

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

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HENRY F. WIENER
VICE PRESIDENT

December 3, 1996
Clearing Memo #198

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

RE: Stripping Inflation-Indexed Treasury Securities

As announced in our Clearing Memo #197, dated
October 25, 1996, the Treasury will begin issuing a new market-
able book-entry security which is indexed to the CPI-U. These
securities will be eligible for stripping at issuance.

The following outlines the book-entry procedures
associated with stripping these new Treasury securities.

A. CUSIP NUMBERS/SECURITY DESCRIPTION

a. Notes

The corpus (principal) component (TPIN) and the
semi-annual interest components (TIINs) will be
assigned separate CUSIP numbers.

The corpus description will read:

NN n/n TPIN A YY

The interest security description will read:

TIIN A YY MM/DD/YY (maturity date).

b. Bonds

The corpus (principal) component (TPIB) and the semi-annual interest components (TIIBs) will be assigned separate CUSIP numbers.

The corpus description will read:

NN TPIB YY

The interest security description will read:

TIIB YY MM/DD/YY (maturity date).

Each interest component stripped from these indexed Notes and Bonds will have a unique CUSIP number that is different from the CUSIP number of any interest component stripped from different securities, even if the components have the same maturity date.

B. DENOMINATIONS

For these Treasury securities to be stripped into their component parts, the original par amount (not adjusted for inflation) must comply with the minimum and multiple requirements established for that coupon rate in order to produce semi-annual interest payments (TIINs and TIIBs) in multiples of \$1000.00 (see attachment).

C. CONVERSION INTO STRIPS

The procedures for these Treasury STRIP requests are the same as the procedures for stripping existing Treasury issues. In the event of a long or short initial interest payment, the security cannot be stripped until after the first interest payment.

1. Eligible securities may be converted to stripped form at the option of the Depository Institution (DI) holding the security.
2. To initiate a conversion, a DI must send a Type Code 2000 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 (see attachment).
4. The FRB NYC/STRIP account is to be used solely for STRIP requests.
5. STRIP requests will be assessed the normal fee applicable to book-entry securities transfer originations.
6. The closing times for STRIP requests will be 9:30 and 11:30 a.m. Eastern Time (E.T.) daily. (Reference Clearing Memo #185 dated March 25, 1994).
7. The FRBNY will return the TPIN or TPIB and the appropriate number of TIINs or TIIBs from FRB NYC/STRIP on the same business day, via Type Code 2000. 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 the matching of the returned corpus and interest components. The Type Code 2000 messages will indicate on line 6 the date of the conversion to STRIP form and that it is a STRIP request. 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

a. Note/Bond Redemption

At maturity, the holder of a principal component (TPIN or TPIB) will receive the inflation-adjusted principal value or the par amount, whichever is greater. The principal payment will be determined by multiplying the par by the index ratio which will be reflected as the "MATURITY FACTOR" on the broadcast approximately five business days prior to the payment date. The principal payment will be made via Type Code 8900 as is the current practice.

b. STRIPS Redemption

STRIP interest payments, will be based on the inflation-adjusted principal value. The semi-annual interest payments (TIIN or TIIB) will be processed as a maturing security. At maturity, the payment to the holder will be determined by multiplying the par of the STRIP by the index ratio which will be reflected as the "MATURITY FACTOR" on the broadcast approximately five business days prior to the interest payment date. The STRIP interest payment will be made via Type Code 8900 as is the current practice.

(See Clearing Memo #197 for the formulas and examples for principal and interest payments).

E. TRANSFERS

Once these Treasury securities have been stripped, each interest and principal component can be maintained and transferred in multiples different from the par amount initially required for separation. The new securities (TPIN, TPIB, TIIN and TIIB) will be eligible for transfer at par in minimum and multiple amounts of \$1000.

F. RECONSTITUTION REQUESTS

The procedures for reconstitution of these securities are similar to the procedures for reconstituting existing Treasury securities with one exception. The interest components (TIINs and TIIBs) are NOT generic. Interest components

stripped from inflation-indexed securities are different from interest components stripped from fixed-principal securities (TINTs) and accordingly are not interchangeable. Also, interest components stripped from one inflation-indexed security are not interchangeable, for reconstitution purposes, with interest components stripped from a different inflation-indexed security.

