BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: October 23, 2026
To: Board of Governors
From: Staff[1]
Subject: Proposed 2027 Private Sector Adjustment Factor and Fee Schedules for Priced Services

Action Requested

Staff requests Board approval, and publication through the *Federal Register* of (1) a 2027 private sector adjustment factor (PSAF) of $35.3 million and (2) the proposed 2027 fee schedule for Reserve Bank priced services and electronic access. Staff also requests delegated authority to make technical, non-substantive changes to the attached draft Federal Register Notice prior to publication (the Notice).

Overview

Each year, as required by the Monetary Control Act of 1980, the Reserve Banks set fees for priced services provided to financial institutions.[2] These fees are set to recover, over the long run (measured as a 10-year rolling timeframe for mature services), all direct costs, 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-sector business provided the services.[3] The imputed costs and imputed profit are collectively referred to as the private-sector adjustment factor (PSAF).

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[2] The service lines subject to the MCA are the Fedwire® Funds Service, National Settlement Service, Fedwire® Securities Service, FedACH® services, Check services, and the FedNow® Service.
[3] Although the MCA does not define "over the long run," the Board has generally measured long-run cost recovery for mature services to be over a 10-year rolling time frame. The Board currently views a 10-year cost recovery expectation as appropriate for assessing mature services, which are those that have achieved a critical mass of customer participation and generally have stable and predictable volumes, costs, and revenues. Given that new services like the FedNow Service will not initially have stable volumes, costs, and revenues, the Board has previously communicated that it expects the FedNow Service to achieve its first instance of long-run cost recovery outside the 10-year timeframe typically applied to mature services.

Summary of 2027 Cost Recovery, PSAF, and Fee Schedules

Cost Recovery & PSAF

From 2016 through 2025, the Reserve Banks recovered 103.7 percent of their total expenses (including imputed costs) and targeted after-tax profits or return on equity (ROE) for the mature services. During that period, Check Services, the Fedwire® Funds Service, the National Settlement Service, the Fedwire® Securities Service, and FedACH® Services achieved full cost recovery.

In addition to long-run cost recovery as required by the MCA, the Reserve Banks also seek to manage cost recovery for any given year. For mature services, the Reserve Banks forecast an overall annual recovery rate of 101.5 percent of total expenses in 2027, with all mature service lines except for Check anticipated to achieve full cost recovery in 2027.[4] This includes a 2027 PSAF for Reserve Bank priced services of $35.3 million, an increase of $1.2 million from 2026.[5]

Fee Schedules

The Notice also summarizes proposed changes to the Reserve Banks fee schedules for financial services, which would become effective January 1, 2027. The Reserve Banks are proposing price changes in 2027 to offset rising costs of providing financial services as well as reduce pricing complexity for customers. These changes most notably include strategic pricing and operational changes to the Check Services and the introduction of a FRFS Access Fee along with corresponding simplification and reduction of existing connectivity fees. These changes are discussed further below. The price changes in 2027 also include modest increases in Fedwire Funds Service transfer fees, modest decreases in Fedwire Securities transfer and maintenance fees, and an increase to certain network hardware fees to encourage customers' completion of a required hardware upgrade. The Reserve Banks are not making any changes to fees for the FedACH or the FedNow Service other than those previously announced earlier in 2026. Other than the changes addressed in the Notice, all other previously approved fee schedules would remain in effect.[6] These collective changes will result in an average price increase of 1.4 percent for customers.

[4] Check Services are expected to under recover primarily because of anticipated volume declines and increased costs from infrastructure upgrades.
[5] The increase is attributable to increases of $1.6 million in Board of Governors' expenses and $0.3 million in sales taxes, offset by a $0.8 million decrease in the cost of capital
[6] The Reserve Banks' will publish a full list of all fees on their website at https://www.frbservices.org/resources/fees.

The new FRFS Access Fee includes access to a suite of FedLine services and discounts for customers meeting certain eligibility requirements.[7] At the same time, the Reserve Banks are making corresponding changes to reduce or eliminate fees for various FedLine connectivity solutions that will be included with the new FRFS Access Fee. This approach aims to simplify pricing schedules, provide a more streamlined experience for customers using multiple services, and support the Reserve Banks' cost-recover over the long term. These enterprise pricing changes are designed to be revenue neutral for the Reserve Banks in 2027.

The Reserve Banks are also increasing various Check Services fees, retiring certain low-volume check product offerings, and reducing Check Service operating hours during times of minimal activity (e.g., certain periods over weekends and holidays). These are the first steps in a series of anticipated strategic changes to the Reserve Banks' Check Services over the coming years, informed by public input from the Board's 2025 request for information (RFI) on the future of the Reserve Banks' Check Services.[8] As explained in the Notice, a significant number of commenters to the RFI supported the Reserve Banks continued operational presence in check processing. To maintain such a presence while supporting long-run cost recovery objectives amid declining volumes, the Reserve Banks are preparing to simplify check service offerings and regularly apply fee increases for these services. As these changes progress over the next several years, Board staff will monitor long-run cost recovery performance to identify whether there is a need for the Board to further reassess the appropriate nature and scope of the Reserve Banks' role in check processing. Staff would consider, among other factors, the long-run cost recovery outlook for Check Services and progress made towards the adoption of alternative payment methods for those seeking them.

Staff believe that the proposed 2027 changes are reasonable to support long-run cost recovery and do not impact the ability of other service providers to compete effectively with the Reserve Banks in providing similar services.

Attachment

[7] Customers who receive certain volumes on multiple services and maintain direct electronic connections to the Reserve Banks will be eligible for a 25 percent discount on this fee.

[8] See Board, "Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services," Federal Register (December 9, 2026), https://www.federalregister.gov/d/2025-22272.