Reporters: Foreign banking organizations (FBOs).

Annual reporting hours: FR Y–7NS: 237; FR Y–7Q (quarterly): 340; FR Y–7Q (annual): 111.

Estimated average hours per response: FR Y–7NS: 1.0; FR Y–7Q (quarterly): 1.25; FR Y–7Q (annual): 1.0.

Number of respondents: FR Y–7NS: 237; FR Y–7Q (quarterly): 68; FR Y–7Q (annual): 111.

General description of report: This information collection is mandatory (12 U.S.C. 1844(c), 3106(c), and 3108). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for information, in whole or in part, on any of the reporting forms can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. 522(b)(4) and (b)(6)].

Abstract: The FR Y–7NS collect financial information for non-functionally regulated U.S. nonbank subsidiaries held by foreign banking organizations (FBOs) other than through a U.S. bank holding company (BHC), U.S. financial holding company (FHC), or U.S. bank. The FR Y–7NS is filed annually, as of December 31, by top-tier FBOs for each individual nonbank subsidiary (that does not meet the filing criteria for filing the detailed report) with total assets of at least $50 million, but less than $250 million. The FR Y–7Q collects consolidated regulatory capital information from all FBOs either quarterly or annually. FBOs that have effectively elected to become FHCs file the FR Y–7Q quarterly. All other FBOs (those that have not elected to become FHCs) file the FR Y–7Q annually.

Board of Governors of the Federal Reserve System, October 29, 2010.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 2010–27698 Filed 11–2–10; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

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

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

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than November 16, 2010.

A. Federal Reserve Bank of Chicago (Colette A. Fried, Assistant Vice President) 230 South LaSalle Street, Chicago, Illinois 60690–1414:

1. Robert John Dentel, Victor, Iowa, and Mary P. Howell, Ames, Iowa; each to control 25 percent or more of the voting shares of Dentel Bancorporation, and thereby indirectly control of Victor State Bank, both of Victor, Iowa; Corydon State Bank, Corydon, Iowa; First State Bank of Colfax, Colfax, Iowa; Maxwell State Bank, Maxwell, Iowa; Pocahontas State Bank, Pocahontas, Iowa; and Panora State Bank, Panora, Iowa.

Board of Governors of the Federal Reserve System, October 28, 2010.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 2010–27683 Filed 11–2–10; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

[Docket No. OP 1396]

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 2011 of $39.5 million and the 2011 fee schedules for Federal Reserve priced services and electronic access. These actions were taken in accordance with the requirements of the Monetary Control Act of 1980, which requires that, over the long run, fees for Federal Reserve priced services be established on the basis of all direct and indirect costs, including the PSAF. The Board has also approved maintaining the current earnings credit rate on clearing balances.

DATES: The new fee schedules and earnings credit rate become effective January 3, 2011.

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 Jonathan C. Mueller, Senior Financial Analyst, (202/530–6291), 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 2011 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 2000 through 2009, the Reserve Banks recovered 97.8 percent of their total expenses (including imputed costs) and targeted after-tax profits or return on equity (ROE) for providing priced services.[1]

Table 1 summarizes 2009, 2010 estimated, and 2011 budgeted cost-recovery rates for all priced services. Cost recovery is estimated to be 102.9 percent in 2010 and budgeted to be 102.0 percent in 2011. The check service accounts for slightly over half of the total cost of priced services and thus

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

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)]
2009	675.4	707.5	-32.1	19.9	92.8%
2010 (estimate)	572.7	543.3	29.4	13.3	102.9%
2011 (budget)	497.6	470.9	26.7	16.8	102.0%

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

[b] Revenue includes net income on clearing balances. Clearing balances are assumed to be invested in a broad portfolio of investments, such as short-term Treasury securities, government agency securities, federal funds, commercial paper, long-term corporate bonds, and money market funds. To impute income, a constant spread is determined from the historical average return on this portfolio and applied to the rate used to determine the cost of clearing balances. For 2011, investments are limited to short-term Treasury securities and federal funds with no constant spread imputed. NICB equals the imputed income from these investments less earnings credits granted to holders of clearing balances. The cost of earnings credits is based on the discounted three-month Treasury bill rate.

[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 2010 estimate, the targeted ROE reflects average actual clearing balance levels through July 2010.

[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 2000 to 2009, 2009, 2010 budget, 2010 estimate, and 2011 budget by priced service.

TABLE 2—PRICED SERVICES COST RECOVERY

[Percent]

Priced service	2000–2009	2009	2010 Budget	2010 Estimate	2011 Budget [a]
All services	97.8	92.8	96.9	102.9	102.0
Check	96.8	92.8	94.7	103.7	102.8
FedACH	102.6	93.4	99.9	101.9	100.4
Fedwire Funds and NSS	101.5	92.1	100.2	100.2	101.0
Fedwire Securities	101.0	93.8	103.1	104.3	103.8

[a] 2011 budget figures reflect the latest data from the Reserve Banks. The Reserve Banks will transmit final budget data to the Board in November 2010, for Board consideration in December 2010.

1. *2010 Estimated Performance*—The Reserve Banks estimate that they will recover 102.9 percent of the costs of providing priced services in 2010, including imputed costs and targeted ROE, compared with a budgeted recovery rate of 96.9 percent, as shown in table 2. The Reserve Banks estimate that all services will achieve full cost recovery. Overall, the Reserve Banks estimate that they will fully recover actual and imputed costs and earn net income of $29.4 million, compared with the target of $13.3 million. The greater-than-targeted net income is driven largely by the performance of the check service, which had greater-than-expected operational cost savings and revenue.

2. *2011 Private Sector Adjustment Factor*—The 2011 PSAF for Reserve Bank priced services is $39.5 million. This amount represents a decrease of $2.4 million from the estimated 2010 revised PSAF of $41.9 million. Although the estimated imputed cost of equity is expected to increase, it is offset by a decrease in other required PSAF costs.[2]

3. *2011 Projected Performance*—The Reserve Banks project a priced services cost recovery rate of 102.0 percent in 2011. The 2011 fees for priced services are projected to result in a net income of $26.7 million compared with the target ROE of $16.8 million.

The primary risks to the Reserve Banks' ability to achieve their targeted cost recovery rates are unanticipated volume and revenue reductions and the potential for cost overruns or delays with technological upgrades. In light of these risks, the Reserve Banks will continue to refine their business and operational strategies to aggressively manage operating costs, take advantage of efficiencies gained from technological upgrades, and increase value-added product revenue.

4. *2011 Pricing*—The following summarizes the Reserve Banks' changes in fee schedules for priced services in 2011:

Check

• The Reserve Banks will decrease FedForward fees 8 percent for checks presented electronically and increase FedForward fees 50 percent for checks presented as substitute checks.[3] The

[2] In October 2009, the Board approved a budgeted 2010 PSAF of $50.2 million, which was based on the July 2009 clearing balance level of $4,831.5 million. Since that time, clearing balances have declined, which affects the 2010 PSAF and NICB. The 2010 estimated PSAF of $41.9 million, which is based on actual average clearing balances of $2,772.2 million through July 2010, reflects the lower equity costs resulting from the decrease in clearing balances. The 2010 final PSAF will be adjusted to reflect average clearing balance levels through the end of 2010.

[3] FedForward is the electronic forward check collection product. A substitute check is a paper

average fee paid by FedForward depositors will decline 14 percent from the average 2010 fee as the number of depository institutions that accept their presentments electronically increases. The Reserve Banks will retain FedReturn fees for checks returned electronically through FedLine at the current level, decrease fees 30 percent for checks returned electronically in PDF files, and increase fees 14 percent for endpoints that receive substitute checks.[4] The average fee paid by FedReturn depositors will decrease 20 percent as the number of institutions that accept their returns electronically increases.[5]

• The Reserve Banks will increase traditional paper forward collection fees 181 percent and traditional paper return service fees 81 percent.

• With the 2011 fees, the price index for the total check service will have increased 80 percent since 2001. 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 60 percent.

