Federal Reserve Banks

Boston                       Richmond                      Minneapolis
New York                     Atlanta                        Kansas City
Philadelphia                 Chicago                        Dallas
Cleveland                    St. Louis                      San Francisco

June 26, 2002
Clearing Memorandum #238

TO:                         All Fedwire Securities Service Participants
FROM:                       Gail Armendinger, Electronic Payments Officer
                             Electronic Payments Department
                             Federal Reserve Bank of New York
SUBJECT:                    Unilateral Repo Adjustments

As previously announced in Clearing Memorandum #236, Fedwire® Securities Service participants will be permitted on payment date to unilaterally cancel a preauthorized debit associated with a Repo Claim Adjustment to another Fedwire participant. This will be done by submitting a Unilateral Adjustment Request to the Federal Reserve, with the understanding that the Fedwire participant sending the request has not notified the Fedwire participant counterparty and has no agreement from that counterparty. Fedwire participants will also be able to reinstate the payment of the preauthorized debit associated with a Repo Claim Adjustment to another Fedwire participant. Detailed below are the procedures to effect these adjustment requests.

Operating Circular No. 7, “Book-Entry Securities Maintenance and Transfer Services,” will reflect that the Federal Reserve accepts unilateral requests to cancel or reinstate a payment of the preauthorized debit associated with a Repo Claim Adjustment to another Fedwire participant. Revisions to Operating Circular 7 will be made in the near future. The current Operating Circular No. 7 is posted to the Financial Services web-site (www.fbservices.org).

A. Request Messages

1. Unilateral Request: Cancel Payment Message

The Federal Reserve will only accept a unilateral request to cancel or reinstate payment on a Repo claim adjustment via the type code 2090 service message for the current payment date. Only one request per message is permitted. The request will be accepted on payment date only up until 11:00am ET. The submitter, Bank A, will send the 2090 service message to the FRB NYC/UADJ (see attachment 1 for an example). The request should be sent using the normal delivery instructions contained in a repo securities transfer message.

In addition, the submitter must include in free text line 1, the following information in the order listed:

Dollar Amount of cancelled/reinstated payment
Payment date (PD: mmddyy)
Submitter ABA number
Submitter bank name
Submitter securities account
3rd party info (if available)

In the "Sending Bank Info" field on line 4, please include a contact name and phone number. If omitted the request will be returned as "missing required info" (see section C – Denial Messages).

* Fedwire is a registered trademark of the Federal Reserve Banks.
The submitter must also include in free text line 2, the Counterparty information in the order listed:

Counterparty ABA number
Counterparty bank name
Counterparty securities account and/or 3rd party info
Counterparty contact name and phone number (if available)

2. Unilateral Request: Reinstatement Payment Message

To reinstate a payment, the original Fedwire Participant that submitted the Cancel Payment Request, must send a 2090 service message to the FRB NYC/UADJ, with all the information from the original request and also include in the “Sending Bank Info” field on line 4, the following “UNI REIN REQ” (see attachment 1).

B. Confirmation Messages

1. Unilateral Request: Cancel Payment Message

The Federal Reserve will send a 2090 service message confirming that a Unilateral request has been received and processed to both Fedwire Participant A and Fedwire Participant B. The message will be sent from FRB NYC/UADJ. This confirmation will be sent by 12:00pm ET on the same business day of receipt of the request (see attachment 2 for an example). The message will include all the information on the original request, and the following in the “Sending Bank Info” field on line 4:

For the Submitter Bank  
Unilateral Cancel Payment Request Received and Processed  
UNI CANC RCD AND PRC

For the Counterparty Bank  
Unilateral Cancel Payment Requested Processed  
UNI CANC REQ PRC

2. Unilateral Request: Reinstatement Payment Message

The Federal Reserve will send a 2090 service message confirming that the Unilateral Adjustment request has been reinstated to both Fedwire Participant A and Fedwire Participant B from FRB NYC/UADJ. This confirmation will be sent by 12:00 pm ET on the same business day of receipt of the request (see attachment 3 for an example). The message will include all the information on the original request, and the following in the Sending Bank Info line:

For the Submitter Bank  
Unilateral Adjustment Reinstatement Request Received and Processed  
UNI REIN RCD AND PRC

For the Counterparty Bank  
Unilateral Adjustment Reinstatement Request Processed  
UNI REIN REQ PRC

C. Denial Messages

Unilateral Request Denial Message

Unilateral requests may be denied for the reasons listed below. If this occurs, a 2090 service message will be sent to the submitter indicating the reason in the Sending Bank Info field on line 4, that the request has been denied:

PAST CUT OFF
The 2090 service message is received after 11:00 am, ET on the payment date (see attachment 4 for an example).
MISSING REQUIRED INFO
The 2090 service message is missing or has incomplete information on section A.

INCORRECT AMOUNT
The "dollar amount" to be cancelled on the 2090 service message is greater than the preauthorized debt amount.

If you have any questions, please call the Federal Reserve Bank of New York at (201) 531-3341.

Attachments
Unilateral Process for Repo Adjustment: Payment Date Only
Attachment 1

2090 Service Message Examples - Unilateral Requests

Cancel Payment Request

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BANK A / DEALER / SND BK JANE SMITH 212-765-4321
FRB NYC / UADJ

Free Text......
$200,000,000 PD:031502 From 123456789 BANK A /Securities Acct/ 3rd Party Name
To 123498765 BANK B / Securities Acct or 3rd party name / JOHN DOE 212-1234-5678

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<th>Description</th>
<th>Par</th>
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Reinstate Payment Request

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BANK A / DEALER / UNI REIN REQ
FRB NYC / UADJ

Free Text......
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Unilateral Process for Repo Adjustment: Payment Date Only

Attachment 2

2090 Service Message Example – Confirmation Messages

Cancel Payment Request

To Submitter

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OMAD

To Counterparty

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OMAD
Unilateral Process for Repo Claim Adjustments: Payment Date Only

Attachment 3

2090 Service Message Example – Confirmation Messages

Reinstate Payment Message

To Submitter

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Unilateral Process for Repo Claim Adjustments: Payment Date Only

Attachment 4

Service Message Example - Denial Message

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To 1234987565 BANK B / Securities Acct or 3rd party name / JOHN DOE 212-1234-5678

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