Reserve Bank Operations and Payment Systems to (1) approve changes in the base number of free endpoints and the volume thresholds; and (2) waive the policy for a limited period if warranted by special circumstances, such as a natural disaster or the introduction of new currency.

#### III. Effective Date

The new cash access policy becomes effective on May 1, 1998. The Board believes that two years is adequate time for financial institutions to make the necessary preparations to implement the policy.

#### IV. Competitive Impact Analysis

The Board assesses the competitive impact of changes that may have a substantial effect on payment system participants. In particular, the Board assesses whether a proposed change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve Banks in providing similar services and whether such effects are due to legal differences or due to a dominant market position deriving from such legal differences.

The Reserve Banks will continue to perform the governmental functions of currency and coin processing. While private-sector service providers cannot duplicate the entire range of Federal Reserve cash functions, these providers can supply and accept coin and currency. In addition, private-sector service providers offer an array of value-

added cash services that the Federal Reserve Banks do not provide. For example, some private-sector service providers maintain automated teller machines for depository institutions and offer specific retail services for the depository institutions' customers. Therefore, it is unlikely that the policy will result in any significant shift to Federal Reserve cash services away from private-sector providers. The Board's policy, as revised, does not adversely affect the ability of depository institutions or service providers to compete with the Federal Reserve Banks to provide cash services.

#### V. Federal Reserve Cash Service Access Policy

The Board has adopted the following Federal Reserve cash access policy:

1. *Number of endpoints eligible for free cash access.* Each depository institution with a banking presence in a Federal Reserve office territory can designate up to ten offices in that territory to receive free cash access (deposit and order) service from the local Reserve Bank office.

Beyond the ten offices, Reserve Bank offices will provide free cash access to endpoints whose volumes exceed a specified threshold and that satisfy the local Reserve Bank office's denomination bundle standard. Each Reserve Bank office will set a "high bundle threshold," within the range of fifty to one hundred bundles, to accommodate the needs of the geographic area being serviced within that Federal Reserve office territory. If a depository institution receives free access for more than ten endpoints, all endpoints must meet the high bundle threshold.

2. *Frequency of access.* Normal free access for each designated office of the depository institution will be once per week. Access more frequent than once per week will be available free of charge to each designated office whose volume exceeds a twenty-bundle aggregate threshold and that satisfies the local Reserve Bank office's denomination bundle standard.

3. *Priced access.* Reserve Bank offices may choose to accommodate additional access where the demand exists subject to the constraints of the physical facilities at each Reserve Bank office. Reserve Banks must price access to cash services beyond the free service described above, if offered.

4. *Delegation of authority.* The Director of the Division of Reserve Bank Operations and Payment Systems, under delegated authority, may (1) approve changes in the base number of free endpoints and the volume thresholds;

and (2) waive the policy for a limited period if warranted by special circumstances, such as a natural disaster or the introduction of new currency.

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

Dated: April 24, 1996.  
William W. Wiles,  
*Secretary of the Board.*  
[FR Doc. 96-10606 Filed 4-29-96; 8:45 am]  
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#### Sunshine Act Meeting

**AGENCY HOLDING THE MEETING:** Board of Governors of the Federal Reserve System.

**TIME AND DATE:** 11:00 a.m., Monday, May 6, 1996.

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

**STATUS:** Closed.

#### MATTERS TO BE CONSIDERED:

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

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

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

Dated: April 26, 1996.  
Jennifer J. Johnson,  
*Deputy Secretary of the Board.*  
[FR Doc. 96-10837 Filed 4-26-96; 2:54 pm]  
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#### FEDERAL TRADE COMMISSION

[File No. 932-3331]

#### The May Department Stores Company; Proposed Consent Agreement With Analysis To Aid Public Comment

**AGENCY:** Federal Trade Commission.

**ACTION:** Proposed Consent Agreement.

**SUMMARY:** In settlement of alleged violations of federal law prohibiting unfair or deceptive acts or practices and unfair methods of competition, this consent agreement, accepted subject to final Commission approval, would require, among other things, the St. Louis-based company to cease unwarranted collection activity on

certain acquired credit card accounts, to correct the inaccurate or obsolete credit data it sent to credit reporting agencies about these accounts, and to take steps to ensure that the information maintained and reported with respect to the acquired accounts is accurate. May would also be prohibited from sending credit cards to consumers except: (1) In response to an oral or written request or application for the card, or (2) as a renewal of, or substitute for, an accepted credit card. The Consent Agreement settles allegations that, as an example, in converting its Thalheimer's customers' credit card accounts to Hecht's accounts, May's conversion process transferred obsolete derogatory information to the new accounts. The conversion process also allegedly led to the inaccurate reporting of payments and other negative data and to the initiation of collection activity against some customers.

**DATES:** Comments must be received on or before July 1, 1996.

**ADDRESSES:** Comments should be directed to: FTC/Office of the Secretary, Room 159, 6th St. and Pa. Ave., NW., Washington, DC 20580.

**FOR FURTHER INFORMATION CONTACT:** David Medine, Federal Trade Commission, S-4429, 6th and Pennsylvania Ave., NW., Washington DC 20580. (202) 326-3224. Christopher Keller, Federal Trade Commission, S-4429, 6th and Pennsylvania Ave., NW., Washington, DC 20580. (202) 326-3159.

**SUPPLEMENTARY INFORMATION:** Pursuant to Section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and Section 2.34 of the Commission's Rules of Practice (16 CFR 2.34), notice is hereby given that the following consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with Section 4.9(b)(6)(ii) of the Commission's Rules of Practice (16 CFR 4.9(b)(6)(ii)).

Agreement Containing Consent Order To Cease and Desist

The Federal Trade Commission having initiated an investigation of certain acts and practices of The May Department Stores Company, a corporation, ("May"), hereinafter sometimes referred to as proposed respondent, and it now appears that proposed respondent is willing to enter