

FEDERAL RESERVE ACCOUNT STRUCTURE, TRANSACTION SETTLEMENT AND REPORTING GUIDE

INTRODUCTION

This Federal Reserve Account Structure, Transaction Settlement, and Reporting Guide (“Account Structure Guide”) provides further information on the accounting and settlement services provided to a Financial Institution by the Administrative Reserve Bank (ARB) as set forth under the Federal Reserve Banks Operating Circular 1 “Account Relationships” (“OC 1”).¹ The Account Structure Guide is intended to provide additional guidance to those individuals within a Financial Institution who work regularly with Federal Reserve Bank Financial Services (“Financial Services”). The defined terms used in OC 1 are similarly used in this guide and have the same meaning.²

ACCOUNT RELATIONSHIPS

The Federal Reserve Banks generally maintain no more than one debtor-creditor relationship with a Financial Institution. Under this single-account structure, an Account Holder may only maintain a single Master Account with its ARB unless a specific exception applies as described in OC 1.³ The Master Account is identified by the Financial Institution’s Primary Routing Transit Number (“Primary RTN”).⁴

A Financial Institution may apply to open a Master Account and/or obtain Federal Reserve Financial Services with the Federal Reserve Bank in the Federal Reserve District in which the Financial Institution is located (also known as its ARB). The Master Account may be used to

¹ OC 1 sets forth the terms under which a Financial Institution may open, maintain, and terminate a Master Account with its ARB. It also describes the tools that an Account Holder may utilize to segregate, report and settle Debit and Credit Transaction Activity in the Master Account. The Circular further describes the relationship the Account Holder may have as a Correspondent with other separately-chartered Financial Institutions as “Respondents.” Additional terms also apply with respect to settlement procedures, statement and accounting services, overdraft policies, and the Federal Reserve Bank Response Program for Unauthorized Access to Sensitive Consumer Information Obtained in the Course of Providing Financial Services. A copy of OC 1 can be found at: http://www.frbervices.org/regulations/operating_circulars.html.

² If there is a conflict between the Account Structure Guide and Reserve Bank operating circulars and/or other Reserve Bank policy, the terms of the Reserve Bank operating circular will control.

³ Section 2.3 of OC 1 identifies the following exceptions to the general rule that a Financial Institution may have only one Master Account:

- The Financial Institution may retain, for a transitional period not to exceed 12 months, the Master Account of an acquired, failed Financial Institution or a non-surviving Financial Institution with which it has merged or consolidated. The ARB may restrict the use of such an account as it deems necessary or appropriate, and may require that the Financial Institution execute a security agreement covering multiple Master Accounts; and
- A U.S. branch or agency of a foreign bank, an Edge corporation, or an agreement corporation may maintain a single Master Account, or it may maintain a Master Account for each group of offices located in the same state and the same Federal Reserve District.

⁴ A Routing Transit Number (“RTN”) is an identifying number assigned to a Financial Institution by the Registrar of Routing Numbers operating under the auspices of the American Bankers Association. An RTN is used in Federal Reserve applications to identify the Debit and Credit Transaction Activity of a Financial Institution resulting from the Financial Institution’s use of Federal Reserve Financial Services, Correspondent/Respondent relationships, and the account structure of a Financial Institution (e.g. Master Account, Subaccount, and Other Secondary RTNs). If an RTN is not issued by the Registrar of Routing Numbers, the ARB may issue a Customer Identification Number (CIN).

maintain required reserve balances, clearing balances, and other funds or securities balances. Debit and Credit Transaction Activity of the Financial Institution or of the Financial Institution's Respondents with or through any Reserve Bank, regardless of location, is posted to the Master Account.

An Account Holder may also use Secondary Routing Transit Numbers ("Secondary RTNs") to segregate Debit and Credit Transaction Activity settling in the Master Account. There are two types of Secondary RTNs – Subaccount RTNs and Other Secondary RTNs.⁵ Both can be used to identify certain Debit and Credit Transaction Activity, although Other Secondary RTNs, while more flexible in how they report information, are more limited in the type of information that can be reported.⁶

Specifically, Subaccount RTNs can be used to identify information that is reported directly to the Financial Institution's Master Account. Other Secondary RTNs can also be used to identify information that can be reported directly to the Master Account but also can be used to report this information to the Master Account through a Subaccount RTN or through another Other Secondary RTN assigned to the Account Holder, so long as the reporting chain is limited to three tiers.

Additionally, an Account Holder may agree to act as a Correspondent and allow its Master Account to be used to settle certain transactions and service fees for a Respondent.⁷ Financial Institutions that do not have a Master Account must identify a Correspondent in order to settle any Debit and Credit Transaction. Any Debit and Credit Transaction Activity of that Respondent should be reported through the Respondent's Primary RTN to the Correspondent.

All aspects of the Federal Reserve account management functions will be administered by the ARB through an Account Holder's Master Account, including reserve/clearing balance administration, overnight overdraft monitoring, daylight overdraft monitoring, and discount window access. The Account Management Guide (AMG), which is available at www.frbservices.org under Accounting Guides, provides detailed information to assist a Financial Institution with managing and reconciling their Federal Reserve account. The Accounting Information Services section of this guide also provides information about the various accounting information tools that are available to Financial Institutions.

ESTABLISHING AN ACCOUNT

To establish a Master Account with its ARB, the Board of Directors of a Financial Institution must pass resolutions (in a form prescribed by the Reserve Banks) that authorize the Financial Institution to establish such account and that authorize certain individuals to conduct business

⁵ The term "Other Secondary RTN," which is not defined in OC 1, is a Secondary RTN and is defined as a number that identifies certain Debit and Credit Transaction Activity of a Financial Institution that is reported directly to the Financial Institution's Master Account or reported to the Master Account through a Subaccount RTN or through another Other Secondary RTN assigned to the Account Holder.