FedACH

• The Reserve Banks will raise the addenda record fees for originations and receipts from $0.0013 to $0.0015 and increase the information extract file fee from $50 to $75.

• With the 2011 fees, the price index for the FedACH service will have decreased 32 percent since 2001.

Fedwire Funds and National Settlement

• The Reserve Banks will implement a per-item surcharge of $0.18 on the sender of Fedwire Funds transfers processed by the Reserve Banks after 5 p.m. ET.

• The Reserve Banks will introduce a $10 monthly fee for the usage of the import/export feature of the FedLine Advantage electronic access package for the Fedwire Funds Service. This feature allows FedLine Advantage customers to import (export) an external file with multiple transactions into (from) the Fedwire Funds Service.

• The Reserve Banks will increase the National Settlement Service's settlement file fee from $18 to $20, and the settlement entry fee from $0.80 to $0.90.

• The Reserve Banks will change the Fedwire Funds Service's volume-based transfer fee structure to include incentive discounts based on customers' historic volume. This change will increase the base price of transfers but will provide substantial discounts from these fees for a portion of customers' expected volumes. The change will be implemented in two parts. First, the existing fees for all volume tiers will increase by as much as 73 percent. Second, customers will receive an 80 percent discount on these higher fees for the portion of a customer's monthly online volume that exceeds 50 percent of their historic benchmark volume, calculated as an average monthly volume of activity over the previous five calendar years. The change will produce a more stable stream of revenue for the Fedwire Funds service, for the first 50 percent of their customers' historic benchmark volume. Further, the Reserve Banks expect the incentive discounts to improve their ability to retain business and attract additional volume by decreasing the marginal price of transfers to a fee closer to the Reserve Banks' marginal cost. The decrease in the marginal price of transfers is consistent with the Federal Reserve's objectives to foster efficiency in the payment systems and to improve the efficiency of Reserve Bank services.

• With the 2011 fees, the price index for the Fedwire Funds and National Settlement Services will have increased 28 percent since 2001.

Fedwire Securities

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

• With the 2011 fees, the price index for the Fedwire Securities Service will have decreased 14 percent since 2001.

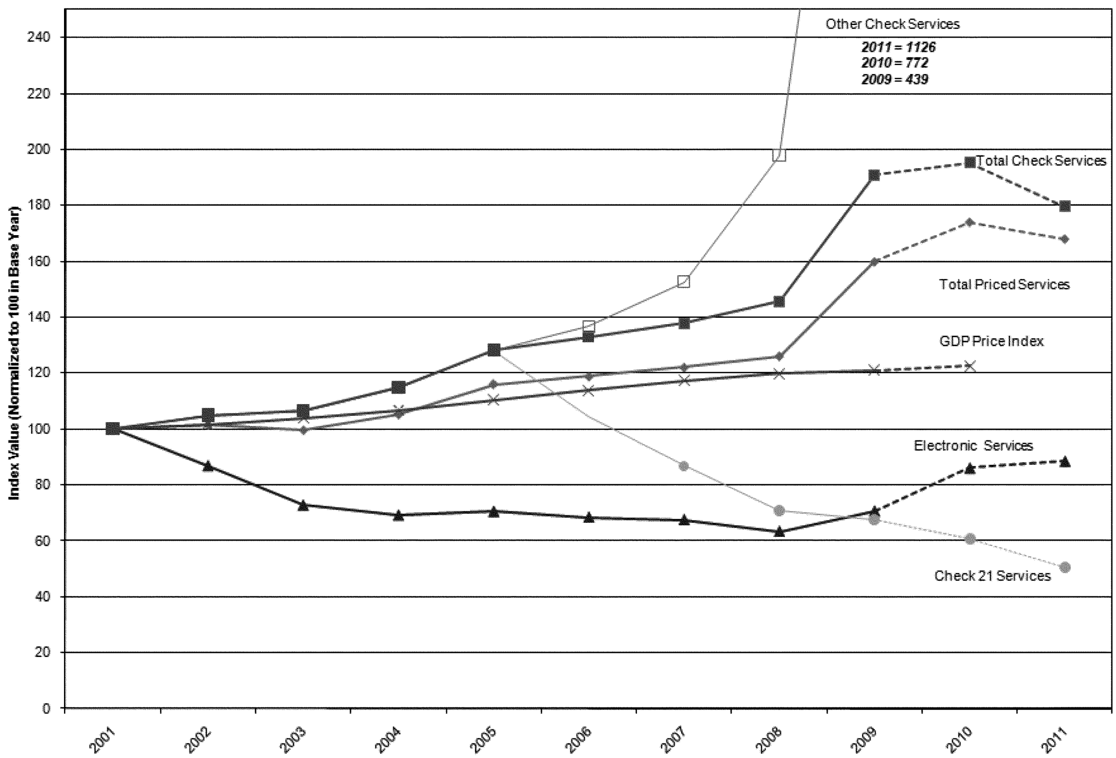
5. *2011 Price Index*—Figure 1 compares indexes of fees for the Reserve Banks' priced services with the GDP price index. Compared with the price index for 2010, the price index for all Reserve Bank priced services is projected to decrease 3 percent in 2011. The price index for total check services is projected to decrease approximately 8 percent. The price index for Check 21 services is projected to decrease approximately 17 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 46 percent. The price index for electronic payment services, which include the FedACH Service, Fedwire Funds and National Settlement Services, and Fedwire Securities Service, is projected to increase approximately 3 percent. For the period 2001 to 2011, the price index for all priced services is expected to increase 68 percent. In comparison, for the period 2001 to 2009, the GDP price index increased 21 percent.

reproduction of an original check that contains an image of the front and back of the original check and is suitable for automated processing in the same manner as the original check.

[4] FedReturn is the electronic check return product.

[5] The Reserve 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. The Reserve Banks are decreasing FedForward fees for the presentment of checks to electronic endpoints and raising fees for the presentment of checks to substitute check endpoints, the effective fee paid by depository institutions will decline by 14 percent in 2011 due to the expected increase in the number of institutions that accept checks electronically. The Reserve Banks are also retaining FedReturn fees for checks delivered electronically through FedLine, decreasing fees for checks delivered electronically via PDF files, and increasing fees for checks delivered as substitute checks. However, the effective fee paid by depository institutions will decrease 20 percent in 2011 as an increasing proportion of checks are returned to electronic endpoints and PDF receivers, which are subject to relatively lower fees than checks returned to paper endpoints.

FIGURE 1
2011 PRICE INDEX
PRICE 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.[6] 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 balances held by depository institutions at the Reserve Banks and the anticipated consequent decline in balances held by depository institutions at Reserve Banks for clearing priced-services transactions (clearing balances).

Since the implementation of the payment of interest on reserve balances, clearing balances have not declined as rapidly as originally anticipated and remain significant. Between the October 2008 implementation of the payment of interest on reserve balances and January 2009, the total level of clearing balances held by depository institutions decreased approximately $2 billion, from $6.5 billion to $4.5 billion. During the first half of 2009, clearing balance levels were nearly flat at approximately $4.5 billion. Since mid-2009, clearing balances have declined moderately each month, and as of the end of July 2010, clearing balances were $2.6 billion. As a result of the relative significance of the remaining balances, the Board continued to use the correspondent bank model for the 2010 PSAF, and will continue using the correspondent bank model for the 2011 PSAF.[7]

The method for calculating the financing and equity costs in the PSAF requires determining the appropriate imputed levels of debt and equity and then applying the applicable financing rates. In this process, a pro forma balance sheet using estimated assets and liabilities associated with the Reserve Banks' priced services is developed, and the remaining elements that would exist if these priced services were provided by a private business firm are imputed. The same generally accepted accounting principles that apply to commercial-entity financial statements apply to the relevant elements in the priced services pro forma financial statements.

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

Long-term debt is imputed only when core clearing balances, other long-term liabilities, and equity are not sufficient to fund long-term assets.[8] Short-term debt is imputed only when other short-term liabilities and clearing balances not used to finance long-term assets are insufficient to fund short-term assets. A portion of clearing balances is used as a funding source for short-term priced services assets. Long-term assets may be

[6] 74 FR 15481–15491 (Apr. 6, 2009).

