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

RE: Book-Entry Services Provided for the Resolution Funding Corporation

The Federal Reserve Banks have been named fiscal agent with respect to securities issued by the Resolution Funding Corporation. In this connection, REFCORP will begin issuing long-term bonds in the near future. The bonds will also be eligible for stripping and reconstitution through the Federal Reserve Bank of New York.

Transfers of REFCORP bonds and stripped REFCORP bonds will be governed by the same procedures and prices applicable to transfers of other book-entry securities and will be transferable nationwide upon issuance. The ABA number assigned to REFCORP is 0210-3885-7 and the telegraphic name will be REFCORP.

A. Cusip Number/Security Description

Each security will be assigned a unique nine character CUSIP number. The security description field (line 8 of the securities message) will include the Alpha mnemonic (RFBD), the interest rate and the month and maturity year, i.e., NN,NN RFBD MM/DD/YY. With regard to stripping, the corpus (principal) component (RFPR or RPCP if the security is callable) and the semi-annual interest components (RFINs) will be assigned separate CUSIP numbers. A generic CUSIP numbering system will be used for the interest components; that is, the same CUSIP number will be assigned to all interest components paying interest on the same date. The corpus description will read: NN,NN RFPR YY A (or) NN,NN RFCP CC-YY A The interest security description will read: RFIN MM/DD/YY (maturity date)

B. Denominations

The minimum and multiple denominations for these securities will be announced with each new issue.
C. Original Issue

On the original issue settlement date, REFCORP will transmit the securities through the securities transfer system to depository institutions (DIS). The original issue will be effected by sending a type code 25 message (Reversal Code 2502) which will transfer the securities against payment to the purchaser's account from REFCORP's Issuer account. REFCORP will not be issuing stripped securities directly on original issue.

D. Secondary Market Transactions

DIS will be able to conduct secondary market transactions for REFCORP securities nationwide upon issuance. These transfers will be effected using the standard type code 20 format.

E. Principal and Interest Payments

The principal and/or interest payments will be automated. On the payments date, the FRBNY will wire the proceeds, via type codes 89 and 8906 respectively, to book-entry account holders. The procedures for processing these payments will be the same as those presently in place for effecting payments for other book-entry securities.

F. Conversion into Strips

The procedures for REFCORP strip requests are similar to the procedures for stripping Treasury securities with the exception that the components will be returned as type code 25's versus the type code 20's used when returning Treasury components. Requests may be submitted to strip a bond into its components at any time from the issue date until maturity.

1) Beginning on the original issue date, eligible securities may be converted to stripped form at the option of the Depository Institution (DI) in whose account the securities are maintained.

2) To initiate a conversion, a DI must send a type code 20 message, free of payment, to FRB NYC/STRIP, for the particular security.

3) The message must comply with the minimum and multiple par amount requirements established for that coupon rate.
4) The FRB NYC/STRIP account is to be used solely for strip requests.

5) Strip requests are not priced.

6) The closing time for strip requests will be 11:30 a.m. EST.

7) The FRBNY will return the same business day, via type code 25, the RFPR or RFCP, and the appropriate number of RFINS, from REFCORP's "Issuer" subaccounts. The corpus will be sent from REFCORP/ISSUER CORPUS and the interest components from REFCORP/ISSUER INTS. All stripped securities will be returned to the exact telegraphic due from description that appeared on the original message. Therefore, DIS may wish to include additional text on line 4 after the third-party name (not more than 40 characters) in order to control matching of the returned corpus and interest components. The type code 25 messages will indicate on line 6 the date of the conversion to strip form and that it is a STRIP request. This is to help distinguish a strip request from an original issue message. In addition, a Federal Reserve Bank control number followed by the security description of the parent with the word interest or corpus, indicating the component, will appear on line 7 of the message.

8) Invalid requests (e.g., improper par amount) will be returned via a type code 2002 due from FRB NYC/STRIP. An error description will be placed on line 7 of the securities message.

G. Principal and/or Interest Payments

All RFPR and RFCP payments will be made via type code 89, as is the current practice. The RFCP will have associated interest payments between the callable date and the maturity date. These interest payments will be made via type code 8906, as is the current practice. Note: The semi-annual interest payment (RFIN) will be processed as a maturing security.

H. TRANSFER

Once a REFCORP security has been stripped, each interest and principal component may be maintained and transferred in multiples different than the par amount initially required for separation. The new securities (RFPR or RFCP and RFIN) will be eligible for transfer in minimum and multiple amounts of $1,000.
Reconstitution Requests

The procedures for REFCORP reconstitution requests are similar to the procedures for reconstituting Treasury securities with the exception that the reconstituted security will be returned as a type code 25 instead of a type code 20.

1) To initiate a reconstitution request, the DI must send a type code 20 message, free of payment, to FRB NYC/PEND RECON, for each corpus (RFPR OR RFCP) and all interest payments (RFINs) associated with the bond requested. For example, if a bond has twenty interest payments outstanding, the DI must send in twenty RFINs and one corpus.

2) These messages must comply with the minimum and multiple par amount requirements established for that coupon rate.

3) 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 must begin in the first position on Line 6 of each message. Blanks as filler are acceptable. The identifier cannot be duplicated within the same account (ABA Number) and subaccount (General, etc.) for a business day. Duplicating sets of identifiers will be rejected. Note: The same identifier cannot be used for Treasury and non-Treasury requests during the same business day.

4) The FRB NYC/PEND RECON subaccount is to be used solely for reconstitution requests.

5) The closing time for reconstitution requests will be 11:30 a.m. EST.

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

7) The FRBNY will return the bond the same business day, via Type Code 25, from REFCORP/ISSUER. The bond will be returned to the exact telegraphic due from description that appeared on the corpus (RFPR or RFCP) message. In addition, the unique identifier followed by the phrase "Reconstitution Request" will appear on Line 6.
8) If the reconstitution request is incorrect (invalid minimum or multiple amounts, too many or too few interest components, etc.), the FRB NY will return, via type code 2002, the corpus (RFPR or RFCP) and the interest components (RFINs) from FRB NYC/PEND RECON on the same 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.

Questions regarding this announcement should be directed to Patricia Hilt-Lupack, Manager, Securities Transfer Department at the Federal Reserve Bank of New York on (212) 720-5379.

Sincerely,

Carol W. Barrett
Vice President