⁶ Fedwire® Funds and Securities may not be initiated or received in an Other Secondary RTN. Fedwire® is a registered service mark of the Federal Reserve Banks.

⁷ Custodial Inventory Program transactions, Fed Funds checks and Fedwire® Funds and Securities transactions may not be settled in a Correspondent's account. They must settle in a Financial Institution's own Master Account.

on behalf of the Financial Institution (“Authorized Individuals”).⁸ The Financial Institution must provide its ARB with a certified copy of the resolutions as well as an Official Authorization List (OAL) which identifies Authorized Individuals. An Authorized Individual must then execute a Master Account Agreement (OC 1 - Appendix 1) or, if permitted by the ARB, such other agreement that binds the Financial Institution to OC 1. By opening or maintaining a Master Account, a Financial Institution agrees to be bound by all the provisions, as amended from time to time, of OC 1 and of all other Federal Reserve Bank operating circulars that cover services that it obtains from any Reserve Bank. Each Master Account is subject to approval of the ARB.

A U.S. branch or agency of a foreign bank must execute the Foreign Banking Institution Account Agreement and provide resolutions as well as U.S. and foreign opinions of counsel that are acceptable to the ARB.⁹

BOARD RESOLUTIONS (BR(s)) AND OFFICIAL AUTHORIZATION LISTS (OAL(s))

The BR and OAL establish a Financial Institution’s authority to engage in business with the Federal Reserve Banks. The BR and OAL also identify individuals who have the authority to contractually bind the Financial Institution and to take actions and issue instructions with respect to the Financial Institution’s accounting relationship with a Federal Reserve Bank and its use of Federal Reserve Financial Services. Depending on the type of Institution and whether it is an Account Holder (or requesting an account) or Non-Account Holder, the following BRs/OALs are used to conduct business with the Federal Reserve Banks:

- Account Holder Board Resolution and OAL
- Non- Account Holder Board Resolutions and OAL¹⁰
- Foreign Bank Board Resolution and OAL
- Government Agency Authorized Letter and OAL
- Non-Depository Institution OAL

These forms and instructions can be found at www.frbervices.org under Forms, Account Services. For further information on these forms, please consult your local ARB.

ESTABLISHING AN ACCOUNT STRUCTURE

An Account Holder may use Secondary RTNs to segregate transaction activity to accommodate reporting and operational needs. As previously noted, there are two types of Secondary RTNs – Subaccount RTNs and Other Secondary RTNs. Both can be used to identify segregated Debit and Credit Transaction Activity that will settle in the Master Account.

Subaccount RTNs can only be assigned to Account Holders and are used to identify information that is reported directly to the Master Account. Additionally, Subaccount RTNs can be used to initiate and receive Fedwire® transactions.

⁸ Applicable forms are available at www.frbervices.org/forms/account_services.html in the “Service and Access Setup” section.

⁹ See www.frbervices.org/forms/account_services.html in the “Account Services – Board Resolution and Official Authorization List” for the Foreign Bank Board Resolution and OAL.

¹⁰ These forms are intended for use by Financial Institutions that do not need to set up a Master Account but want to designate Authorized Individuals who can conduct business with the Federal Reserve Banks and execute agreements to obtain Financial Services. However, if the Financial Institution anticipates setting up a Master Account in the future, it may want to use the Account Holder Board Resolution to avoid having to re-execute a new resolution.

To use a Subaccount RTN, the Subaccount Designation Form (Attachment A) must be completed.¹¹ The Debit and Credit Transaction Activity processed for Subaccount RTNs cannot be reported through another Subaccount RTN and must be reported directly in the Financial Institution's Master Account.

Other Secondary RTNs can be used to identify information that can be reported directly to the Master Account, a Subaccount RTN, or an Other Secondary RTN, not to exceed three tiers. Other Secondary RTNs, unlike Subaccount RTNs, cannot be used to initiate and receive Fedwire® transactions.

To establish reporting instructions for Other Secondary RTNs, the Transaction and Service Fee Informational Reporting Instructions for Other Secondary Routing Transit Numbers (RTNs) Form (Attachment B) must be completed by the Account Holder. The Debit and Credit Transaction Activity processed for these Secondary RTNs can be reported through the Financial Institution's Master Account, or, for information purposes, through a Subaccount RTN or an Other Secondary RTN. For Financial Institutions that do not have a Master Account, the institution (Respondent) must use its Primary RTN to report Debit and Credit Transaction Activity to a Correspondent, either directly to the Correspondent's Master Account RTN, to the Correspondent's Subaccount RTN(s) or to the Correspondent's Other Secondary RTN(s) (not to exceed three tiers).

Examples of different uses of Secondary RTNs are set out on pages 7-9 of this guide.

ESTABLISHING A CORRESPONDENT-RESPONDENT RELATIONSHIP

An Account Holder may agree to act as a Correspondent and allow its Master Account to be used to settle certain transactions and service fees for a Respondent. To establish a Correspondent-Respondent relationship, the Correspondent and the Respondent must both execute a Transaction and Service Fee Authorization Form (OC 1 - Appendix 2). Each executed Transaction and Service Fee Authorization Form is subject to approval by the respective ARB of the Correspondent and the ARB of the Respondent. Correspondent – Respondent relationships cannot be established for Fedwire® Funds and Securities transactions, Fed Funds Checks, and Custodial Inventory Program transactions, which must settle in a Financial Institution's own Master Account.

Financial Institutions that do not have a Master Account must identify a Correspondent in order to settle any Debit and Credit Transaction Activity involving Federal Reserve Financial Services. A Financial Institution that does have a Master Account with its ARB may nevertheless identify a Correspondent in order to settle some or all of its Debit and Credit Transaction Activity involving Financial Services, except as noted above. A Respondent can designate different Correspondents to settle for different Financial Services. Any Debit and Credit Transaction Activity of a Respondent should be reported to the Correspondent using the Respondent's Primary RTN.