[7] The Board is currently analyzing further the proposed publicly traded firm model.

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

partially funded from core clearing balances.

Imputed equity is set to meet the FDIC requirements for a well-capitalized institution for insurance premium purposes and represents the market capitalization, or shareholder value, for Reserve Bank priced services.[9] The equity financing rate is the targeted ROE rate produced by the capital asset pricing model (CAPM). In the CAPM, the required rate of return on a firm's equity is equal to the return on a risk-free asset plus a risk premium. To implement the CAPM, the risk-free rate is based on the three-month Treasury bill; the beta is assumed to equal 1.0, which approximates the risk of the market as a whole; and the monthly returns in excess of the risk-free rate over the most recent 40 years are used as the market risk premium. The resulting ROE influences the dollar level of the PSAF because this is the return a shareholder would require in order to invest in a private business firm.

For simplicity, given that federal corporate income tax rates are graduated, state income tax rates vary, and various credits and deductions can apply, an actual income tax expense is not calculated for Reserve Bank priced services. Instead, the Board targets a pretax ROE that would provide sufficient income to fulfill the priced services' imputed income tax obligations. To the extent that actual performance results are greater or less than the targeted ROE, income taxes are adjusted using an imputed income tax rate that is the median of the rates paid by the top 50 bank holding companies based on deposit balances over the past five years, adjusted to the extent that they invested in tax-free municipal bonds.

The PSAF also includes the estimated priced-services-related expenses of the Board of Governors and imputed sales taxes based on Reserve Bank estimated expenditures. An assessment for FDIC insurance is imputed based on current FDIC rates 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.[10] 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.[11] A return on the imputed reserve requirement, which is based on the level of clearing balances on the pro forma balance sheet, is imputed to reflect the return that would be earned on a required reserve balance held at a Reserve Bank.

The calculation also involves determining the priced services cost of earnings credits (amounts available to offset service fees) on contracted clearing balances held, net of expired earnings credits, based on a discounted Treasury bill rate. Rates and clearing balance levels used in the 2011 projected NICB are based on July 2010 rates and clearing balance levels. Because clearing balances are held for clearing priced services transactions or offsetting priced-services fees, they are directly related to priced services. The net earnings or expense attributed to the investments and the cost associated with holding clearing balances, therefore, are considered net income for priced services.

NICB is projected to be $1.2 million for 2011, including earnings on imputed reserve requirements.[12] The imputed rate is equal to the three-month Treasury bill rate with no constant spread due to the results of the interest rate sensitivity analysis. See the "Analysis of the 2011 PSAF" section for more information on the interest rate sensitivity analysis results and the effect on the 2011 NICB.

2. *Calculating Cost Recovery*—The PSAF and NICB are incorporated into the projected and actual annual cost-recovery calculations for Reserve Bank priced services. Each year, the Board projects the PSAF for the following year using July clearing balance and rate data during the process of establishing priced services fees. When calculating actual cost recovery for the priced services at the end of each year, the Board historically has used the PSAF derived during the price-setting process with only minimal adjustments for actual rates or balance levels.[13] Beginning in 2009, in light of the uncertainty about the long-term effect that the payment of interest on reserve balances would have on the level of clearing balances, the Board adjusts the PSAF used in the actual cost-recovery calculation to reflect the actual clearing balance levels maintained throughout the year. NICB is also projected in the fall of each year using July data and is recalculated to reflect actual interest rates and clearing balance levels during the year when calculating actual priced services cost recovery.

3. *Analysis of the 2011 PSAF*—The decrease in the 2011 PSAF is due primarily to a reduction in the level of imputed equity associated with a decrease in assets and clearing balances.

Projected 2011 Federal Reserve priced-services assets, reflected in table 3, have decreased $1,844.0 million, mainly due to a decline in imputed investments in marketable securities of $1,496.1 million. This reduction stems from the decline in clearing balances held by depository institutions at Reserve Banks.

The priced services balance sheet includes projected clearing balances of $2,600.3 million for 2011, which represents a decrease of $2,231.2 million from the amount of clearing balances on the balance sheet for the budgeted 2010 PSAF. Because of the continued uncertainty regarding the level of clearing balances in an interest-on-reserves environment, the actual PSAF costs used in cost-recovery calculations will continue to be based on the actual levels of clearing balances held throughout 2011.

Credit float, which represents the difference between items in process of collection and deferred credit items, increased from $1,200.0 million in 2010

[9] As shown in table 7, the FDIC requirements for a well-capitalized depository institution are (1) a ratio of total capital to risk-weighted assets of 10 percent or greater, (2) a ratio of Tier 1 capital to risk-weighted assets of 6 percent or greater, and (3) a leverage ratio of Tier 1 capital to total assets of 5 percent or greater. The priced services balance sheet has no components of Tier 1 or total capital other than equity; therefore, requirements 1 and 2 are essentially the same measurement.

As used in this context, the term "shareholder" does not refer to the member banks of the Federal Reserve System, but rather to the implied shareholders that would have an ownership interest if the Reserve Banks' priced services were provided by a private firm.

[10] Reserve requirements are the amount of funds that a depository institution must hold, in the form of vault cash or deposits with Federal Reserve Banks, in reserve against specified deposit liabilities. The dollar amount of a depository institution's reserve requirement is determined by applying the reserve ratios specified in the Board's Regulation D to the institution's reservable liabilities. The Reserve Banks' priced services impute a reserve requirement of 10 percent, which is applied to the amount of clearing balances held with the Reserve Banks.

[11] The allowed portfolio of investments is comparable to a bank holding company's investment holdings, such as short-term Treasury securities, government agency securities, federal funds, commercial paper, long-term corporate bonds, and money market funds. As shown in table 7, the investments imputed for 2011 are three-month Treasury bills and federal funds.

[12] The 2010 NICB was initially budgeted to be $14.5 million and is now estimated at $8.0 million. The decrease in NICB is due to a decrease in clearing balance levels.

[13] 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.

to $1,800.0 million in 2011.[14] The increase is primarily a result of credit float generated by a greater use of Check 21 deferred-availability products.

As previously mentioned, clearing balances are available as a funding source for priced-services assets. As shown in table 4, in 2011, $15.5 million in clearing balances is used as a funding source for short-term assets. Long-term liabilities and equity exceed long-term assets by $23.8 million; therefore, no core clearing balances are used to fund long-term assets.

The Board uses an interest rate sensitivity analysis to ensure that the interest rate risk of the priced services balance sheet, and its effect on cost recovery, are appropriately managed and that the priced services long-term assets are appropriately funded with long-term liabilities and equity. The interest rate sensitivity analysis measures the relationship between rate sensitive assets and liabilities when they reprice as a result of a change in interest rates.[15] If a 200 basis point increase or decrease in interest rates changes priced services cost recovery by more than 2 percentage points, rather than using core clearing balances to fund long-term assets, long-term debt is imputed.

The interest rate sensitivity analysis shown in table 5 indicates that a 200 basis point decrease in rates decreases cost recovery 5.1 percentage points, while an increase of 200 basis points in rates increases cost recovery 4.9 percentage points. The greater-than-two-percentage-point effect on cost recovery is the result of a large gap between rate-sensitive assets and liabilities, and the relationship to priced services net income. The gap is caused by an increase in rate sensitive assets, specifically, the imputed federal funds investment needed to offset projected level of credit float in 2011. The results of the analysis have the following effects on the 2011 PSAF and NICB:

- Generally, the results of the interest rate sensitivity analysis indicate when long-term debt should be imputed rather than using core clearing balances to fund long-term assets. The requirement to impute debt remedies an asset mismatch when too many clearing balances (rate sensitive liabilities) are being used to fund long-term assets and there is a need for another funding source (*i.e.* long-term debt). For the 2011 PSAF, however, the mismatch arises from the level of credit float rather than the use of clearing balances to fund long-term assets. If debt were to be imputed for the 2011 PSAF, clearing balances now used to finance assets would be invested in rate sensitive assets. Therefore, imputing debt would cause the gap between interest-rate-sensitive assets and liabilities to widen further, resulting in an even greater effect on cost recovery than shown in table 5. Accordingly, the Board will not impute debt for the 2011 PSAF. Going forward, imputed debt will be limited to the amount of clearing balances used to finance long-term assets. (See table 4 for the portion of clearing balances used to fund priced-services assets.)
- Because of the heightened cost recovery sensitivity to interest rate fluctuations, the investment of clearing balances is limited to three-month Treasury bills (with no additional imputed constant spread).

