



Financial Services Policy Committee

Federal Reserve System

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Federal Reserve Banks Announce Reduced Number of Check Processing Sites and Accelerated Restructuring Schedule

Minneapolis, Nov. 6, 2008 — The Federal Reserve Banks today announced that the Federal Reserve Bank of Cleveland will serve as the single paper check processing and adjustments site and that the Federal Reserve Bank of Atlanta will serve as the single electronic check processing site for the Federal Reserve System. The Reserve Banks also announced they will utilize a flexible restructuring schedule that scales back or shifts operations at their other sites when paper check volumes no longer justify the existing operation.

This strategy updates the June 2007 announcement that identified the Federal Reserve Banks of Atlanta, Dallas, Philadelphia, and Cleveland as regional processing sites. Since that time, paper check volumes have declined significantly and no longer support the need for four full-service regional sites. The transition from four to one full service paper processing site is likely to take place by the end of 2009. In addition, the schedules for transitioning the other current processing sites are being accelerated to take place earlier in 2009 than previously planned.

"This more rapid transition effort, while difficult on our staff, is a clear measure of success in terms of the industry's efforts to move to a more efficient electronic solution for clearing checks," said Gary Stern, chairman of the Reserve Banks' Financial Services Policy Committee and president of the Federal Reserve Bank of Minneapolis.

Under the Reserve Banks' plans, selected sites may remain as capture/print sites or print-only sites for a period of time during this transition based on market conditions and remaining paper check volume. The specific transition dates for all paper processing sites, including Atlanta, Dallas, and Philadelphia, will be determined on that same basis. Customers in affected territories will receive a minimum of 60 days notice before processing operations are shifted to a new site or any service level changes take place. Virtually all customers currently receiving paper will receive substitute checks, as opposed to the original paper check, as this transition unfolds. A schedule has not been established for the transition to a central electronic check processing site to Atlanta. That information will be communicated when it is available.

Cleveland was also selected as the Reserve Banks' single check adjustments site over the other previously announced long-term adjustments sites Charlotte, N.C., Jacksonville, Fla., and Portland, Ore. Check adjustments is the back-office check processing function where processing issues are remediated. Because adjustments are handled for both paper and Check 21 processing, the adjustments function transition to a single site is expected to occur over a somewhat longer timeframe than paper processing and be driven by overall declines in adjustment case level volume. The schedule for restructuring adjustments sites is subject to change, and the Reserve Banks will notify employees and customers at least 60 days in advance of the confirmed date.

As a result of the actions announced today, the Reserve Banks expect to reduce their overall check staff by approximately 750 positions. Some staff reductions may occur through attrition and there may be some opportunities for reassignment. To assist affected staff, the Reserve Banks will offer a variety of programs, including separation packages, extended medical coverage, and career transition assistance.

The Reserve Banks' restructuring moves of the past six years have been an important part of their efforts to meet requirements for recovering costs for providing check services over the long term. The number of checks paid in the United States has fallen from 42 billion in 2001, to 37 billion in 2003, and to 30 billion in 2006.

While restructuring check operations will continue to be challenging, this process and related changes support the Reserve Banks' mission to promote the long-term efficiency and integrity of the nation's payments system.

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