¹¹ If Subaccount RTNs and/or Other Secondary RTNs are being used as a result of a merger, the Merger Matrix form, when approved by a Federal Reserve Bank, can be used instead of the Subaccount Designation Form. The Merger Matrix is a form that is intended to assist an institution in planning for accounting changes with the Federal Reserve Banks that will result from a merger with another institution or as a result of a purchase and assumption of certain assets or liabilities of another Financial Institution (collectively referred to as a merger). The document covers services that need to be addressed prior to an inter- or intra-district merger and serves as written authorization for the disposition of services outlined.

By executing the Transaction and Service Fee Settlement Authorization Form, the named Correspondent agrees to allow its Master Account to be used to settle certain transactions and service fees for the named Respondent as well as for any other Financial Institution that is currently using (or later agrees to use) the named Respondent as its Correspondent as designated in a Transaction and Service Fee Settlement Authorization Form. The named Correspondent is not required to execute this subsequent Transaction and Service Fee Settlement Authorization Form between its Respondent and the other Financial Institution.

A Correspondent is responsible at all times for understanding and reviewing the Debit and Credit Transaction Activity of Respondents settling to its Master Account. The ARB is not responsible for maintaining a list of Respondents that settle to an Account Holder's Master Account or for notifying a Correspondent if one of its Respondents agrees to act as a Correspondent to another Institution.

PASS-THROUGH RELATIONSHIPS

A pass-through relationship allows a Respondent to hold its required reserve balances with a Correspondent. A balance in the Correspondent's Master Account represents a liability of the Reserve Bank solely to the Correspondent, regardless of whether the funds represent the reserve balances of another Financial Institution that have been passed through the Correspondent, and is subject to the Correspondent's order.

To establish a pass-through relationship, both the Correspondent and the Respondent must complete a "Pass-Through Agreement" (OC 1 - Appendix 3). Each executed Pass-Through Agreement is subject to approval by the ARB of the Correspondent. A Reserve Bank may terminate any pass-through relationship in which the Correspondent is deficient in its record keeping or other responsibilities.¹²

TERMINATING AN ACCOUNT OR RELATIONSHIP

Any executed and accepted Master Account Agreement (OC 1 - Appendix 1), Transaction and Service Fee Settlement Authorization Form (OC 1 - Appendix 2), Pass-Through Agreement (OC 1 - Appendix 3), or other agreement executed by an Authorized Individual of a Financial Institution and relating to a Financial Institution's Master Account is binding on its successors and assigns, and continues in effect until amended or terminated as provided by OC 1 or otherwise provided in the agreement. An Account Holder may terminate its Master Account only by giving the Reserve Bank not less than five business days prior written notice. The notice must indicate the date upon which the Account Holder desires to close the Account Holder's Master Account and provide instructions for the transfer of any remaining balance in the Master Account.

A Reserve Bank may terminate a Master Account Agreement (OC 1 - Appendix 1), Transaction and Service Fee Settlement Authorization (OC 1 - Appendix 2), or Pass-Through Agreement (OC 1 - Appendix 3), at any time by notice to the Account Holder but will endeavor to give not less than five business days prior notice. Reserve Banks generally terminate a pass-through relationship effective on the last day of a reserve maintenance period.

¹² See Section 204.3(i) of Regulation D for pass-through rules.

A Respondent may terminate a Transaction and Service Fee Settlement Authorization (OC 1 - Appendix 2) or a Pass-Through Agreement (OC 1 - Appendix 3) by giving its Administrative Reserve Bank not less than five business days prior written notice, unless a shorter period of notice is agreed to in writing by its Administrative Reserve Bank.

A Correspondent may terminate a Transaction and Service Fee Settlement Authorization (OC 1 - Appendix 2) or a Pass-Through Agreement (OC 1 - Appendix 3) by giving its Administrative Reserve Bank and its Respondents not less than one business day prior written notice to the other parties, except as otherwise specifically provided in Reserve Bank Operating Circulars 3 and 4 with respect to check and ACH services.

Notwithstanding any other provision of OC 1, a Financial Institution may be required by its ARB to maintain at all times settlement arrangements acceptable to its ARB, as a prerequisite to using any Financial Services. The ARB may, among other things, set certain conditions or limitations on such Financial Institution's capacity to terminate its Master Account or Correspondent-Respondent relationship under this section.

In addition, the Board may require a Financial Institution that engages in certain transactions to maintain an adequate clearing balance with a Reserve Bank in such amount as the Board determines. A Federal Reserve Bank shall have the right, in its discretion, to transfer funds from an Account Holder's Master Account to a suspense account and to hold those funds after a Master Account has been terminated in order to cover potential future payment system risk claims arising from the Financial Institution's use of Financial Services.

Termination of an agreement or authorization form by a Financial Institution does not affect any liability arising from transactions received by a Reserve Bank before or on the effective date of the termination.

MERGERS AND ACQUISITIONS

On the effective date of a legal merger or acquisition (voluntary or involuntary acquisition), the non-survivor Financial Institution's (Non-Surviving Institution) BR and OAL will be inactivated. The survivor Financial Institution's (Surviving Institution) OAL will become the authorization document for the Non-Surviving Institution's transition account. When merging a Non-Surviving Institution's Master Account with the Surviving Institution's Master Account, there are three options for the relationship structure.

- The Master Account of the Non-Surviving Institution may be closed and converted to a Subaccount RTN or an Other Secondary RTN of the Surviving Institution for transaction information purposes.
- The Non-Surviving Master Account may be converted to a transition account for a period of up to 12 months to support the Surviving Institution's organizational and operational restructuring. The 12-month period begins with the effective date of the legal merger. At the end of the 12 months, the transition account must be closed, although it may be converted to a Subaccount RTN or maintained as an Other Secondary RTN assigned to the Master Account. A Surviving Non-Account Holder Institution can also request up to a 12-month transition period to maintain the Non-Surviving Institution's current settlement reporting in order to support the Surviving Institution's organizational and operational restructuring. At the end of the 12-months, the Debit and Credit Transaction Activity of the Non-Surviving Institution's RTN must report directly to the Surviving Institution's Primary RTN.

