

National Settlement Service

The National Settlement Service is a multilateral settlement service owned and operated by the Federal Reserve Banks. The National Settlement Service is offered to depository institutions with Federal Reserve Bank master accounts that settle for participants in clearinghouses, financial exchanges and other clearing and settlement groups. Under the service, a settlement agent, acting on behalf of the depository institutions that settle for participants in a settlement arrangement, electronically submits to the processing Federal Reserve Bank settlement files that list debit and credit entries to be made to the depository institutions' master accounts. Settlement files are processed on receipt. Settlers benefit because the credits to their master accounts are final and irrevocable. The terms and conditions under which Federal Reserve Banks provide the National Settlement Service to settlers are contained in Operating Circular 12.

Key Features

Settlement & Risk Controls

The National Settlement Service provides you with a settlement solution that combines operational simplicity with immediate finality. Credits are applied to settlers' master accounts only once all debits have been successfully posted to settlers' master accounts. With the National Settlement Service, credit to settlers' master accounts—in central bank money—is final and irrevocable.

Subject to certain conditions, the Federal Reserve Banks may extend intraday credit to settlers lacking sufficient balances to cover National Settlement Service debits. To limit their resulting credit risk exposure, the Federal Reserve Banks follow a comprehensive daylight overdraft policy that establishes debit caps and daylight overdraft pricing and permits the

Federal Reserve Banks to take certain actions, including requiring collateral and monitoring account positions in real time. Detailed information on the Federal Reserve's daylight overdraft policies can be found in the Guide to the Federal Reserve's Payment System Risk Policy, available online at www.federalreserve.gov.

Security and Reliability

The National Settlement Service is designed to deliver the reliability and security you know and trust from the Federal Reserve Banks. Service resilience is enhanced through out-of-region backup facilities for the National Settlement Service application, routine testing of business continuity procedures across a variety of contingency situations and ongoing enhancements to recovery procedures. The National Settlement Service consistently exceeds availability standards.

Flexibility and Control

Settlement agents have a choice of connection options when using the National Settlement Service. Internet Protocol-based access is available via either the FedLine Advantage® or FedLine Direct® Solutions. Settlement agents opting to access the service via FedLine Advantage use FedPayments® Manager to submit settlement files to the National Settlement Service for processing. FedPayments Manager also provides online inquiry and reporting capabilities.

Key Benefits

- Allows for settlement of interbank obligations in central bank money
- Reduces the duration of settlement risk by providing intraday finality
- Improves operational efficiency by eliminating the need to send individual Fedwire® Funds Service messages
- Permits the automated submission of settlement files through FedLine Advantage or FedLine Direct

Service

Hours of Operation

The National Settlement Service accepts settlement files for processing between 7:30 a.m. and 5:30 p.m. ET. Settlement files submitted before 7:30 a.m. ET are queued for processing when the National Settlement Service opens.

Pricing

For each settlement file submitted, there is a per-file fee and a per-item fee. For more information on pricing, please visit FRBservices.orgSM.

Federal Reserve Financial Services

The Federal Reserve Banks offer a full range of financial services to assist you in achieving a sustainable competitive advantage. We provide innovative and progressive services that enable you to capitalize on growth and revenue opportunities. Our services are designed to provide the accessibility and flexibility you need to compete in a dynamic and evolving industry. Given our integrity and reliability, you can count on the Federal Reserve Banks to provide you with services that deliver benefits. The Federal Reserve Banks offer a full range of financial services including FedCash® Services, Check, FedImage® Services, FedACH® Services, the Fedwire Funds Service, the Fedwire Securities Service, the National Settlement Service and Treasury Services. In addition, we offer services designed to support your use of other Federal Reserve financial services, including Account Management Information.