As shown in table 3, the amount of equity imputed for the 2011 PSAF is $277.2 million, a decrease of $92.2 million from the imputed equity for 2010. In accordance with FAS 158 [ASC 715], this amount includes an accumulated other comprehensive loss of $343.2 million. Both the capital-to-total-assets ratio and the capital-to-risk-weighted-assets ratio meet or exceed the regulatory requirements for a well-capitalized depository institution. Equity is calculated as 5 percent of total assets, and the ratio of capital to risk-weighted assets exceeds 10 percent.[16] The Reserve Banks imputed an FDIC assessment for the priced services based on the FDIC's proposed assessment rates and the level of clearing balances held at Reserve Banks.[17] For 2011, the FDIC assessment is imputed at $5.3 million, compared with an FDIC assessment of $9.6 million in 2010.

Table 6 shows the imputed PSAF elements, including the pretax ROE and other required PSAF costs, for 2010 and 2011. The $3.4 million decrease in ROE is caused by a lower amount of imputed equity, slightly offset by a higher target ROE rate. Imputed sales taxes decreased from $5.2 million in 2010 to $4.2 million in 2011. The effective income tax rate used in 2011 decreased to 32.4 percent from 33.1 percent in 2010. The priced services portion of the Board's expenses decreased $2.0 million, from $7.2 million in 2010 to $5.2 million in 2011.

TABLE 3—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES [18]

[Millions of dollars—projected average for year]

	2011	2010	Change
Short-term assets:			
Imputed reserve requirement on clearing balances	$440.0	$603.1	$(163.1)
Receivables	41.4	45.9	(4.5)
Materials and supplies	1.5	0.9	0.6
Prepaid expenses	7.6	23.2	(15.6)
Items in process of collection [19]	300.0	520.0	(220.0)
Total short-term assets	790.7	1,193.1	(402.6)
Imputed investments	3,968.6	5,464.7	(1,496.1)
Long-term assets:			
Premises [20]	173.1	235.4	(62.3)
Furniture and equipment	43.2	62.1	(18.9)
Leasehold improvements and long-term prepayments	68.2	60.3	7.9
Prepaid pension costs	299.8	148.9	150.9
Prepaid FDIC asset	10.9	24.6	(13.7)

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

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

[16] 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 previously, until the regulators announce a final ruling.

[17] For information on the proposed FDIC assessment rates, *see http://www.fdic.gov/news/news/press/2010/pr10229.html*.

TABLE 3—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES [18]—Continued

[Millions of dollars—projected average for year]

	2011	2010	Change
Deferred tax asset	189.7	198.9	(9.2)
Total long-term assets	784.9	730.2	54.7
Total assets	5,544.0	7,388.0	(1,844.0)
Short-term liabilities [21]:			
Clearing balances	2,600.3	4,831.5	(2,231.2)
Deferred credit items [19]	2,100.0	1,720.0	380.0
Short-term payables	35.0	59.8	(24.8)
Total short-term liabilities	4,735.3	6,611.3	(1,876.0)
Long-term liabilities [21]			
Postemployment/postretirement benefits liability [22]	531.5	407.3	124.2
Total liabilities	5,266.8	7,018.6	(1,751.8)
Equity [23]	277.2	369.4	(92.2)
Total liabilities and equity	5,544.0	7,388.0	(1,844.0)

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

[Millions of dollars]

	2011		2010	
A. Short-term asset financing				
Short-term assets to be financed:				
Receivables	$41.4		$45.9	
Materials and supplies	1.5		0.9	
Prepaid expenses	7.6		23.2	
Total short-term assets to be financed	50.5		70.0	
Short-term funding sources.				
Short-term payables	35.0		59.8	
Portion of short-term assets funded with clearing balances [24]		15.5		10.2
B. Long-term asset financing				
Long-term assets to be financed:				
Premises	173.1		235.4	
Furniture and equipment	43.2		62.1	
Leasehold improvements and long-term prepayments	68.2		60.3	
Prepaid pension costs	299.8		148.9	
Prepaid FDIC asset	10.9		24.6	
Deferred tax asset	189.7		198.9	
Total long-term assets to be financed	784.9		730.2	
Long-term funding sources:				
Postemployment/postretirement benefits liability	531.5		407.3	
Imputed equity [25]	277.2		369.4	
Total long-term funding sources	808.7		776.7	
Portion of long-term assets funded with core clearing balances [24]		0.0		0.0
C. Total clearing balances used for funding priced-services assets		15.5		10.2

[18] The 2010 PSAF values in tables 3, 4, and 6 reflect the budgeted 2010 PSAF of $50.2 million approved by the Board in October 2009.

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

[20] Includes the allocation of Board of Governors assets to priced services of $0.7 million for 2011 and $0.9 million for 2010.

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

[22] Includes the allocation of Board of Governors liabilities to priced services of $0.5 million for 2011 and $0.4 million for 2010.

[23] Includes an accumulated other comprehensive loss of $407.7 million for 2010 and $343.2 million for 2011, which reflects the ongoing amortization of the accumulated loss in accordance with FAS 158 [ASC 715]. Future gains or losses, and their effects on the pro forma balance sheet, cannot be projected.

[24] Clearing balances shown in table 3 are available for financing priced-services assets. Using these balances reduces the amount available for investment in the NICB calculation. Long-term assets are financed with long-term liabilities, equity, and core clearing balances; a total of $1 billion in clearing balances is available for this purpose in 2010 and 2011, 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.

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

TABLE 5—2011 INTEREST RATE SENSITIVITY ANALYSIS [26]

[Millions of dollars]

	Rate sensitive	Rate insensitive	Total
Assets:			
Imputed reserve requirement on clearing balances	$440.0		$440.0
Imputed investments	3,968.6		3,968.6
Receivables		$41.4	41.4
Materials and supplies		1.5	1.5
Prepaid expenses		7.6	7.6
Items in process of collection		300.0	300.0
Long-term assets		784.9	784.9
Total assets	4,408.6	1,135.4	5,544.0
Liabilities:			
Clearing balances	2,600.3		2,600.3
Deferred credit items		2,100.0	2,100.0
Short-term payables		35.0	35.0
Long-term liabilities		531.5	531.5
Total liabilities	2,600.3	2,666.5	5,266.8
Rate change results:		200 basis point decrease in rates	200 basis point increase in rates
Asset yield ($4,408.6 × rate change)		$(88.2)	$88.2
Liability cost ($2,600.3 × rate change)		(52.0)	52.0
Effect of 200 basis point change		(36.2)	36.2
2011 budgeted revenue		497.6	497.6
Effect of change		(36.2)	36.2
Revenue adjusted for effect of interest rate change		461.4	533.8
2011 budgeted total expenses		443.4	443.4
2011 budgeted PSAF		44.3	44.3
Tax effect of interest rate change ($ change × 32.4%)		(11.7)	11.7
Total recovery amounts		476.0	499.4
Recovery rate before interest rate change		102.0%	102.0%
Recovery rate after interest rate change		96.9%	106.9%
Effect of interest rate change on cost recovery [27]		(5.1)%	4.9%

TABLE 6—DERIVATION OF THE 2011 AND 2010 PSAF

[Millions of dollars]

		2011			2010	
A. Imputed elements						
Short-term debt [28]		$0.0			$0.0	
Long-term debt [29]		0.0			0.0	
Equity						
Total assets from table 3	$5,544.0			$7,388.0		
Required capital ratio [30]	5%			5%		
Total equity		$277.2			$369.4	
B. Cost of capital						
1. Financing rates/costs						
Short-term debt		N/A			N/A	
Long-term debt		N/A			N/A	

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

[27] The effect of a potential change in rates is greater than a two percentage point change in cost recovery; however, no long-term debt is imputed for 2011 because the priced services have adequate funding sources. See the "Analysis of the 2011 PSAF" section for more information on the interest rate sensitivity analysis results and its effect on the 2011 PSAF and NICB.