- The Master Account of the Non-Surviving Institution may be closed without its RTN being assigned as a Subaccount RTN or an Other Secondary RTN. This option would rarely be used since transactions destined for that old account number will still be processed.

If existing settlement relationships of the Non-Surviving Institution do not change, new agreements are not required. If existing Respondent and or Other Secondary RTNs relationships of the Non-Surviving Institution are moved to the Surviving Institution, the Reserve Bank's merger document can be used for instructions of reporting and settlement needs. If there are multiple settlement changes, the Surviving Institution may be able to provide a listing of the changes by an official letter approved by the organization. It is the responsibility of the Surviving Institution to contact the Non-Surviving Institution's Respondents when making these changes for those routing numbers. Merger documents and letters must be signed by an individual authorized on the Surviving Institution's OAL. Additional merger related questions can be directed to the Reserve Bank's Merger Coordinator. A listing of Merger Coordinators is available on My FedDirectory at www.frb services.org.

ACCOUNT STRUCTURE EXAMPLES

Exhibit I

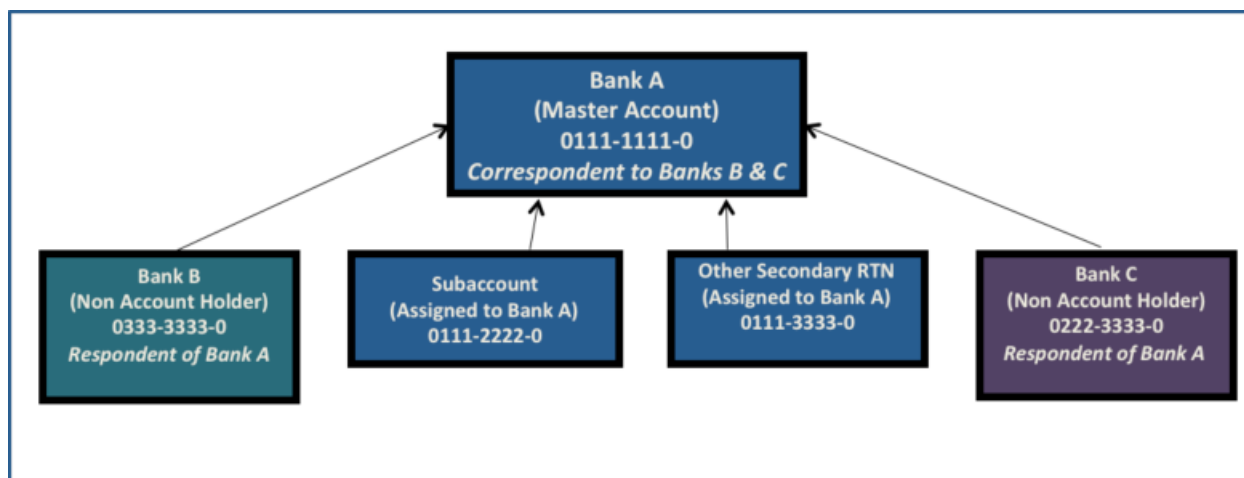


Exhibit I above illustrates an account structure in which Bank A has established a Master Account with the Federal Reserve and uses Subaccount RTN 0111-2222-0 and Other Secondary RTN 0111-3333-0 to segregate Debit and Credit Transaction Activity for Financial Services. Bank A also acts as a Correspondent to Respondent Banks B and C.

Exhibit II

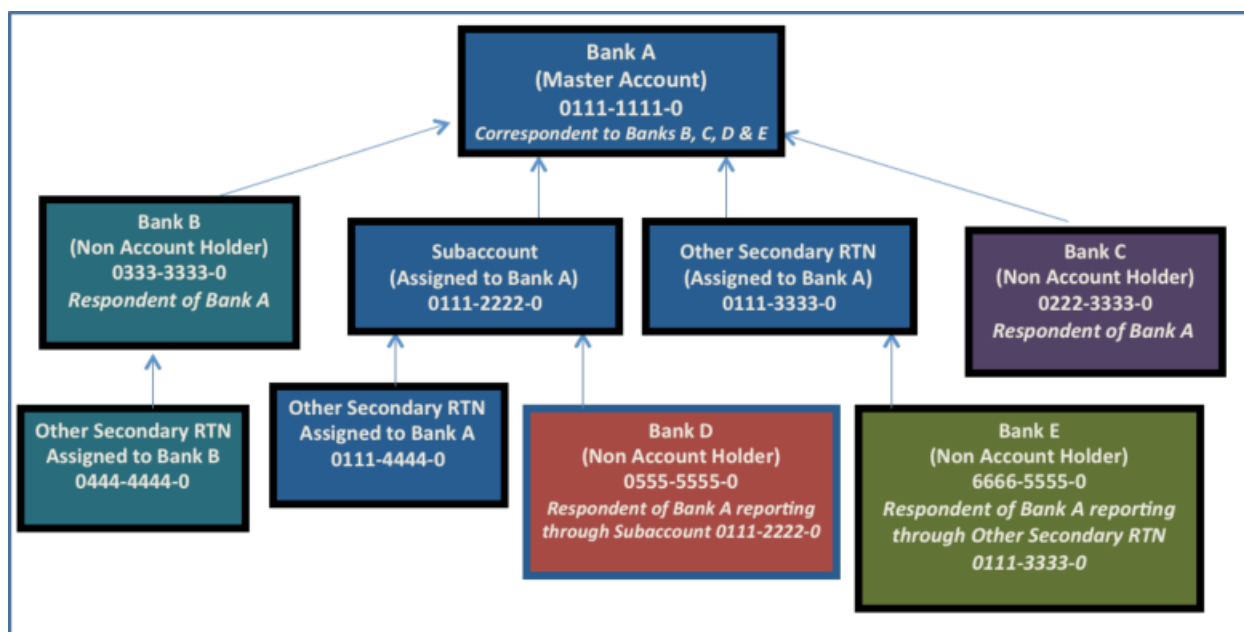


Exhibit II above illustrates a more complex account structure for Bank A. In this exhibit, Respondent Bank B uses Other Secondary RTN 0444-4444-0. Bank A also reports Debit and Credit Transaction Activity for Other Secondary RTN 0111-4444-0 through Subaccount 0111-2222-0. Additionally, the Debit and Credit Transaction Activity of Respondent Bank D is reported through Subaccount RTN (0111-2222-0) and the Debit and Credit Transaction Activity of Respondent Bank E is reported through Other Secondary RTN (0111-3333-0).

