

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

February 21, 1997
Clearing Memo #203

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

RE: Book-Entry Services Provided for the Federal Farm
Credit Banks

The Federal Farm Credit Bank (Farm Credit) will begin issuing inflation-indexed marketable securities in book-entry form in the near future. In this connection, the Federal Reserve Banks have been named fiscal agent with respect to these obligations.

The new inflation-indexed securities will be issued with a stated fixed rate of interest to be applied to the inflation-adjusted principal on each interest payment date. They will be redeemed at maturity at their inflation-adjusted principal amount or at par, whichever is greater.

The new securities will be processed by the Federal Reserve operated book-entry securities transfer system. Transfers of these obligations will be governed by the same procedures and fees applicable to transfers of other book-entry securities. These obligations are transferable nationwide upon issuance and will be eligible for stripping at issuance.

A. CUSIP NUMBERS/SECURITY DESCRIPTIONS

The bond (note), corpus component and the semi-annual interest components will be assigned unique nine character CUSIP numbers. The security description field (line 8 of the securities message) for each security type will be as follows:

Inflation-Linked Bonds the bond will include the interest rate, the alpha mnemonic *FCIB*, the maturity year and series.

An example of this is "NN.NNN *FCIB* YY A".

The corpus (principal) component (*FCIP* or *FCIC* if callable) will read: "NN.NNN *FCIP* YY A".

The semi-annual interest components (*FCII*) will read:
"*FCII YY MM/DD/YY A*".

Inflation-Linked Notes the note will include the interest rate, the alpha mnemonic *FCLN*, the maturity year and series.

An example of this is "*NN.NNN FCLN YY A*".

The corpus (principal) component (*FCLP* or *FCLC* if callable) will read: "*NN.NNN FCLP YY A*".

The semi annual interest components (*FCLI*) will read:
"*FCLI YY MM/DD/YY A*".

B. *DENOMINATIONS*

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

C. *ORIGINAL ISSUES*

On the original issue settlement date, Farm Credit 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 Farm Credit's issuer account.

D. *SECONDARY MARKET TRANSACTIONS*

Transfer will be at par amount and effected using the standard Type Code 2000 messages, and will be governed by the same procedures and fees applicable to transfers of other Farm Credit book-entry securities.

E. *PRINCIPAL AND INTEREST PAYMENTS*

The principal and interest payments for these securities will be automated. On the payment date, the FRBNY will wire the proceeds, via Type Code 8900 and 8906 respectively, to book-entry account holders.

Principal (Note/Bond Redemption)

Principal payments will be made at maturity. The principal payment will be determined by multiplying the par by the index-ratio which will be reported as the "MATURITY FACTOR" in the broadcast, payment wires and credit advices. The same factor will be used for both the final maturity payment and the final interest payment.

Interest

FRBNY will broadcast the index ratio as the "BOOK VALUE FACTOR" approximately five business days prior to the interest payment date. Interest payments will be based on the security's inflation-adjusted principal at the time interest is paid. This adjustment is made by multiplying the par amount of the security by the applicable index ratio.

F. CONVERSION INTO STRIPS (Fixed Rate Only)

For these Farm Credit 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 (FCIIs and FCLIs) in multiples of \$1000.00.

The procedures for these Farm Credit STRIP requests are the same as the procedures for stripping existing Farm Credit issues.

Principal (Corpus Redemption)

At maturity, the holder of a principal component (FCIP or FCLP) 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.

STRIPS Redemption

STRIP interest payments will be based on the inflation-adjusted principal value. The semi-annual interest payments (FCII or FCLI) 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.

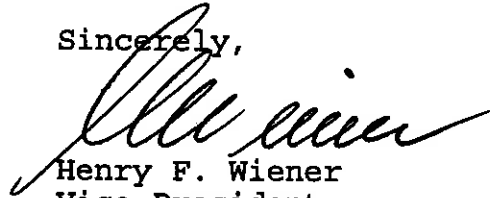
G. RECONSTITUTION REQUESTS

The procedures for reconstitution of these securities are similar to the procedures for reconstituting existing Farm Credit securities with one exception. The interest components (FCIIs or FCLIs) are NOT GENERIC. Interest components stripped

from fixed-principal securities (FCINs) or from different
inflation-indexed securities are not interchangeable for
reconstitution.

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