TABLE 6—DERIVATION OF THE 2011 AND 2010 PSAF—Continued

[Millions of dollars]

		2011			2010	
Pretax return on equity[31]		8.9%			7.6%	
2. Elements of capital costs						
Short-term debt			$0.0			$0.0
Long-term debt			0.0			0.0
Equity	$277.2×8.9% =		24.8	$369.4×7.6% =		28.2
			$24.8			$28.2
C. Other required PSAF costs						
Sales taxes		$4.2			$5.2	
FDIC assessment		5.3			9.6	
Board of Governors expenses		5.2			7.2	
			14.7			22.0
D. Total PSAF			$39.5			$50.2
As a percent of assets			0.7%			0.7%
As a percent of expenses[32]			8.9%			9.6%
E. Tax rates			32.4%			33.1%

TABLE 7—COMPUTATION OF 2011 CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars]

	Assets	Risk weight	Weighted assets
Imputed reserve requirement on clearing balances	$440.0	0.0	$0.0
Imputed investments:			
3-month Treasury bills[33]	2,168.6	0.0	0.0
Federal funds[34]	1,800.0	0.2	360.0
Total imputed investments	3,968.6		360.0
Receivables	41.4	0.2	8.3
Materials and supplies	1.5	1.0	1.5
Prepaid expenses	7.6	1.0	7.6
Items in process of collection	300.0	0.2	60.0
Premises	173.1	1.0	173.1
Furniture and equipment	43.2	1.0	43.2
Leasehold improvements and long-term prepayments	68.2	1.0	68.2
Prepaid pension costs	299.8	1.0	299.8
Prepaid FDIC asset	10.9	1.0	10.9
Deferred tax asset	189.7	1.0	189.7
Total	5,544.0		1,222.3
Imputed equity for 2011	$277.2		
Capital to risk-weighted assets	22.7%		
Capital to total assets	5.0%		

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

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

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

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

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

[31] The 2011 ROE is equal to a risk-free rate plus a risk premium (beta * market risk premium). The 2011 after-tax CAPM ROE is calculated as 0.16% + (1 * 5.88%) = 6.04%. Using a tax rate of 32.4%, the after-tax ROE is converted into a pretax ROE, which results in a pretax ROE of (6.04%/(1–32.4%)) = 8.9%.

[32] System 2011 budgeted priced services expenses less shipping and float are $441.7 million.

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

[34] The investments are computed from the amounts arising from the collection of items prior to providing credit according to established availability schedules. These imputed amounts are invested in federal funds.

earnings credit calculation uses a percentage discount on a rolling 13-week average of the annualized coupon equivalent yield of three-month Treasury bills in the secondary market. Earnings credits, which are calculated monthly, can be used only to offset charges for priced services and expire if not used within one year.[35]

D. *Check Service*—Table 8 shows the 2009, 2010 estimated, and 2011 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)] (percent)
2009	490.9	514.6	−23.7	14.4	92.8
2010 (estimate)	358.7	337.6	21.1	8.2	103.7
2011 (budget)	279.2	262.2	17.0	9.3	102.8

1. *2010 Estimate*—For 2010, the Reserve Banks estimate that the check service will recover 103.7 percent of total expenses and targeted ROE, compared with the budgeted recovery rate of 94.7 percent. The Reserve Banks expect to recover all actual and imputed costs of providing check services and earn a net income of $21.1 million (see table 8).

The higher-than-budgeted cost recovery is the result of higher projected revenue of $13.3 million. In paper services, revenue is higher than expected because of mid-year price increases and higher-than-budgeted exception item volume. In electronic services, the higher revenue is due to greater use of products with later deposit deadlines and volume destined to higher-priced paper endpoints. Expenses are projected to be $16.1 million lower than expected due primarily to the full-year effects of cost savings associated with the earlier-than-expected elimination of transportation for paper checks among Reserve Bank offices, the transition from courier service to overnight delivery service for paper check presentments, and the accelerated restructuring of the Reserve Banks' check processing infrastructure.

The general decline in the number of checks written continues to influence the decline in checks collected by the Reserve Banks. Through August, total forward check volume and return check volume is 9 percent and 16 percent lower, respectively, than the same period last year. For full-year 2010, the Reserve Banks estimate that their total forward check collection volume will decline nearly 10 percent and return check volume will decline 15 percent from 2009 levels.[36] The proportion of checks deposited and presented electronically has grown steadily in 2010 (see table 9). The Reserve Banks expect that year-end 2010 FedForward deposit and FedReceipt presentment penetration rates will reach 99.7 percent and 98.9 percent, respectively. The Reserve Banks also expect that year-end 2010 FedReturn and FedReceipt Return penetration rates will reach 96.2 percent and 80.0 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. To increase the adoption of FedReceipt Return, the Reserve Banks have introduced a PDF delivery option for lower-volume receivers of returned checks.

TABLE 9—CHECK 21 PRODUCT PENETRATION RATES [a]

[percent] [b]

	Forward deposit volume				Return volume [c]			
	FedForward		FedReceipt		FedReturn		FedReceipt return	
	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end	Full-year	Year-end
2005	1.9	5.0	<0.1	0.1	4.0	6.9	N/A	N/A
2006	14.4	26.0	1.0	3.5	19.7	30.5	<0.1	<0.1
2007	42.6	57.9	12.5	22.7	37.8	45.4	0.5	1.1
2008	76.8	91.8	41.5	60.7	58.4	72.0	6.4	13.2
2009	96.5	98.6	80.4	91.7	81.2	91.2	34.1	50.8
2010 (estimate)	99.4	99.7	95.8	98.9	94.3	96.2	65.4	80.0
2011 (budget)	99.7	99.8	99.7	99.7	97.3	98.2	95.0	99.7

[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.

[35] 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.

[36] Total Reserve Bank forward check volumes are expected to drop from roughly 8.6 billion in 2009 to 7.8 billion in 2010. Total Reserve Bank return check volumes are expected to drop from roughly 87.6 million in 2009 to 74.4 million in 2010.

[b] Deposit and presentment statistics are calculated as a percentage of total forward collection volume. Return statistics are calculated as a percentage of total return volume.
[c] The Reserve Banks began offering PDF delivery of returned checks in 2009. For 2011 budget, volume associated with the delivery of returned checks in PDF files is included in FedReceipt Return volume.

Paper forward-collection volume is expected to decline nearly 85 percent and paper return-check volume is expected to decline 74 percent for the full year (see table 10).

TABLE 10—PAPER CHECK PRODUCT VOLUME CHANGES

[Percent]

	Budgeted 2010 change	Estimated 2010 change
Forward Collection	−84	−85
Returns	−76	−74

2. *2011 Pricing*—In 2011, the Reserve Banks project that the check service will recover 102.8 percent of total expenses and targeted ROE. Revenue is projected to be $279.2 million, a decline of $79.5 million from 2010. This decline is driven largely by an increasing proportion of checks being deposited and presented electronically and by projected reductions in both forward check collection and return check volume. Total expenses for the check service are projected to be $262.2 million, a decline of $75.2 million from 2010. The reduction in check costs is driven primarily by the full-year effects of cost savings associated with the consolidation of Reserve Bank check-processing sites, associated staff reductions, and reductions in transportation costs, as well as indirect support and overhead cost savings.[37]

For 2011, the Reserve Banks estimate that their total forward check volume will decline nearly 10 percent (*see* table 11). FedForward and traditional paper check volumes are expected to decline 10 percent and 60 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 total return volume will decline 14 percent, as FedReturn volume declines 11 percent and traditional paper returns decline 59 percent.

