



## Federal Reserve Banks

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

July 12, 2017

Clearing Memo #267

TO: All Fedwire<sup>®</sup> Securities Service Participants

SUBJECT: Real-Time Processing of Strip and Reconstitution Requests and Expansion of Strip and Reconstitution Processing Hours

In an effort to improve the Fedwire Securities Service, beginning on Tuesday, October 10, 2017, the Federal Reserve Banks will change how they process strip and reconstitution requests for eligible Fedwire securities. Rather than the current batch process, strip and reconstitution requests will be processed in real time. That is, in the case of a strip request, the Federal Reserve Banks will transfer the resulting securities components to the requesting Fedwire Securities Service participant promptly after they receive a valid securities transfer request to strip a security. In the case of a reconstitution request, the Federal Reserve Banks will transfer the reconstituted security promptly after they receive a complete set of valid securities transfers requesting that the components be reconstituted.

In addition, effective October 10, 2017, the hours during which the Federal Reserve Banks will process strip and reconstitution requests will be extended. The new processing hours effective that date will be from 8:30 a.m. ET to 1:30 p.m. ET on Fedwire Securities Service business days.

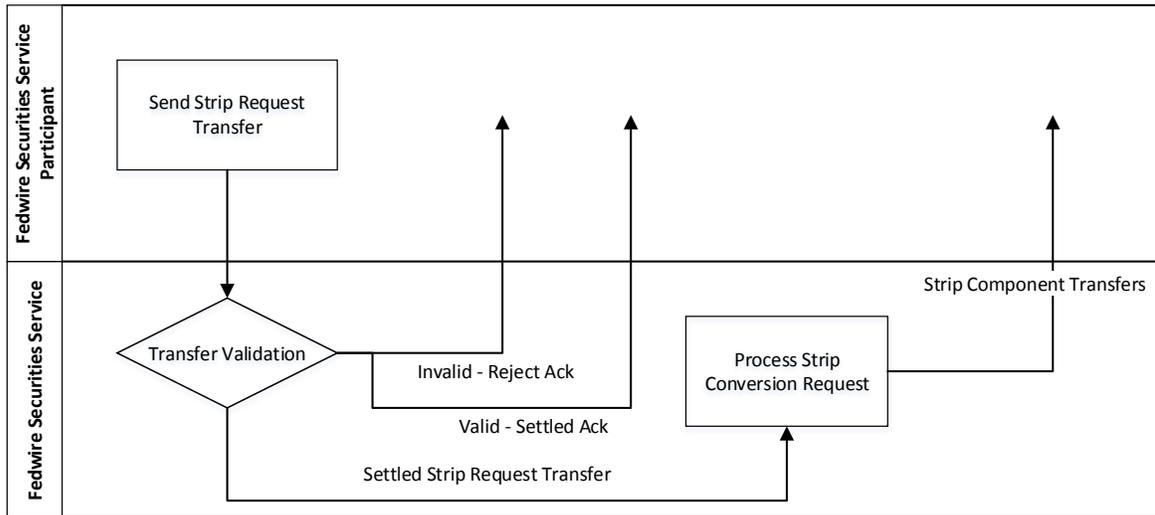
### A) Processing Details

#### Strip Requests

- 1) The process to request to strip a security will remain the same as it is today. A Fedwire Securities Service participant sends a securities transfer request to strip an eligible Fedwire security using a Securities Transfer Type Code 2000 message to transfer the security free of payment to the FRB NYC/STRIP securities account.

The securities transfer message must pass all transfer edits. If the message fails to pass all transfer edits, the transfer message is rejected back to the Fedwire sender with an applicable error code and associated error description. Beginning with the new real-time process, these will include the new error codes and descriptions detailed in section B below. If the message passes all transfer edits, the security will be transferred from the Fedwire sender's securities account to the FRB NYC/STRIP securities account.

- 2) Under the new process, once an eligible security has been transferred to the FRB NYC/STRIP securities account, the Fedwire Securities Service will automatically process the strip request and transfer the resulting securities components to the requesting participant's securities account from which the security was transferred.



### **Reconstitution Requests**

- 1) The process to request that a security be reconstituted will remain the same as it is today. A Fedwire Securities Service participant sends a securities transfer request using a Securities Transfer Type Code 2000 message for the principal component and for each unmatured interest component related to the fully constituted security to transfer the component free of payment to the FRB NYC/PEND RECON securities account. All the reconstitution securities transfer messages sent from the same securities account (or third party) associated with a particular reconstitution request must contain the same, unique control number (the first 10 characters in Free Text Line 1).

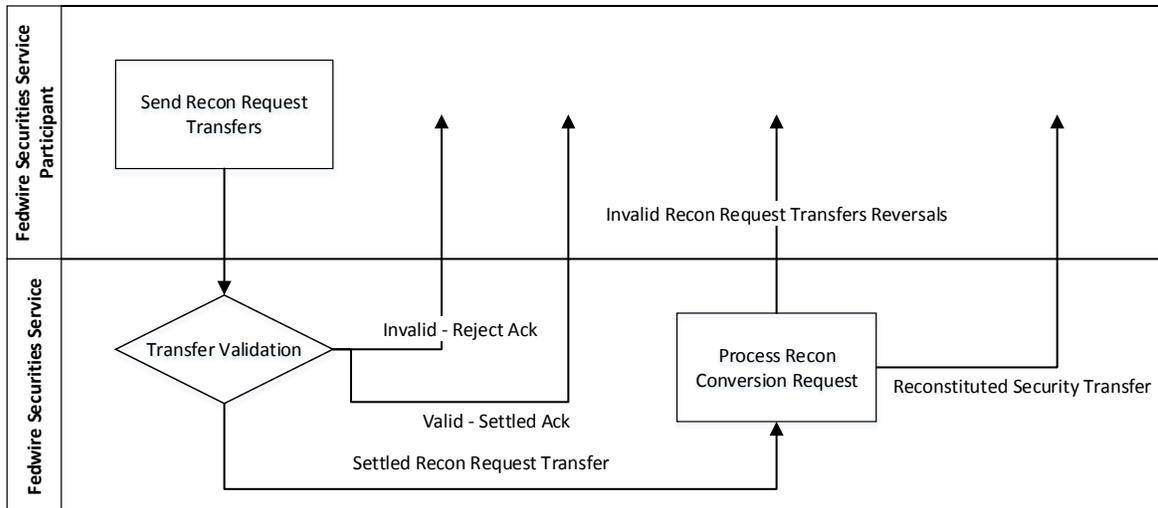
Beginning with the new real-time process, a control number previously used for a reconstitution request that was successfully completed or reversed cannot be reused for a new request sent from the same securities account (or third party) on the same Fedwire Securities Service business day.

