Fedwire® Securities Service
Automated Claim Adjustment Process (ACAP) Enhancement Project Webinar

April 20, 2022
Purpose of the Webinar

The purpose of this webinar is to address any questions related to the ACAP enhancement project and to help customers assess operational and technical implications of the enhancements to their institution.

This deck covers high level information regarding the ACAP enhancements, including the relevant technical changes to the Fedwire Securities Service and possible customer impacts and the phased implementation plan.

The latest information on the ACAP enhancement project can be found on the ACAP Resources and Implementation Center.
About ACAP

• The Fedwire Securities Service offers the capability to automate principal and interest (P&I) payments-related claim adjustments between Fedwire Securities Service participants through ACAP.

• The Federal Reserve Banks assess a fee* for each ACAP transaction that results in a claim adjustment.

• ACAP eliminates the manual process for tracking and clearing securities transaction adjustments and reduces settlement risk of claims amongst participants who adopt the service.

*Prices are available in Fee Schedules on FRBservices.org.
ACAP Today

- ACAP tracks claims related to fail, interim accounting and repo transactions settled over the Service.
- ACAP tracks claims related to Agency mortgage-backed securities (MBS).
- To enable ACAP tracking for fail and repo transactions, the sender of a transfer message needs to include an ACAP field tag in a free text line of the message.
- Claim adjustments are aggregated and netted for each participant by claim type (i.e., fail, interim accounting and repo) at the securities account level.
- Claim adjustments are settled via the National Settlement Service application at approximately 4:30 p.m. ET on payment dates.

**Note:** An overview of the existing ACAP is available in the ACAP product sheet.
ACAP Enhancements

Implement the new method and earlier timing of settling claim adjustments and new reporting.

Expand fail and repo tracking to all coupon-paying securities issued over the Service.

Expand ACAP tracking to securities lending transactions across all coupon-paying securities issued over the Fedwire Securities Service.
### ACAP Implementation Plan

<table>
<thead>
<tr>
<th>Phase 1 (January 30, 2023)</th>
<th>Implement the new method and earlier timing of settling claim adjustments and new reporting.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2 (April 3, 2023)</td>
<td>Expand fail and repo tracking to all coupon-paying securities issued over the Service.</td>
</tr>
<tr>
<td>Phase 3 (August 7, 2023)</td>
<td>Expand ACAP tracking to securities lending transactions across all coupon-paying securities issued over the Service.</td>
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</tbody>
</table>
New Method and Earlier Timing

• Claim adjustments will settle over the Fedwire Securities Service and not via National Settlement Service.

• Claim adjustments will settle at the CUSIP level on a gross basis and no longer be aggregated or netted prior to releasing for settlement.

• Claim adjustments will be made promptly after an issuer’s P&I payments are paid to record-date holders.

• Fail tracking claim adjustments for P&I made prior to or on the settlement date of a fail transaction will be released for settlement at 8:45 a.m. ET on the next business day after the fail transaction is settled over the Fedwire Securities Service.
Updated and New ACAP Statements

• Changes to existing ACAP statements (Phase 1)
  – Repo Balance Statement will group repo-in and repo-out balances by security type (i.e., “Agency MBS”, “Treasury Securities” or “Non-Treasury Debt Securities”).
  – Claim Adjustment Notification for fail, interim accounting and repo will group claim adjustments by P&I obligation.

• New ACAP statements
  – Unprocessed Claim Notification (Phase 1)
  – Securities Lending Balance Statement (Phase 3)
  – Claim Adjustment Notification for securities lending (Phase 3)
Expanding Security and Transaction Types

The table below reflects security and transaction types that will be tracked by ACAP once the ACAP enhancements are made.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Security Type</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coupon-Paying Treasury</td>
<td>Coupon-Paying Non-Treasury Debt</td>
<td>Agency MBS</td>
</tr>
<tr>
<td>Fail</td>
<td>New</td>
<td>New</td>
<td>Existing ACAP functionality</td>
</tr>
<tr>
<td>Interim Accounting</td>
<td>N/A</td>
<td>N/A</td>
<td>Existing ACAP functionality</td>
</tr>
<tr>
<td>Repo</td>
<td>New</td>
<td>New</td>
<td>Existing ACAP functionality</td>
</tr>
<tr>
<td>Securities Lending</td>
<td>New</td>
<td>New</td>
<td>New</td>
</tr>
</tbody>
</table>
Participant Impact

Be prepare to

• Originate and identify all coupon-paying securities transfer messages with an ACAP field tag.
• Originate and identify securities transfer messages with the securities lending field tag.
• Receive the new claim adjustment messages (type code 8908/8909).
• Monitor master account balances for intraday settlement of claim adjustments.
• Handle increased message volume, particularly on peak P&I payment dates
• Receive new and update ACAP specific statements.
• Identify claim adjustment debits and credits in total cash amounts on Fedwire Securities statements and real-time inquiry responses.

Note: See Clearing Memo #278 Enhancing the Automated Claim Adjustment Process for more details on participant impacts.
# ACAP Testing Plan

<table>
<thead>
<tr>
<th>Date/Phase</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July – December 2022</td>
<td>Depository Institution Testing</td>
</tr>
<tr>
<td>January 30, 2023 (Phase 1)</td>
<td>Implement the new method and earlier timing of settling claim adjustments and new reporting.</td>
</tr>
<tr>
<td>TBD</td>
<td>Additional Depository Institution Testing</td>
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ACAP Resources and Implementation Center on FRBservices.org

Current information on the ACAP enhancement project can be found at the ACAP Resources and Implementation Center which includes the following:

- Project timeline
- DIT Testing information
- Communications Center
- Frequently asked questions

More information will be added as the project progresses, including a copy of webinar presentations.
Q&A
ACAP Contact Information

For general ACAP questions, please contact the Federal Reserve Bank of New York – East Rutherford Operations Center: (800) 390-2788

For questions related to the Fedwire Application Interface Manual (FAIM), please contact your designated Wholesale Testing Unit, which can be found on Contact on FRBservices.org.

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