TABLE 11—CHECK VOLUMES

	2011 Budgeted volume (millions of items)	Growth from 2010 estimate (percent)
FedForward	6,960	−10
Traditional paper forward	18	−60
Total forward	6,978	−10
FedReturn	62	−11
Traditional paper return	2	−59
Total return	64	−14

The Reserve Banks will reduce FedForward fees, on average, 8 percent for checks presented electronically and increase fees 50 percent for checks presented as substitute checks (*see* table 12). The average fee paid by FedForward depositors will decline by 14 percent from the average 2010 fee, as the number of depository institutions that accept their presentments electronically increases. FedReturn fees, on average, will remain flat for checks returned electronically through FedLine, decrease 30 percent for checks returned electronically via PDF, and increase 14 percent for substitute check endpoints. The average fee paid by depository institutions using FedReturn will decrease 20 percent as the number of institutions that accept their returns electronically increases.

The Reserve Banks project that less than 1 percent of check forward deposit volume will be in traditional paper-based products. Accordingly, for the traditional paper check products, the Reserve Banks will increase forward paper check collection fees 181 percent and increase paper return fees 81 percent (see table 12). These increases reflect the high costs of handling the small remaining paper volume and are designed to encourage the continued adoption of Check 21 services.

[37] In response to both the decline in check volume and the electronic check-clearing methods enabled by Check 21, the Reserve Banks fundamentally restructured their check-processing operations and reduced the number of sites at which they process paper checks—from 45 in late 2003 to one in 2010.

TABLE 12—2011 FEE CHANGES

	2010 Average fee	2011 Average fee	Fee change (percent)
FedForward			
Cash letter fee	$3.09	$3.18	3
Electronic endpoints	0.0204	0.0189	−8
Substitute check endpoints	0.1013	0.1514	50
Weighted average fee [a,b]	0.0252	0.0216	−14
FedReturn			
Cash letter fee	3.51	3.51	0
Electronic endpoints.			
FedLine	0.4282	0.4296	<1
PDF	1.2151	0.85	−30
Substitute check endpoints	1.2151	1.39	14
Weighted average fee [a,b]	0.8183	0.6515	−20
Paper			
Forward collection	0.4111	1.1537	181
Returns	5.7180	10.3651	81

[a] The weighted average fees in this table represent combined cash letter and per-item fees for each product type, whereas the electronic and substitute check endpoints reflect only per item fees.

[b] The weighted average fees for FedForward and FedReturn products are dependent on electronic receipt penetration rates. In this table, the weighted average fees are based on electronic receipt penetration rates estimated for full-year 2010 and projected for full-year 2011.

Risks to the Reserve Banks' ability to achieve budgeted 2011 cost recovery for the check service include greater-than-expected check volume losses to correspondent banks, aggregators, and direct exchanges, which would result in lower-than-anticipated revenue, and cost overruns associated with unanticipated problems with the Reserve Banks' Check 21 platform.

E. *FedACH Service*—Table 13 shows the 2009, 2010 estimate, and 2011 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)] (percent)
2009	94.7	98.6	−3.8	2.9	93.4
2010 (estimate)	110.6	105.9	4.7	2.7	101.9
2011 (budget)	110.4	106.1	4.3	3.8	100.4

1. *2010 Estimate*—The Reserve Banks estimate that the FedACH service will recover 101.9 percent of total expenses and targeted ROE, compared with the budgeted recovery rate of 99.9 percent. The Reserve Banks expect to recover all actual and imputed costs of providing FedACH services and earn net income of $4.7 million. Through August, FedACH commercial origination volume is 3 percent higher than it was during the same period last year. For the full year, the Reserve Banks estimate that volume will grow nearly 3 percent.

2. *2011 Pricing*—The Reserve Banks project that the FedACH service will recover 100.4 percent of total expenses and targeted ROE in 2011. Total revenue is budgeted to decrease $0.2 million from the 2010 estimate, primarily as a result of reductions in net income on clearing balances and electronic connection revenue, which is offset in part by an increase in product revenue. Total expenses are budgeted to increase $0.2 million from the 2010 estimate.

The Reserve Banks expect both FedACH commercial origination and receipt volume to grow approximately 3 percent in 2011, consistent with 2010 volume trends. Moreover, the sustained growth of direct exchanges, bank merger activity, and competition from the private-sector ACH operator, Electronic Payments Network (EPN), is expected to limit FedACH volume growth.

The Reserve Banks will maintain processing and service fees at current levels with two exceptions. The Reserve Banks will increase the addenda record fees for origination and receipt transactions from $0.0013 to $0.0015 and the monthly information extract file fee from $50 to $75.

Risks to meeting the Reserve Banks' budgeted 2011 cost recovery include lower-than-anticipated volume growth due to competition from EPN, increases in direct ACH exchanges, increased on-us volume due to bank mergers, and unanticipated problems with technology upgrades that result in cost overruns.

F. *Fedwire Funds and National Settlement Services*—Table 14 shows the 2009, 2010 estimate, and 2011 budgeted cost-recovery performance for the Fedwire Funds and National Settlement Services.

TABLE 14—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)] (percent)
2009	65.6	69.3	−3.6	2.0	92.1
2010 (estimate)	79.1	77.1	2.0	1.9	100.2
2011 (budget)	84.0	80.3	3.7	2.9	101.0

1. *2010 Estimate*—The Reserve Banks estimate that the Fedwire Funds and National Settlement Services will recover 100.2 percent of total expenses and targeted ROE, compared with a 2010 budgeted recovery rate of 100.9 percent. The lower-than-expected recovery rate is attributed to lower-than-expected revenues from transaction volume and NICB. Through August, online Fedwire Funds volume was down 2 percent from the same period in 2009. For full-year 2010, the Reserve Banks estimate that online Fedwire Funds volume will decline 2 percent, compared to a budgeted decline of less than 1 percent. With respect to the National Settlement Service, the Reserve Banks estimate that the volume of settlement files will decrease 32 percent and the volume of settlement file entries will increase 11 percent for full-year 2010. The decline in settlement files and increase in entries is due primarily to the continued attrition and consolidation of local check clearinghouse arrangements.

2. *2011 Pricing*—The Reserve Banks expect the Fedwire Funds and National Settlement Services to recover 101.0 percent of total expenses and targeted ROE in 2011. The Reserve Banks project total expenses to increase $3.3 million from the 2010 estimate. This increase is primarily due to pension costs and increasing amortization costs of the Fedwire technology migration. The Reserve Banks project total revenue to increase $4.9 million from the 2010 estimate due to increases in electronic connection revenue and the implementation of new fees and a new volume-based transfer fee structure for the Fedwire Funds Service, in addition to fee increases for the National Settlement Service.

The Reserve Banks will implement two new fees for the Fedwire Funds Service. First, an end-of-day per-item surcharge of $0.18 will apply to the sender of Fedwire Funds transfers processed by the Reserve Banks after 5 p.m. ET.[38] Second, a $10 monthly fee will be charged for the usage of the import/export feature of the FedLine Advantage electronic access package for the Fedwire Funds Service.[39] This feature, currently provided by the Reserve Banks for no additional charge, allows FedLine Advantage customers to import (export) an external file with multiple transactions into (from) the Fedwire Funds Service.

The Reserve Banks will change the Fedwire Funds Service's volume-based transfer fee structure to include incentive discounts based on customers' historic volume. This change will increase the base price of transfers but will provide substantial discounts on these prices for a portion of customers' expected volume. The change will be implemented in two parts. First, the existing fees for all volume tiers will increase by as much as 73 percent.[40] Second, the Reserve Banks will apply an 80 percent discount on these new fees for the portion of a customer's monthly online volume that exceeds 50 percent of its historic benchmark volume.[41] The Reserve Banks expect online volumes for the Fedwire Funds Service to increase 1 percent in 2011 from 2010 estimates in response to this new fee structure and general expectations for improved economic conditions.