1. To initiate a reconstitution request, the DI must send a Type Code 2000 message, free of payment, to FRB NYC/PEND RECON, for each corpus (TPIN or TPIB) and all interest payments (TIINs or TIIBs) associated with the request. For example, for a Treasury inflation-indexed note, if the security has twenty interest payments outstanding, the DI must send in twenty TIINs 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

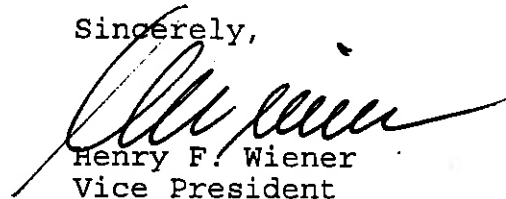
duplicated within the same account (ABA Number) and subaccount (General, etc.) for a business day. Duplicate sets of identifiers will be rejected. Note: The same identifier cannot be used for Treasury and non-Treasury requests during the same business day.

4. The FRB NYC/PEND RECON subaccount is to be used solely for reconstitution requests.
5. The closing times for reconstitution requests will be 9:30 a.m. E.T., 11:00 a.m. E.T., and 12:30 p.m. E.T. (Reference Clearing Memo #186 dated October 31, 1994).
6. Each message will be assessed the normal fee applicable to on-line book-entry securities transfer originations.
7. The FRBNY will return the security, on the same business day, via Type Code 2000, from FRB NYC/RECON. The security will be returned to the exact telegraphic due from description that appeared on the corpus (TPIN or TPIB) 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 (TPIN or TPIB) and the interest components (TIINs or TIIBs) 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 Gerald V. Lombardo, Electronic Payments Officer, Securities Transfer Department at (212) 720-5380.

Sincerely,



Henry F. Wiener
Vice President
Electronic Payments Function

Attachment

MINIMUM PAR AMOUNTS FOR STRIPS

MINIMUM FACE AMOUNTS WHICH ARE MULTIPLES OF \$1000 REQUIRED IN ORDER TO PRODUCE INTEREST PAYMENTS THAT ARE MULTIPLES OF \$1000.