Exhibit III

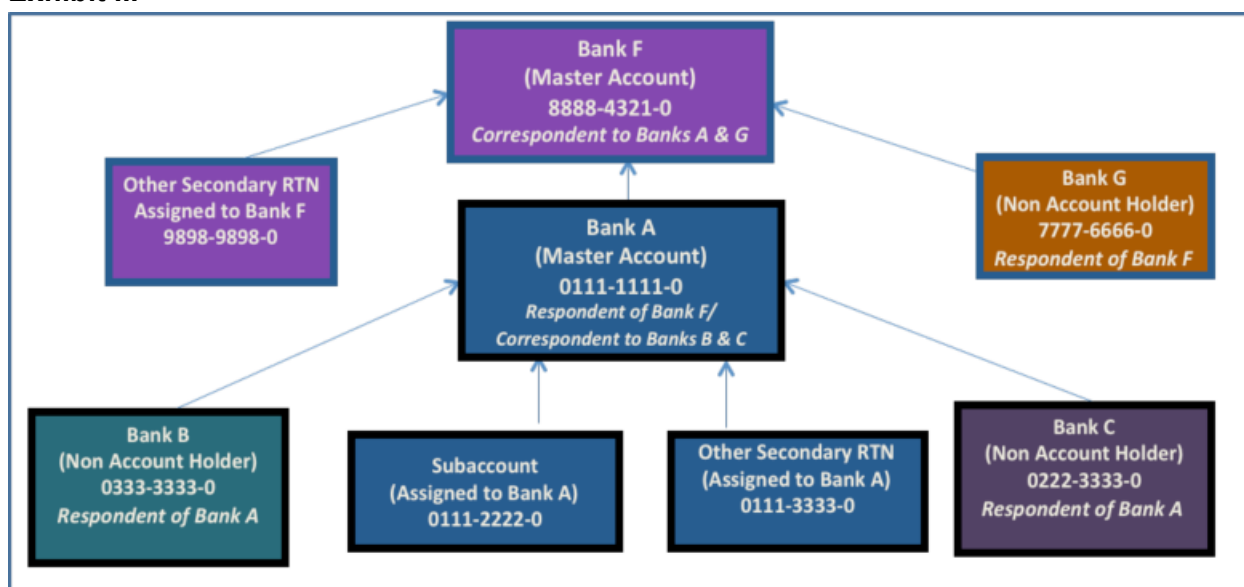


Exhibit III illustrates where Bank A (a Financial Institution that has its own Master Account) and Bank G (an organization engaged in financial activities that does not have a Master Account) have both established a Correspondent-Respondent relationship with Bank F. Even though Bank A is a Respondent of Bank F, Bank A has its own Master Account and acts as a Correspondent for Bank B and Bank C, neither of which has a Master Account. Note that Fedwire Funds and Securities transactions, Fed Funds checks, and Custodial Inventory Program transactions of Bank A, can only settle in Bank A's Master Account.