The change in the volume-based transfer fees for the Fedwire Funds Service is consistent with the Reserve Banks' objectives to identify stable sources of revenue to recover the high fixed costs of operating the service and to improve the service's competitiveness in the wholesale payments market. The fee increases will produce more revenue from the relatively stable portion of a customer's monthly online volume (*i.e.,* the first 50 percent of a customer's historic benchmark volume). The Reserve Banks expect these changes to improve their ability to retain existing business and attract new volume by aligning the marginal price of transfers for customers closer to the marginal cost of providing the service. The decrease in the marginal price of transfers is consistent with the Federal Reserve's objective to foster efficiency in the payment systems and to improve the efficiency of Reserve Bank provided services. With respect to the National Settlement Service, the Reserve Banks will increase the settlement file fee from $18 to $20, and the settlement entry fee from $0.80 to $0.90.[42] Settlement file and settlement entry volumes for the National Settlement Service are budgeted to decrease slightly in 2011 from 2010 estimates.

G. *Fedwire Securities Service*—Table 15 shows the 2009, 2010 estimate, and 2011 budgeted cost recovery performance for the Fedwire Securities Service.[43]

[38] This fee is consistent with the Federal Reserve's policy to discourage the concentration of payments late in the business day.

[39] This fee is applied to customers that originate transfers through the FedLine Advantage electronic access channel and have activated the import/export feature for the Fedwire Funds Service at any point during a given calendar month.

[40] The fee for the first 14,000 transfers will increase to $0.52 from $0.30. The fee for the next 76,000 transfers will increase to $0.23 from $0.19. The fee for any additional transfers will increase to $0.13 from $0.09.

[41] Historic benchmark volume will be based on a customer's average daily activity over the previous five full calendar years, adjusted for the number of business days in the current month. If a customer has less than five full calendar years of previous activity, then the historic benchmark volume will be based on the daily activity for as many full calendar years of available data. If a customer has less than one full calendar year's worth of prior activity, historic benchmark volume will be set retroactively at actual volume for the current month.

[42] The settlement file fee was last increased in 2010, from $14.00 to $18.00. The settlement entry fee was last changed in 2002, lowered from $0.95 to $0.80.

[43] The Reserve Banks provide transfer services for securities issued by the U.S. Treasury, federal government agencies, government-sponsored enterprises, and certain international institutions. The priced component of this service, reflected in this notice, 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

Continued

TABLE 15—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)] (percent)
2009	24.2	25.1	−0.9	0.7	93.8
2010 (estimate)	24.2	22.7	1.6	0.6	104.3
2011 (budget)	24.0	22.3	1.7	0.8	103.8

1. *2010 Estimate*—The Reserve Banks estimate that the Fedwire Securities Service will recover 104.3 percent of total expenses and targeted ROE, compared with a 2010 budgeted recovery rate of 103.9 percent. The higher-than-budgeted recovery rate is primarily attributable to lower-than-expected pension costs and higher-than-expected volume for Treasury securities.[44] Through August, online securities volume is down almost 31 percent from the same period in 2009, due primarily to lower volume for agency securities.

2. *2011 Pricing*—The Reserve Banks project that the Fedwire Securities Service will recover 103.8 percent of total expenses and targeted ROE in 2011. The Reserve Banks project that 2011 revenue and expense will decrease slightly from the 2010 estimate. For 2011, online securities volume is projected to remain flat from current 2010 estimates.

The fees for the Fedwire Securities Service will remain unchanged from 2010.

H. *Electronic Access*—The Reserve Banks allocate the costs and revenues associated with electronic access to the Reserve Banks' priced services. There are currently six electronic access channels through which customers can access the Reserve Banks' priced services: FedLine Direct®, FedLine Command®, FedLine Advantage®, FedLine Web®, FedMail®, and FedPhone®.[45] 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 e-mail, while the FedLine Web packages offer FedMail e-mail and online attended access to a broad range of informational services, including cash services, FedACH services, and check services. The FedLine Advantage packages expand upon the FedLine Web informational service packages and offer attended access to transactional services: FedACH, Fedwire Funds, and Fedwire Securities.

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

For 2011, the Reserve Banks will restructure their FedLine packages to better meet their customers' needs for access options, delivery solutions, and information services. The Reserve Banks will offer redesigned versions of most FedLine packages. The more-robust versions will include access to certain value-added services with moderate price increases. The Reserve Banks will also increase fees for most of 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 Payments System."[46] Under this policy, the Board assesses whether proposed changes would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services because of differing legal powers or constraints or because of a dominant market position deriving from such legal differences. If any proposed changes create such an effect, the Board must further evaluate the changes to assess whether the associated benefits — such as contributions to payment system efficiency, payment system integrity, or other Board objectives—can be achieved while minimizing the adverse effect on competition.

The Board projects that the 2011 fees, fee structures, and changes in service will not have a direct and material adverse effect on the ability of other service providers to compete effectively with the Reserve Banks in providing

component of a Treasury securities transfer; this component is not treated as a priced service.

[44] Total operating costs are allocated between the U.S. Treasury and the Reserve Banks according to the volume of transfers for Treasury securities relative to non-Treasury securities. Through August, Treasury securities volume is 17 percent higher than budgeted and non-Treasury securities volume is 28 percent lower than budgeted, resulting in a greater-than-expected share of operating costs allocated to the U.S. Treasury.

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

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

[47] An ODFI is subject to a $25 minimum fee on its origination volume; an RDFI that does not originate forward items is subject to a $15 minimum fee on its receipt volume.

[48] Small files contain fewer than 2,500 items and large files contain 2,500 or more items. These origination fees do not apply to items that the Reserve Banks receive from EPN.

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

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

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

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

[53] There is no fee for the first set of monitoring criteria for RTN or one company ID.

[54] The account-servicing fee applies to routing numbers that have received or originated FedACH transactions. Institutions that receive only U.S.

similar services. The fees should permit the Reserve Banks to earn a ROE that is comparable to overall market returns and provide for full cost recovery over the long run.

FEDACH SERVICE 2011 FEE SCHEDULE

[Effective January 3, 2011. **Bold indicates changes from 2010 prices.**]

	Fee
FedACH minimum monthly fee [47]	
ODFI	$25.00.
RDFI	15.00.
Origination (per item or record): [48]	
Forward or return items in small files	0.0030.
Forward or return items in large files	0.0025.
Addenda record	**0.0015.**
Receipt (per item or record): [49]	
Forward item fees with volume-based discount (excluding FedACH SameDay service items)	
For the first 1,000,000 items per month	0.0025.
For 1,000,001 to 25,000,000 items per month	0.0018.
For more than 25,000,000 items per month	0.0016 (all items).
Return items	0.0025.
Addenda record	**0.0015.**
FedACH SameDay Service	
Origination [50] [51]	
Forward item in a small file	0.0030.
Forward item in a large file	0.0035.
Addenda record	**0.0015.**
Return item in a small file	0.0030.
Return item in a large file	0.0025.
Return addenda record	**0.0015.**
Receipt [52]	
Forward item	0.0025.
Addenda record/return addenda record	**0.0015.**
Return item	0.0025.
Risk Product:	
Risk origination monitoring criteria [53]	
Tier 1 (2–20 sets)	8.00/set of criteria/month.
Tier 2 (21–150 sets)	4.00/set of criteria/month.
Tier 3 (more than 150 sets)	1.00/set of criteria/month.
Risk origination monitoring batch	0.0025/batch.
FedEDI Plus:	
Defined report generated	0.20.
On demand report generated	0.75.
Monthly premier report	10.00.
Daily premier report	0.50.
Secure delivery via e-mail	0.20.
Delivery via FedLine file access solution	0.30.
Monthly fee (per routing number):	
Account servicing fee [54]	37.00.
FedACH settlement [55]	45.00.
Information extract file	**75.00.**
IAT Output File Sort	35.00.
FedLine Web origination returns and notification of change (NOC) fee: [56]	0.30.
Voice response returns/NOC fee: [57]	3.00.
Automated NOC fee: [58]	0.15.
Non-electronic input/output fee: [59]	
CD or DVD input/output	50.00.
Paper input/output	50.00.
Facsimile exception returns/NOC [60]	30.00.
Canadian cross-border fee:	
Item originated to Canada [61]	0.62.
Return received from Canada [62]	0.99.
Trace of item at receiving gateway	5.50.
Trace of item not at receiving gateway	7.00.
Mexico service fee:	
Item originated to Mexico [61]	0.67.

government transactions or that elect to use the other operator exclusively are not assessed the account servicing fee.

