

Fedwire® Securities Service Automated Claim Adjustment Process (ACAP)



As of August 2023. Please see the [ACAP Resources and Implementation Center](#) webpage on [FRBservices.org](#) for information on ACAP enhancements.

The Fedwire Securities Service currently offers the capability to automate claim adjustment payments via Fail Tracking, Interim Accounting, and Repo Tracking on mortgage-backed securities on the Fedwire Securities Service. Enhancements to ACAP ([Clearing Memo #278](#)) are being implemented in phases. In January 2023 the timing and settlement method for claim adjustments was shifted and new and modified reporting introduced. The next phase of enhancements will expand ACAP tracking to all coupon-paying securities and include securities lending as a transaction type.

Benefits of ACAP Functionality

Fail tracking, interim accounting, and repo tracking (and securities lending tracking expected as part of future enhancements) on the Fedwire Securities Service yields the following benefits to investors:

- Eliminates a cumbersome manual process for tracking and clearing adjustments from securities transaction counterparties.
- Impacts all mortgage-backed securities on the Fedwire Securities Service, including Freddie Mac, Fannie Mae and Ginnie Mae (with expansion to all coupon-paying securities expected as part of future enhancements).

Repo Tracking

Description

Repo tracking is an automated process for tracking principal and interest as well as for recording “repo-in” and “repo-out” balances of each participant. Fedwire Securities Service participants are able to identify, for the purpose of repo tracking, securities transfer messages involving repurchase agreements through the use of field tags. This allows the Federal Reserve Banks to record and maintain two balances — *Repo Out* (total par value of repo collateral delivered) and *Repo In* (total par value of repo collateral received) — for each participant. These balances are maintained in terms of the contra for all participants. On each record date, participants’ repo balances are identified and will be used to calculate the claims. On payment date the claim adjustments will be made. An adjustment results

in the payment of funds from the holder of a *Repo In* balance to the holder of a *Repo Out* balance through the Fedwire Securities Service.

Adjustment Related Specifications

Key facts regarding adjustments include:

- Daily repo balance report is delivered at the end of the day.
- On the record date, the repo balance is used to calculate claims.
- Principal and interest are always paid to the record date holder, followed by separate debit and credit adjustments made on the payment date.

Fail Tracking

Description

Fail tracking is an automated process that takes place when the actual settlement date of a transaction is beyond the contract date (contractual settlement date). An adjustment is made when one or more beneficiary dates fall between the contract date and the settlement date.

The adjustment results in the payment of funds from the message originator to the message receiver through the Federal Reserve Banks’ Fedwire Securities Service.

Adjustment Related Specifications

Key facts regarding adjustments include:

- Fail tracking adjustment details are reported at the end of each day for the next business day’s adjustment payment.
- Only failed transactions that span over one or more beneficiary dates result in an adjustment.

- Principal and interest is always paid to the record holder first, followed by separate debit and credit adjustments made either on the next business day following the settlement date of the fail transaction or the next payment date depending on the transaction.

Interim Accounting

Description

Interim accounting is an automated tracking process for principal and interest when the beneficiary date occurs on a different date than the record date. Interim accounting processing occurs when the settlement date falls between the record date and the beneficiary date (accrual end date). The adjustment results in the payment of funds through the Fedwire Securities Service.

Adjustment Related Specifications

Key facts regarding adjustments include:

- Interim accounting adjustments are made on the payment date.
- Principal and interest are always paid to the record date holder first, with separate debit and credit adjustments made on the payment date.
- If the transaction is both a multiple-month fail and subject to interim accounting, the Federal Reserve Banks will track both fail and interim accounting.

Securities Lending (*Future enhancement*)

Description

Securities lending is also an automated process for tracking principal and interest as well as for recording “securities-lent” and “securities-borrowed” balances of each participant. Fedwire Securities Service participants are able to identify, for the purpose of securities lending,

securities transfer messages involving securities loan agreements through the use of field tags. This allows the Federal Reserve Banks to record and maintain two balances — *Securities Lent* (total par value of securities lending collateral delivered) and *Securities Borrowed* (total par value of securities lending collateral received) — for each participant. These balances are maintained in terms of the contra for all participants. On each record date, participants’ securities lending balances are identified and will be used to calculate the claims. On payment date the claim adjustments will be made. An adjustment results in the payment of funds from the holder of a *Securities Borrowed* balance to the holder of a *Securities Lent* balance through the Fedwire Securities Service.

Adjustment Related Specifications

Key facts regarding adjustments include:

- Daily securities lending balance report is delivered at the end of the day.
- On the record date, the securities lending balance is used to calculate claims.
- Principal and interest are always paid to the record date holder, followed by separate debit and credit adjustments made on the payment date.

Clearing Memoranda

Further technical and operational details can be found in [Clearing Memo #278 – Enhancing the Automated Claim Adjustment Process](#).

Whom to Call with Questions

If you have any questions or to request copies of the clearing memos, please contact the Fedwire Securities Service contact at the East Rutherford Operations Center at (800)390-2788.

The Fedwire logo, “Fedwire,” “Wired to Deliver,” “FRBservices.org” and the Federal Reserve Financial Services logo are registered service marks of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at FRBservices.org.

O7O104WPO00G4