Exhibit IV

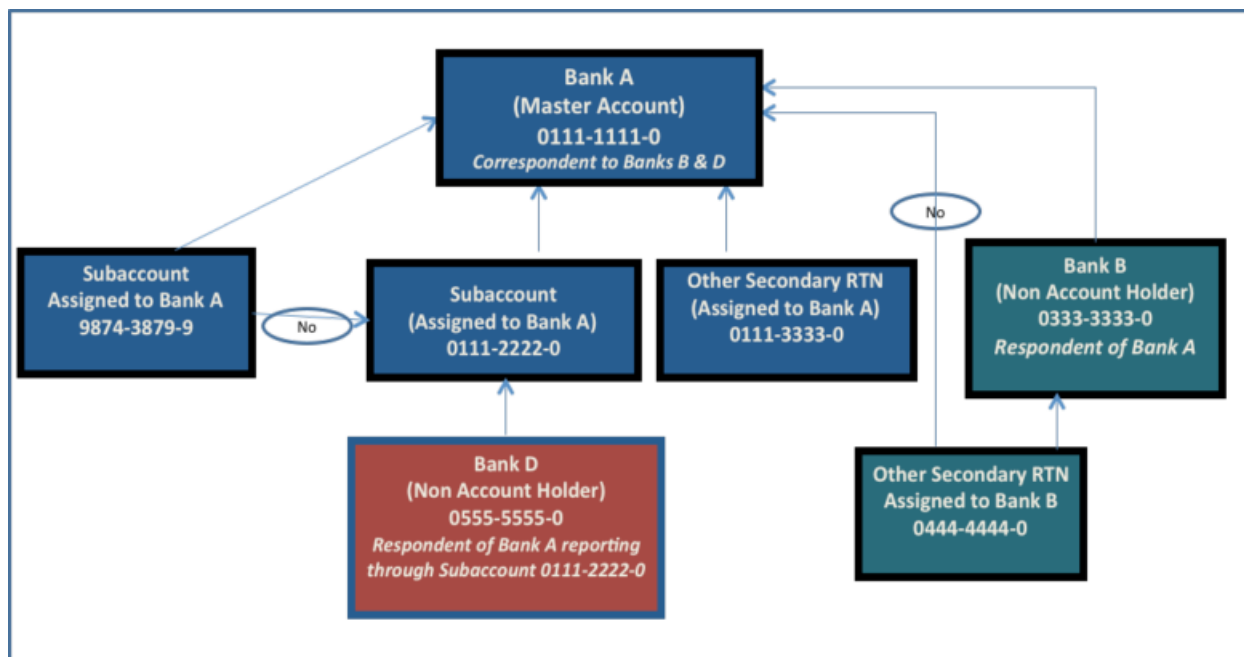


Exhibit IV illustrates that a Financial Institution may not report Debit and Credit Transaction Activity segregated in a Subaccount RTN to another Subaccount RTN. For example, Debit and Credit Transaction Activity of Subaccount RTN (9874-3849-9) must be reported directly to the Financial Institution's Master Account. However, Debit and Credit Transaction Activity of the Account Holder's Other Secondary RTN (0111-3333-0) may be reported directly to the Master Account or, for information purposes, to a Subaccount RTN or an Other Secondary RTN of the Financial Institution, not to exceed three tiers.

This exhibit also illustrates that Bank B's Other Secondary RTN 0444-4444-0 must report directly to Bank B's Primary RTN (0333-3333-0). For a Financial Institution that does not have a Master Account and has Other Secondary RTNs, such as Respondent Bank B, it must use its Primary RTN (0333-3333-0) to report Debit and Credit Transaction Activity to its Correspondent (Bank A). In this example, Bank B must report directly to Bank A's Master Account because Bank B has Debit and Credit Activity for Other Secondary RTN 0444-4444-0. However, Respondent Bank D can report through Bank A's Subaccount 0111-2222-0 because Bank D does not have any other Secondary RTNs and the relationship does not exceed three tiers.

ACCOUNT TYPE CHARACTERISTICS

Master Account

- A Financial Institution may maintain a Master Account with a Reserve Bank if it is eligible as defined in OC 1 and applicable law.
- A Master Account is established using a Primary RTN. A Primary RTN is issued to a Financial Institution by the Registrar of Routing Numbers for the American Bankers Association (Registrar of Routing Numbers).¹³
- A Master Account may have opening and closing balances.
- An Account Holder can have one or more Subaccount RTNs assigned to the Master Account.
- An Account Holder can have one or more Respondents, resulting in the Account Holder being a Correspondent.
- A Respondent may also maintain a Master Account even though it has a Correspondent-Respondent relationship with another Financial Institution.
- A Master Account can have one or more Other Secondary RTNs assigned to it.
- An Account Holder can settle transactions, other than Fedwire® Funds and Securities, Fed Funds Checks, and Custodial Inventory Program transactions in the Master Account of its designated Correspondent. Fedwire® Funds and Securities, Fed Funds Checks, and Custodial Inventory Program transactions must settle in a Financial Institution's own Master Account.

Subaccounts or Subaccount RTNs

- A Subaccount RTN may be assigned to a Master Account for operational reasons; to identify a branch; or as a result of a merger, acquisition, or consolidated Financial Institution. A Subaccount RTN can be used to segregate activity in the Master Account, such as by business, region or other subcategory determined by the Account Holder.
- A Subaccount RTN is identified by a Secondary RTN assigned to the Master Account by the Registrar of Routing Numbers or a Reserve Bank.
- A Subaccount RTN does not have opening and closing balances.
- A Subaccount RTN can be used to initiate and receive Fedwire® Funds transactions. A Subaccount RTN cannot be used to initiate and receive Fedwire® Securities transactions.
- A Subaccount RTN cannot be assigned to a Non-Account Holder.
- Multiple Subaccount RTNs, even within one Federal Reserve processing zone can be established for a single Master Account.
- Respondents can report through a Subaccount RTN for informational reporting needs; however, transactions will settle at the Master Account level in the Correspondent's Master Account. A Financial Institution can process Treasury Tax & Loan transactions at a location associated with a Subaccount RTN, using the Primary RTN. Such transactions will roll up to the Master Account in the Treasury Investment Program (TIP). Therefore, the daily Statement of Account will only show the transaction under the Master Account RTN. The transaction will not appear on the Subaccount statement.
- A Subaccount RTN cannot be used to report transactions through another Subaccount RTN.

¹³ Accuity is the official registrar of routing numbers. As Registrar of Routing Numbers for the American Bankers Association, Accuity is responsible for the assignment of routing numbers in accordance with the Routing Number Administrative Board Routing Number Policy. More information is available at <http://www.accuitysolutions.com>

- A Subaccount RTN can be used to participate in the Custodial Inventory program, if the Account Holder participates in the program.

Other Secondary RTNs

- An Other Secondary RTN is a Secondary RTN that is not a Subaccount RTN.
- Other Secondary RTNs assigned to a Financial Institution are usually used for operational reasons; to identify a branch or an acquired or merged Financial Institution or to otherwise identify groupings of Debit and Credit Transaction Activity. Other Secondary RTNs can be used to segregate activity by business, region or other subcategory determined by the Account Holder.
- An Other Secondary RTN is a number that identifies certain Debit and Credit Transaction Activity of a Financial Institution that is reported directly to the Financial Institution's Master Account or reported to the Master Account through a Subaccount RTN or through another Other Secondary RTN assigned to the Account Holder.
- Other Secondary RTNs do not have opening and closing balances.
- Other Secondary RTNs are assigned to a Financial Institution by the Registrar of Routing Numbers or a Reserve Bank.
- The Financial Institution to which the Other Secondary RTN is assigned may or may not have a Master Account with its ARB.
- Fedwire® Funds transactions and Fedwire® Securities transactions may not be initiated from or received in an Other Secondary RTN.
- Other Secondary RTNs can be used to participate in the Custodial Inventory program, if the Financial Institution with the Primary RTN participates in the program.
- Other Secondary RTNs can be used to report transactions through a Subaccount RTN or through another Secondary RTN, not to exceed three tiers.