[55] 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.

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

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

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

[59] Limited services are offered in contingency situations.

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

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

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

FEDACH SERVICE 2011 FEE SCHEDULE—Continued

[Effective January 3, 2011. **Bold indicates changes from 2010 prices.**]

	Fee
Return received from Mexico [62]	0.91.
Item trace	13.50.
A2R item originated to Mexico	3.45.
F3X item originated to Mexico	0.67.
Panama service fee:	
Item originated to Panama [61]	0.72.
Return received from Panama [62]	1.00.
Item trace	7.00.
NOC	0.72.
Latin America (MFIC) service fee:	
Item originated to MFIC [61]	4.40.
Return received from MFIC [62]	0.72.
Item trace	5.00.

FEDWIRE FUNDS AND NATIONAL SETTLEMENT SERVICES 2011 FEE SCHEDULE

[Effective January 3, 2011. **Bold indicates changes from 2010 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	**0.52**
Per transfer for additional transfers up to 90,000 per month	**0.23**
Per transfer for every transfer over 90,000 per month	**0.13**
Volume-based transfer fee with the incentive discount (originations and receipts) [63]	
Per eligible transfer for the first 14,000 transfers per month	**0.104**
Per eligible transfer for additional transfers up to 90,000 per month	**0.046**
Per eligible transfer for every transfer over 90,000 per month	**0.026**
Surcharge for offline transfers (originations and receipts)	40.00
Surcharge for end-of-day transfers originations [64]	**0.18**
Monthly import/export fee [65]	**10.00**
National Settlement Service	
Basic	
Settlement entry fee	**0.90**
Settlement file fee	**20.00**
Surcharge for offline file origination	40.00
Minimum monthly charge (account maintenance) [66]	60.00
Special settlement arrangements [67]	
Fee per day	150.00
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

[63] The incentive discounts are applicable on the portion of a customer's volume that exceeds 50 percent of their historic benchmark volume. Historic benchmark volume would be based on a customer's average daily activity over the previous five full calendar years, adjusted for the number of business days in the current month. If a customer has less than five full calendar years of previous activity, then the historic benchmark volume would be based on the daily activity for as many full calendar years of available data. If a customer has less than one full year calendar year's worth of prior activity, historic benchmark volume would be set retroactively at actual volume for the current month.

[64] This surcharge will apply to originators of transfers that are processed by the Reserve Banks after 5:00 p.m. ET.

[65] This fee is applied to customers that originate transfers through the FedLine Advantage electronic access channel and have activated the import/export feature for the Fedwire Funds Service at any point during a given calendar month.

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

[67] Special settlement arrangements use Fedwire Funds transfers to effect settlement. Participants in arrangements and settlement agents are also charged the applicable Fedwire Funds transfer fee for each transfer into and out of the settlement account.

ELECTRONIC ACCESS 2011 FEE SCHEDULE

[Effective January 3, 2011. **Bold prices indicate changes from 2010 Fee Schedule.**]

Electronic Access Packages (monthly)	Fee
FedMail E-mail	$30.00.
FedLine Web (W3) Traditional	110.00.
Includes: FedMail e-mail	
FedLine Web with three individual subscriptions	
FedACH information services (includes RDFI file alert service)	
Check 21 services [68]	
Check 21 duplicate notification	
Cash management system basic—own report only	
Service charge information	
Account management information [69]	
End of day accounting file (PDF)	
FedLine Web (W5) Enhanced	140.00.
Includes: FedLine Web (W3) traditional package	
FedLine Web with five individual subscriptions	
FedACH risk management services	
FedACH EDI plus service via secure e-mail	
Check payor bank services	
Account management information	
FedLine Advantage (A5) Traditional	380.00.
Includes: FedLine Web (W3) traditional package	
FedLine Web with five individual subscriptions	
FedACH transactions	
Fedwire funds transactions	
Fedwire securities transactions	
Fedwire cover payments	
Check payor bank services	
Account management information with intra-day search	
FedLine Advantage (A5) Enhanced	405.00.
Includes: FedLine Advantage A5 traditional package	
FedLine Advantage with five individual subscriptions	
FedACH risk management services	
FedACH EDI via secure e-mail	
FedLine Command Enhanced	700.00.
Includes: FedLine Advantage enhanced package	
FedLine Advantage with five individual subscriptions	
FedLine Command with two certificates	
ACTS Report <20 subaccounts	
Statement of account spreadsheet file (SASF)	
FedLine Direct Traditional (D56)	3,000.00.
Includes:	
FedLine Advantage A5 traditional package with 56K line speed	
FedLine Advantage with five individual subscriptions	
FedLine Command with two certificates	
FedLine Direct with two certificates	
Intra-day file	
Statement of account spreadsheet file	
End of day (machine readable) file	
Service charge information	
Billing data format file	
FedLine Direct Enhanced (D256)	3,500.00.
Includes: FedLine Direct traditional (D56) package with 256K line speed	
FedACH risk management services	
FedACH EDI via secure e-mail	
FedLine Direct Premier (DT1)	6,000.00.
Includes: FedLine Direct enhanced package with T1 line speed	
One dedicated unattended wide area network connection for FedLine Direct	
Premium Options (monthly) [70]	
Electronic Access	
Additional subscribers package (each package contains 5 additional subscribers)	80.00
Additional FedLine Command certificate [71]	80.00
Additional FedLine Direct certificate [72]	80.00
Maintenance of additional virtual private network	60.00
FedLine Advantage 800# Usage (per hour)	2.00
Additional dedicated connections [73]	
56K	2,000.00
256K	2,450.00
T1	3,000.00
Dial Only VPN surcharge	25.00.
Expedited VPN	500.00
FedLine international setup (one-time fee)	1,000.00
Transparent contingency [74]	1,000.00

ELECTRONIC ACCESS 2011 FEE SCHEDULE—Continued

[Effective January 3, 2011. **Bold prices indicate changes from 2010 Fee Schedule.**]

Electronic Access Packages (monthly)	Fee
FedImage/large file delivery	Various.
FedMail fax (monthly per routing number)	40.00
Accounting Information Services	
Cash Management System [75]	
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) [76]	150.00
Statement of account spreadsheet file (per month) [77]	150.00
Intra-day file (per month) [78]	150.00
ACTS Report—< 20 sub-accounts	250.00
ACTS Report—21–40 sub-accounts	500.00
ACTS Report—41–60 sub-accounts	750.00
ACTS Report—>60 sub-accounts	1,000.00

* * * * *

By order of the Board of Governors of the Federal Reserve System, October 27, 2010.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 2010–27697 Filed 11–2–10; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

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

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

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than November 27, 2010.

A. Federal Reserve Bank of Kansas City (Dennis Denney, Assistant Vice President) 1 Memorial Drive, Kansas City, Missouri 64198–0001:

1. *Aslin Opportunity Fund BK, LP, Cape Haze, Florida,* to acquire 46.7 percent of the voting shares of Aslin Group, Inc., parent of Alterra Bank, both in Overland Park, Kansas.

Board of Governors of the Federal Reserve System, October 29, 2010.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 2010–27729 Filed 11–2–10; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

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

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

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise

[68] Check 21 services can be accessed via three options: FedLine Web, an Internet connection with Axway Secure Transport Client, or a dedicated connection using Connect:Direct.

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

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

[71] Additional FedLine Command Certificates available for FedLine Command and Direct Packages only.

[72] Additional FedLine Direct Certificates available for FedLine Direct Packages only.

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

[74] Transparent contingency is available only for FedLine Direct Packages.

[75] Cash Management System options are limited to Enhanced and Premier Packages.

[76] End of Day Reconcilement File option is available to FedLine Web Enhanced and FedLine Advantage Enhanced Packages.

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

[78] ACTS Report options are limited to FedLine Command Enhanced and FedLine Direct Enhanced and Premier packages.