FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212-720-5000

April 1, 1987
Clearing Memo #124

Memorandum to Institutions Maintaining
Direct Wire Facilities With the Federal Reserve
Bank of New York for Securities Transfer

Subject: Reconstitution of Treasury STRIPPED Securities in
           Book-Entry Form

        As detailed in the enclosed Treasury announcement, the
Treasury Department will implement a program to reconstitute
(combine) the Separate Trading of Registered Interest and
Principal of Securities (STRIPS). This program will become
effective May 1, 1987.

I. Reconstitution of STRIPS to Parent Security (Note or Bond)

        Depository institutions (DIs) may only request
reconstitution of those securities that are eligible to be
stripped under the Treasury's STRIPS program.

    A. To initiate a reconstitution, the DI must send a
        separate type code 20 message to FRB NYC/PEND RECON,
        for each corpus (TCAL or TPRN) and interest payment
        (TINTs) associated with the note or bond requested.
        For example, if a bond has twenty interest payments
        outstanding, the DI must send in twenty TINTS and
        one corpus.

        1. These messages must comply with the minimum and
            multiple par amount requirements established for
            STRIPS conversions for that coupon rate.

        2. Each securities transfer message associated with
            a particular reconstitution request must be sent
            from the same ABA number, third party name and
            have the same unique identifier. The unique
            identifier must be 10 characters (alpha and/or
            numeric) in length and is to begin in the first
            position of line 6 of each message (Example 1).

Blanks as filler are acceptable. The identifier cannot be duplicated within the same account (ABA number) and subaccount (General, etc.) for a business day. Duplicate sets of identifiers will be rejected.

3. The FRB NYC/PEND RECON account is to be used solely for reconstitution requests.

4. The closing time for reconstitution requests will be the same as for other type code 20 messages.

5. Each message will be assessed the normal fee applicable to on-line Treasury book-entry securities transfers.

B. The FRBNY will return, via type code 20, the note or bond, from FRB NYC/RECON the next business day. The note or bond will be returned to the exact telegraphic due from description that appeared on the corpus (TCAL or TPRN) message. In addition, the unique identifier supplied by the DI will appear on line 6. (Example 2)

C. If the reconstitution request is incorrect (invalid minimum or multiple amounts, too many or too few TINTS for a request, etc.), the FRBNY will return, via type code 2002, the TCAL or TPRN, and the TINTS, from FRB NYC/PEND RECON on the next business day. Each message will be returned to the exact telegraphic due from description that appeared on the original wire. The unique identifier will appear on line 6 and an error message on line 7. (Example 3)

Note: If a TINT is to mature the next calendar day, it must still be sent to complete the reconstitution request. The FRBNY will send a type code 8906 message on the next business day to the originating DI for the proceeds of the matured TINT.

Questions regarding this announcement should be directed to Mr. Daniel Bolwell, Electronic Operations Officer, on (212) 720-8475 or Michael Mowbray, Special Assistant, on (212) 720-7972.

Sincerely,

Carol W. Barrett
Vice President

Enclosures