Correspondent

- A Financial Institution that agrees to settle transactions in its account for Respondents (separately chartered Financial Institutions) is a Correspondent.
- A Correspondent must be an Account Holder.
- A Correspondent can also be a Respondent of another (separately chartered) Financial Institution.
- Correspondent relationships should be limited to three tiers.

Respondent

- A Respondent is a separately chartered Financial Institution that enters into an arrangement to settle certain Debit and Credit Transaction Activity with an Account Holder (Correspondent).
- A Respondent may maintain a Master Account as an Account Holder or it may be a Non-Account Holder.
- A Respondent that maintains its own Master Account can initiate and receive Fedwire® Funds and Securities transactions in its own Master Account, but those transactions must settle in its own Master Account and not through a Correspondent.
- A Non-Account Holder Respondent is not eligible to initiate or receive Fedwire® transactions since it does not have a Master Account.
- A Non-Account Holder Respondent must establish a Correspondent relationship to settle Debit and Credit Transaction Activity with a Federal Reserve Bank.

- A Respondent may hold its required reserve balances with a Correspondent

SETTLEMENT RULES

Transaction Settlement

Financial Institutions that do not have a Master Account must identify a Correspondent to settle its Debit and Credit Transaction Activity. Debit and Credit Transaction Activity for an Account Holder is posted to the Financial Institution's Master Account unless the Financial Institution has designated a Correspondent. Below are transaction settlement rules to consider when establishing a Correspondent-Respondent relationship:

- An Account Holder must settle the following transactions in its own account
 - Fedwire® Funds and Fedwire® Securities
 - Fed Funds checks, and
 - Custodial Inventory Program transactions

Non-Account Holders are not eligible for the above transactions

- An Account Holder may settle other transactions than noted above (e.g. Forward Checks, Returns, Cash, ACH, etc.) with one or more Correspondent(s).
- A Subaccount RTN cannot be used to settle transactions or report transaction information through another Subaccount RTN or other Secondary RTN or directly to a Correspondent. An Account Holder, however, may have a Correspondent(s) as noted above for eligible transactions.
- A Subaccount RTN can be used to initiate and receive Fedwire® Funds transfers. Such transfers will settle in the Master Account.
- A Subaccount RTN cannot be used to initiate and receive Fedwire® Securities transactions.
- Other Secondary RTNs can be used to report Debit and Credit Transaction Activity through a Subaccount RTN, but the transactions will settle in the Master Account.
- An Account Holder Respondent can settle transactions (with the exception of those noted below) in a Correspondent account or in its own account
 - Fedwire® Funds and Fedwire® Securities
 - Fed Funds checks
 - Custodial Inventory Program transactions
- A Respondent can settle transactions with one or more Correspondents.
- A Respondent can report Debit and Credit Transaction Activity for informational purposes through a Correspondent's Subaccount RTN or through a Correspondent's Other Secondary RTN, but the transactions will settle in the Correspondent's Master Account.
- A Secondary RTN can be used to report Debit and Credit Transaction Activity through the Account Holder's Master's Account, Subaccount RTNs, or through another Secondary RTN for Account Holders, but not to exceed three tiers. For Non-Account Holders, the

transactions for Secondary RTNs must report through the Financial Institution's Primary RTN.

- The account structure of a Financial Institution should be limited to three tiers for settlement purposes.
- Correspondent - Respondent relationships will be defined at the two digit SIR code level (e.g. 15 – Cash Letters, 57 – ACH, etc.). The following are exceptions:

Acct Balance TFR	1005X	To transfer an Account Holder balance during a merger
Fed Funds Checks	1564X, 1565X, & 1566X	Can only settle in the Account Holder's own account
Securities (P&I Payments)	2004X	Needed to update Federal Reserve Systems
CI Currency Transaction	6303X	Can only settle in the Account Holder's own account
Term Deposit Facility (TDF)	8420X, 8421X, 8422X, & 8423X	Though it is preferred to settle all service category (84) transactions in the same manner, Financial Institutions will need to specify if they want to establish a Correspondent relationship for TDF transactions separate from the Account Charges and Payments service category (84)

- Correspondent - Respondent relationships for National Net Settlement Services (NSS), Securities, and Loans are established on their respective agreement forms.

Service Fee Settlement

Charges are debited to a Financial Institution's Master Account unless the Financial Institution has designated a Correspondent by executing a Transaction and Service Fee Settlement Authorization Form (OC 1 Appendix 2).

- The Federal Reserve Bank's preferred method for settlement of Billing Service Charges (Service Fees) is to automatically settle all service charges to the Correspondent. If no service charge code categories are selected on the Transaction and Service Fee Settlement Authorization Form, the Correspondent selected for the transaction code settlement will become the default for all service charges. However, specific service fee settlement may be indicated by individually selecting service charge categories on the Transaction and Service Fee Settlement Authorization form. A separate settlement authorization is required for each Correspondent used.
- The Correspondent named on the Transaction and Service Fee Settlement Authorization Form authorizes the use of its earnings credits to offset the service charges selected for the Respondent (and their Respondent(s), if any). Respondents' earnings credits may not be used to offset service charges settling through a Correspondent.

ACCOUNTING INFORMATION SERVICES

The Account Management Information (AMI) Application

The Account Management Information (AMI) application available via FedLine[®] *Web* and FedLine[®] *Advantage* is an instrumental tool in helping Financial Institutions manage and reconcile accounting information on a real-time basis. Through AMI, Financial Institutions can access real-time summary and detailed account information, Notifications, Statement of Account offerings, and Cash Management Services. Financial Institutions can also download individual details in spreadsheet format.

The information below briefly describes the functionality and features available in the AMI tool.