COUPON (%)	MINIMUM FACE (\$)	INTEREST PAYMENT (\$)	COUPON (%)	MINIMUM FACE (\$)	INTEREST PAYMENT (\$)	COUPON (%)	MINIMUM FACE (\$)	INTEREST PAYMENT (\$)
0.125	1600000.00	1000.00	6.875	320000.00	11000.00	13.625	1600000.00	109000.00
0.250	800000.00	1000.00	7.000	200000.00	7000.00	13.750	160000.00	11000.00
0.375	1600000.00	3000.00	7.125	1600000.00	57000.00	13.875	1600000.00	111000.00
0.500	400000.00	1000.00	7.250	800000.00	29000.00	14.000	100000.00	7000.00
0.625	320000.00	1000.00	7.375	1600000.00	59000.00	14.125	1600000.00	113000.00
0.750	800000.00	3000.00	7.500	80000.00	3000.00	14.250	800000.00	57000.00
0.875	1600000.00	7000.00	7.625	1600000.00	61000.00	14.375	320000.00	23000.00
1.000	200000.00	1000.00	7.750	800000.00	31000.00	14.500	400000.00	29000.00
1.125	1600000.00	9000.00	7.875	1600000.00	63000.00	14.625	1600000.00	117000.00
1.250	160000.00	1000.00	8.000	25000.00	1000.00	14.750	800000.00	59000.00
1.375	1600000.00	11000.00	8.125	320000.00	13000.00	14.875	1600000.00	119000.00
1.500	400000.00	3000.00	8.250	800000.00	33000.00	15.000	40000.00	3000.00
1.625	1600000.00	13000.00	8.375	1600000.00	67000.00	15.125	1600000.00	121000.00
1.750	800000.00	7000.00	8.500	400000.00	17000.00	15.250	800000.00	61000.00
1.875	320000.00	3000.00	8.625	1600000.00	69000.00	15.375	1600000.00	123000.00
2.000	100000.00	1000.00	8.750	160000.00	7000.00	15.500	400000.00	31000.00
2.125	1600000.00	17000.00	8.875	1600000.00	71000.00	15.625	64000.00	5000.00
2.250	800000.00	9000.00	9.000	200000.00	9000.00	15.750	800000.00	63000.00
2.375	1600000.00	19000.00	9.125	1600000.00	73000.00	15.875	1600000.00	127000.00
2.500	80000.00	1000.00	9.250	800000.00	37000.00	16.000	25000.00	2000.00
2.625	1600000.00	21000.00	9.375	64000.00	3000.00	16.125	1600000.00	129000.00
2.750	800000.00	11000.00	9.500	400000.00	19000.00	16.250	160000.00	13000.00
2.875	1600000.00	23000.00	9.625	1600000.00	77000.00	16.375	1600000.00	131000.00
3.000	200000.00	3000.00	9.750	800000.00	39000.00	16.500	400000.00	33000.00
3.125	64000.00	1000.00	9.875	1600000.00	79000.00	16.625	1600000.00	133000.00
3.250	800000.00	13000.00	10.000	20000.00	1000.00	16.750	800000.00	67000.00
3.375	1600000.00	27000.00	10.125	1600000.00	81000.00	16.875	320000.00	27000.00
3.500	400000.00	7000.00	10.250	800000.00	41000.00	17.000	200000.00	17000.00
3.625	1600000.00	29000.00	10.375	1600000.00	83000.00	17.125	1600000.00	137000.00
3.750	160000.00	3000.00	10.500	400000.00	21000.00	17.250	800000.00	69000.00
3.875	1600000.00	31000.00	10.625	320000.00	17000.00	17.375	1600000.00	139000.00
4.000	50000.00	1000.00	10.750	800000.00	43000.00	17.500	80000.00	7000.00
4.125	1600000.00	33000.00	10.875	1600000.00	87000.00	17.625	1600000.00	141000.00
4.250	800000.00	17000.00	11.000	200000.00	11000.00	17.750	800000.00	71000.00
4.375	320000.00	7000.00	11.125	1600000.00	89000.00	17.875	1600000.00	143000.00
4.500	400000.00	9000.00	11.250	160000.00	9000.00	18.000	100000.00	9000.00
4.625	1600000.00	37000.00	11.375	1600000.00	91000.00	18.125	320000.00	29000.00
4.750	800000.00	19000.00	11.500	400000.00	23000.00	18.250	800000.00	73000.00
4.875	1600000.00	39000.00	11.625	1600000.00	93000.00	18.375	1600000.00	147000.00
5.000	40000.00	1000.00	11.750	800000.00	47000.00	18.500	400000.00	37000.00
5.125	1600000.00	41000.00	11.875	320000.00	19000.00	18.625	1600000.00	149000.00
5.250	800000.00	21000.00	12.000	50000.00	3000.00	18.750	32000.00	3000.00
5.375	1600000.00	43000.00	12.125	1600000.00	97000.00	18.875	1600000.00	151000.00
5.500	400000.00	11000.00	12.250	800000.00	49000.00	19.000	200000.00	19000.00
5.625	320000.00	9000.00	12.375	1600000.00	99000.00	19.125	1600000.00	153000.00
5.750	800000.00	23000.00	12.500	16000.00	1000.00	19.250	800000.00	77000.00
5.875	1600000.00	47000.00	12.625	1600000.00	101000.00	19.375	320000.00	31000.00
6.000	100000.00	3000.00	12.750	800000.00	51000.00	19.500	400000.00	39000.00
6.125	1600000.00	49000.00	12.875	1600000.00	103000.00	19.625	1600000.00	157000.00
6.250	32000.00	1000.00	13.000	200000.00	13000.00	19.750	800000.00	79000.00
6.375	1600000.00	51000.00	13.125	320000.00	21000.00	19.875	1600000.00	159000.00
6.500	400000.00	13000.00	13.250	800000.00	53000.00	20.000	10000.00	1000.00
6.625	1600000.00	53000.00	13.375	1600000.00	107000.00			
6.750	800000.00	27000.00	13.500	400000.00	27000.00			