

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

February 4, 1992
Clearing Memo # 171

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

RE: Book-Entry Securities Provided for Tennessee Valley
Authority

The Tennessee Valley Authority (TVA) will begin stripping and reconstituting their future issuances of Bonds through the Federal Reserve Bank of New York in the near future.

The software to support the stripping and reconstitution of TVA securities was modeled after the Treasury's STRIPS program. Transfers of stripped TVA securities will be governed by the same procedures and prices applicable to transfers of other non-Treasury book-entry securities and will be transferable nationwide upon issuance.

A. CUSIP Number/Security Description

The corpus (principal) component (TVPR or TVCP if the security is callable) and the semi-annual interest components (TVINs) 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.NNN TVPR YY A (or) NN.NNN TVCP CC-YY A. The interest security description will read: TVIN MM/DD/YY (maturity date).

B. Denominations

In order for TVA's book-entry securities to be separated into their component parts, the request must comply with the minimum and multiple par amounts established for the coupon rate of the security being stripped.

C. Conversion into STRIPS

The procedures for TVA STRIP requests are similar to the procedures for stripping Treasury securities with the exception that the components will be returned as type code 25s versus the type code 20s used when returning Treasury components.

1. 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. E.S.T. daily. However, on Wednesdays (or Thursday if Wednesday is a holiday) STRIP wire requests received between 8:30 and 9:30 a.m. E.S.T. will be processed by this Bank and returned to the sender by approximately 10:30 a.m. E.S.T. that same day.
7. The FRBNY will return the same business day, via type code 25, the TVPR or TVCP, and the appropriate number of TVINS from TVA's "Issuer" subaccounts. The corpus will be sent from TVA/ISSUER CORPUS and the interest components from TVA/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 from FRB NYC/STRIP. An error description will be placed on line 7 of the securities message.

D. Principal and/or Interest Payments

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

E. Transfer

Once a TVA 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 (TVPR or TVCP and TVIN) will be eligible for transfer in minimum and multiple amounts of \$1,000.

F. Reconstitution Requests

The procedures for TVA 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 (TVPR or TVCP) and all interest payments (TVINs) associated with the request. For example, if the security has twenty interest payments outstanding, the DI must send in twenty TVINs 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. Duplicate 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. E.S.T.
6. Each message will be assessed the normal fee applicable to on-line book-entry securities transfers.
7. The FRBNY will return the security, the same business day, via Type Code 25, from TVA/ISSUER. The security will be returned to the exact telegraphic due from description that appeared on the corpus (TVPR or TVCP) 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 FRBNY will return, via type code 2002, the corpus (TVPR or TVCP) and the interest components (TVINs) 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,



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Vice President
Funds and Securities Group