

Fedwire® Securities Service Automated Claims Adjustment Process (ACAP)



Updated June 2022 to better reflect the current state of ACAP functionality and to include information on upcoming enhancements that can be found on the [ACAP Resources and Implementation Center](#) webpage on FRBservices.org.

The Fedwire Securities Service currently offers the capability to automate claims adjustment payments via Fail Tracking, Interim Accounting, and Repo Tracking on mortgage-backed securities on the Fedwire Securities Service. Beginning January 2023 enhancements to ACAP (CM #278 below) will be implemented in three phases and include shifting the timing and settlement method for claim adjustments and new reporting (Phase 1), expanding ACAP tracking to all coupon-paying securities (Phase 2) and adding securities lending as a transaction type (Phase 3).

Clearing Memoranda

A description of each feature is included in this document. Further technical and operational details on the new features are available in the following clearing memos:

[#219](#) — Fail Tracking

[#220](#) — Interim Accounting

[#221](#) — Repo Tracking

[#226](#) — Additional Information on the New Functionality

[#236](#) — Additional Information on Repo Tracking and Interim Accounting

[#243](#) — Final Payment on Repo Tracking Transactions

[#278](#) — **Enhancing the Automated Claim Adjustment Process (Effective January 30, 2023, this clearing memo will supersede all clearing memos above.)**

The Reserve Banks will publish additional clearing memos and updates to existing memos on FRBservices.org.

Benefits of ACAP Functionality

Fail tracking, interim accounting, and repo tracking 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.

Fail Tracking

Description of Fail Tracking

Fail tracking is an automated process that takes place when the actual settlement date of a transaction is beyond the contract 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's National Settlement Service (NSS).

Adjustment Related Specifications

Key facts regarding adjustments include:

- Only failed transactions that span over one or more record dates result in an adjustment.
- Principal and interest is always paid to the record holder first, followed by separate debit and credit adjustments for the failed trades later in the day on payment date.
- Fail tracking adjustment details are reported at the end of each day for the next day's adjustment payment.

Interim Accounting

Description of Interim Accounting

Interim accounting is an automated tracking process for principal and interest when the beneficiary date occurs on a different date than the record date (i.e., zero-day delay bonds). 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 NSS.

Adjustment Related Specifications

Key facts regarding adjustments include:

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

Repo Tracking

Description of Repo Tracking

Repo tracking is also an automated process for tracking principal and interest as well as for recording “repo-in” and “repo-out” balances of each participant. Fedwire system 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 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 record date, an adjustment occurs based upon a participant’s repo balances. 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 NSS.

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 claim adjustments.
- Proceeds are always paid to the record date holder, with separate debit and credit adjustments on the payment date.

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.