- View real-time account balance, daylight overdraft balance, and end-of-day balance information (Master Account and Subaccount RTNs)
 - An AMI subscription permits access to this information
- Drill-down capabilities from summary level information to individual transaction detail (Master Account and Subaccount RTNs)
 - An AMI subscription permits access to this information
- Search capabilities to view a specific transaction or group of transactions (Master Account and Subaccount RTNs)
 - An AMI subscription permits access to the search feature for non-Fedwire[®] transactions. To download search results in a spreadsheet file format, complete Accounting Information Services (AIS) Form 4B
- View and download daily Statement of Account offerings (viewable PDF and download files) up to five business days (Master Account, Subaccount RTNs, and Respondents)
 - Complete AIS Form 1 to receive the Statement of Account in PDF format (Account Holders, Subaccount RTNs, and Respondents), Statement of Account in Spreadsheet format (SASF) (Master Accounts), and the machine readable FI Reconciliation Data (FIRD) file (Master and Subaccount RTNs)
- View Notifications for certain transactions once they have posted to the Federal Reserve's Accounting system (Master Account, Subaccount RTNs)
- View real-time CMS Basic reports (summary level information for all transactions excluding Fedwire[®] Funds and Fedwire[®] Securities) with the ability to download the reports in spreadsheet format (Master Account, Subaccount RTNs, and Respondents)
 - Complete AIS 4A to receive CMS Basic reports
- Download CMS Plus files (includes a report with transactions details in a spreadsheet file format that includes all transactions, excluding Fedwire[®] Funds and Fedwire[®] Securities transactions) up to six times a day (Master Accounts).
 - Complete AIS Form 4B to receive CMS Plus files
- Download a Correspondent - Respondent report in a spreadsheet format that includes a listing of Correspondent - Respondent relationships identified in the Federal Reserve's Accounting system (Master Accounts)

- Complete AIS Form 4B to receive the Correspondent - Respondent report

Financial Institutions can also receive the FIRD file via a FedLine® Direct or FedLine® Command, and an Intra-Day file that includes all transaction details (excluding Fedwire® Funds and Fedwire® Securities) in a format similar to the end-of-day reconciliation file up to six times a day. Additionally, an Accounting Totals By Service Category (ACTS) file is available intra-day up to six times a day via a FedLine® Direct/FedLine® Command connection that includes reports with summary totals by service categories (e.g. ACH, Cash, Cash Letters, etc.) for non-Fedwire® transactions that have posted to the Federal Reserve's Accounting system. The file can include report(s) at the Master and Subaccount levels. The report for the Master Account includes totals for Own, Subaccount RTNs, and Respondents, as applicable. The report(s) for Subaccount RTN(s) includes totals for the subscribing Subaccount RTN and any Respondent activity clearing through that Subaccount RTN, as applicable.

FedMail® may also be a solution if the Financial Institution needs to only receive the daily Statement of Account and does not want to obtain Web credentials.

To sign up for access to the AMI application or any Electronic Access Solution channel, complete the necessary forms available at www.frbervices.org under Access Solutions.

The Service Charge Information (SCI) Application

The Service Charge Information (SCI) application available via FedLine® Web and FedLine® Advantage is an instrumental tool in helping Financial Institutions manage and reconcile monthly Federal Reserve service charges. SCI provides the monthly Statement of Service Charges. SCI also provides summary and detail service charges by service area and product code for the Master Account, Subaccounts, and Respondents up to three months. Adjustment and reversal transactions, contact names and telephone numbers by processing office, and earnings credits information are also available for view.

Financial Institutions can also receive the monthly Statement of Services Charges via FedMail®, FedLine® Direct, and FedLine® Command in print image format and receive the monthly Billing Data format file via FedLine® Direct and FedLine® Command.

To sign up for access to the SCI application or any Electronic Access Solution channel, complete the necessary forms available at www.frbervices.org under Access Solutions.

Accounting Information Subscription Forms

To sign up for the various Accounting services, complete the following AIS Subscription forms:

- AIS Form 1 – Daily Statement of Account offerings
 - PDF, SASF, and FIRD formats via AMI
 - PDF is available for Master, Subaccounts, and Respondents; SASF is available for Master Accounts; and FIRD is available for Master and Subaccounts.
 - FIRD via FedLine® Direct/FedLine® Command (Master and Subaccounts)
 - Print image via FedMail® (Master, Subaccounts, and Respondents)
- AIS Form 2 – Monthly Statement of Services Charges (All FI Types)

- Print image and machine readable formats via SCI, FedLine® Direct, and FedLine® Command
- Print image via FedMail®
- AIS Form 3 – Notifications (Master, Subaccount RTNs, and Respondents)
Available via AMI once transactions have posted to the Federal Reserve's Accounting system
- AIS Form 4A – Cash Management Basic Service (Master, Subaccount RTNs, and Respondents)
Available real-time via AMI with download capabilities in spreadsheet format
- AIS Form 4B – Cash Management Plus, the Intra-Day File, Download Search Results in Spreadsheet format, Correspondent - Respondent Report, and/or Accounting Totals By Service (ACTS)
 - CMS Plus files (Master Accounts), Download Search Results (Master and Subaccount RTNs), and the Correspondent - Respondent report (Master Accounts) are available via AMI in spreadsheet format. The Intra-Day (Master Accounts) and ACTS (Master and Subaccount RTNs) files are available via FedLine® Direct and FedLine® Command in machine readable file formats.

AIS Forms are available at www.frbervices.org under Forms, Account Services.

Affiliate Access

To authorize a Subaccount RTN to view Master Account level information, or authorize another Financial Institution or third party processor to view account information, please complete the following forms.

- AIS Form 5 – Authorizes a Subaccount RTN to view information at the Master Account level
- AIS Form 6 – Authorizes another organization engaged in financial activities or third party processor to view account information

Additionally detailed information regarding Accounting Information Services is available in the Account Management Guide (AMG) available at www.frbervices.org under Accounting Guides.

ATTACHMENTS

- A. Subaccount Designation Form
- B. Transaction and Service Fee Informational Reporting Instructions for Other Secondary Routing Transit Numbers (RTNs) Form