Each securities transfer message must pass all transfer edits. If a message fails to pass all transfer edits, the transfer message is rejected back to the Fedwire sender with an applicable error code and associated error description. Beginning with the new real-time process, these will include the new error codes and descriptions detailed in section B below. If a message passes all transfer edits, the security component will be transferred from the Fedwire sender's securities account to the FRB NYC/PEND RECON securities account.

- 2) As each security component is received in the FRB NYC/PEND RECON securities account, it is bundled with all other reconstitution request messages with the same control number received up to that point and validated as a group to determine if all the required components

necessary to reconstitute the security have been received. This is known as the reconstitution group validation edit (see section B for details).

- If all required components have been received and the messages all passed the reconstitution group validation edit, the Fedwire Securities Service will automatically process the reconstitution request and transfer the reconstituted security to the requesting participant's securities account from which the security was transferred.
- If one or more components is missing but all the messages received up to that point have passed the reconstitution group validation edit, the Fedwire Securities Service will pend the reconstitution request until the missing components are received in the FRB NYC/PEND RECON securities account and the associated messages have all passed the reconstitution group validation edit. If the missing components are not received by the closing time for strip and reconstitution processing (1:30 p.m. ET), the Fedwire Securities Service will send back to the Fedwire sender all of the securities components received into the FRB NYC/PEND RECON securities account using a separate Securities Transfer Reversal Type Code 2002 message for each component.
- If any of the reconstitution request messages with the same control number fail the reconstitution group validation edit, the Fedwire Securities Service will send back to the Fedwire sender all of the securities components received into the FRB NYC/PEND RECON whose messages included that control number using a separate Securities Transfer Reversal Type Code 2002 message for each component.



**B) Strip and Reconstitution Request Validation**  
**Strip and Reconstitution Transfer Validation Error Table**

The table below lists the new error codes and associated error descriptions (with the reason for rejecting a message) that will be introduced when real-time processing is implemented.

<b>Error Code</b>	<b>Short Error Description</b>	<b>Reason for Rejection</b>
<i>E757</i>	SCTY NOT STRIPPABLE	Security is not eligible for stripping
<i>E758</i>	STRIP PAR NOT VALID	Par amount must be a valid multiple for stripping
<i>E761</i>	SCTY N/A FOR RECON	Security is not eligible for reconstitution

**Reconstitution Group Validation Error Table**

The table below lists the error information that will be included in a Securities Transfer Reversal Type Code 2002 message if a reconstitution request is reversed as a result of the reconstitution group validation edit. The error description in the first column will be included in Free Text Line 2 of the reversal message.

<b>Error Description (Transfer Reversal Message Free Text Line 2)</b>	<b>Reason for Reversal</b>	<b>Action Taken on Reconstitution Request</b>	<b>Existing or New Error Description</b>
DUPLICATE CONTROL NUMBER	Control Number must be unique for each “ABA/securities account (or third party)” combination per cycle day	Whole request under same control number reversed when received	New
INCOMPLETE AT FINAL RECON	Missing corpus or TINT	Whole request under same control number reversed when strip and recon processing closes	New - replacing “Missing CORPUS”, “Missing TINT”
CORPUS PAR NOT MULTIPLE	Corpus par amount must be a valid multiple for reconstitution	Whole request under same control number reversed when received	Existing
UNANTICIPATED TINT	TINT is not an outstanding interest component of fully constituted security	Whole request under same control number reversed when received	Existing

Error Description (Transfer Reversal Message Free Text Line 2)	Reason for Reversal	Action Taken on Reconstitution Request	Existing or New Error Description
INVALID TINT PAR	TINT par amount must be a valid multiple for reconstitution	Whole request under same control number reversed when received	Existing
DUPLICATE CORPUS	Duplicate corpus	Whole request under same control number reversed when received	Existing
DUPLICATE TINT	Duplicate TINT	Whole request under same control number reversed when received	Existing

These changes will be enabled in the Depository Institution Testing (DIT) environment on August 3, 2017. Fedwire Securities Service participants that use strip and reconstitution services are encouraged to sign up for testing to ensure that this change does not affect your operations. To sign up for testing, please follow the instructions available at FRBservices.org under *Fedwire Services Testing Opportunities, Schedule a Test* - (<https://www.frbservices.org/financial-services/wires/testing/index.html>)

Questions regarding this clearing memo should be directed to the Federal Reserve Bank of New York at 800-390-2788.

This clearing memo, like all clearing memos, is an announcement of enhancements or other changes to the Fedwire Securities Service and is intended to convey technical or operational information only. The legal terms governing the maintenance and transfer of Fedwire securities are set forth in the Federal Reserve Banks' Operating Circular 7, *Book-Entry Securities Account Maintenance and Transfer Services*, available at FRBservices.org.

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