

# Fed Letter



## Check 21 FAQ available online

The Check Clearing for the 21<sup>st</sup> Century Act (Check 21) became effective **Oct. 28, 2004**. Check 21 reduces some of the legal hurdles to check truncation by allowing the use of a new instrument called a “substitute check.” The substitute check contains an image of the front and back of the original check, as well as the wording “This is a legal copy of your check. You can use it the same way you would use the original check.” It also displays the MICR line and can be processed like original paper checks. The law allows banks to substitute a machine-readable copy of a check instead of shipping customers’ checks back and forth to clear them.

The Board of Governors has released a frequently asked questions (FAQ) page on its Web site to further explain the act, information about substitute and original checks, and consumer protections. The FAQ is available at [www.federalreserve.gov/paymentsystems/truncation/faqs.htm](http://www.federalreserve.gov/paymentsystems/truncation/faqs.htm).

Additional information about Check 21 including the final rule to implement the act and past legislative activity is available at [www.federalreserve.gov/paymentsystems/truncation/default.htm](http://www.federalreserve.gov/paymentsystems/truncation/default.htm).

## Manufacturing survey released

The monthly manufacturing survey for the Tenth Federal Reserve District was released Oct. 12. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District. Manufacturing activity in the Tenth District continued to expand during September. The expectations for future factory activity remained strong, and the future finished goods price index rose markedly after dropping in August.

To view the current survey, visit our Web site ([www.kansascityfed.org](http://www.kansascityfed.org)). In the left column, under “Economic News,” click “Manufacturing Survey,” and then “Current Survey (October 12, 2004).”

## New governance for a new rural economy

The August 2004 issue of *The Main Street Economist* includes highlights from the fifth annual rural policy conference hosted by the Center for the Study of Rural America. More than 150 rural policy experts gathered in Kansas City last May to discuss regional governance and how public and private leaders work together to help rural economies compete in globalizing markets.

The conference included three main sessions. The first session assessed the state of rural governance in the United States and looked at new governance options being used. During the second session, speakers discussed three different models of new governances—the roles of government, higher education, and nonprofits. In the final session of the conference, participants considered policies for new governance and how to seize new policy opportunities.

Read the conference highlights on our Web site ([www.kansascityfed.org](http://www.kansascityfed.org)). In the right column, click “Center for the Study of Rural America,” then “*The Main Street Economist*,” and then “August 2004: New Governance for a New Rural Economy: Reinventing Public and Private Institutions.”

A proceedings book with all of the papers presented at the conference will be released later this year.

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## Holiday reminder

The Fed will be closed **Thursday, Nov. 11**, in observance of Veterans Day, and **Thursday, Nov. 25**, in observance of Thanksgiving. A listing of the holidays observed by the Federal Reserve System is available at [www.frbservices.org](http://www.frbservices.org). In the left column, click “Holiday Schedules.”

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## Milestone anniversaries

The Kansas City Fed is pleased to congratulate the following bank for reaching an FRB membership milestone anniversary:

Bank of Versailles	Versailles, Mo.	85 years
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## Regulatory developments

### Revisions to Board's Policy Statement on Payments System Risk

The Federal Reserve Board has announced revisions to its Policy Statement on Payments System Risk (PSR policy) concerning interest and redemption payments on securities issued by government-sponsored enterprises (GSEs) and certain international organizations. Beginning July 20, 2006, the Reserve Banks will release these payment types when directed by the issuers, provided that the issuers have fully funded their Federal Reserve accounts. Issuers will be required to fund interest and redemption payments no later than 4 p.m. ET for payments to be processed that day. Currently, the Reserve Banks process and post these payments to depository institutions' Federal Reserve accounts by 9:15 a.m. ET, even if the issuer has not fully funded its payments. With the changes, a depository institution may see its GSE-issued securities' payments posted to its account later in the day than with the current process. No changes are being made to the posting time for U.S. Treasury securities' interest and redemption payments.

At the same time that the above changes become effective, the general corporate account activity of the GSEs and certain international organizations will be aligned with the treatment of activity for other account holders that do not have regular access to the discount window, and as such, are not eligible for intraday credit. Such treatment will include applying a penalty fee for daylight overdrafts resulting from these entities' general corporate payment activity. Finally, the revised PSR policy also incorporates the recent changes that were made to the Fedwire Funds Service online operating hours and reflects a number of other updates to correct outdated information.

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## Consumer information on avoiding overdraft and bounced-check fees

The federal bank, thrift, and credit union regulatory agencies, including the Federal Reserve, announced on Oct. 14 the publication of a new consumer resource, “Protecting Yourself from Overdraft and Bounced-Check Fees.” The brochure's key message to consumers is that the best way to avoid overdraft and bounced-check fees is to manage accounts wisely. That means keeping an up-to-date check register, recording all electronic transactions and automatic bill payments, and monitoring account balances carefully.

The federal financial regulatory agencies want consumers to know that careful account management is the lowest-cost way to avoid overdraft and returned-check fees and protect their hard-earned money. If overdraft protection is needed every now and then, consumers should talk with their financial institution or a financial adviser about what choices and services are right for them.

The interagency information is available on each agency's Web site and on our Web site at [www.kansascityfed.org](http://www.kansascityfed.org). Point to “Consumer Information” on the home page, then click “About the Consumer Affairs Department,” and then “Avoiding” in the center column.

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**Internet access**

Regulatory developments like those above can be obtained from our Web site at [www.kansascityfed.org](http://www.kansascityfed.org). Point to “Banking Information” on the home page, then click “Regulations/Other Guidance,” and select either of the first two categories, as appropriate.

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