

**FEDERAL RESERVE SYSTEM'S GUIDE TO
TREASURY FISCAL SERVICE COLLATERAL PROGRAMS**



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BACKGROUND

This guide provides an overview of Reserve Bank Services supporting the Treasury Fiscal Service Collateral Programs (also referred to as Treasury collateral programs) governed by the following parts of Title 31 of the Code of Federal Regulations (CFR) under the United States Department of the Treasury:

- Title 31 CFR Part 202 – Depositories and Financial Agents of the Federal Government
- Title 31 CFR Part 225 – Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties.

Note: This guide does not apply to TT & L, joint custody, or Federal Reserve collateral programs.

This guide is designed to acquaint depositories with operational processes involved with the Treasury collateral programs, including establishing, maintaining and closing Restricted Accounts for Treasury collateral programs, as well as depositing collateral to and withdrawing collateral from these accounts.

The information contained in this guide is presented as a general summary. It does not supersede or replace any requirements contained in:

- a) Specific Treasury Fiscal Service Collateral Program agreements, regulations, and policies, or
- b) Federal Reserve Bank Operating Circulars, clearing memos, or other guidelines.

The guide may be periodically updated to reflect current information. The most up-to-date version of this guide will be available through a link on the Federal Reserve Financial Services website at <http://www.frbservices.org>. However, the guide may not reflect the most current information, and it is the responsibility of the depository to ensure that it is following current guidelines and regulations.

If you have any questions regarding the Treasury's CFR Part 202 and CFR Part 225 collateral programs; including pledging collateral, collateral eligibility, collateral program account set-up, and collateral account maintenance procedures, please contact Treasury Collateral Management and Monitoring Operations Support (TCMM) at 1-888-568-7343 (select menu option 2, and then select menu option 1).

1. GLOSSARY OF TERMS

Amount To Be Collateralized (ATBC): The required amount that government agencies (31 CFR Part 202 and 225) and the U.S. Trustees for Bankruptcy or the Bankruptcy Courts (31 CFR Part 225) have provided to the Federal Reserve as the amount to be secured with collateral by a depository.

Borrower-In-Custody (BIC): BIC refers to an arrangement by which a depository pledges certain types of acceptable assets as collateral to secure public funds. The depository is permitted to retain possession of the collateral on its own premises, subject to the terms and conditions agreed upon between the Treasury, the Reserve Bank, and the depository.

Bureau of the Fiscal Service (Fiscal Service): A bureau of the Treasury with regulatory responsibility for establishing acceptable collateral and for determining the valuation of collateral for Treasury Fiscal Service collateral programs. Fiscal Service provides central payment services to federal program agencies, operates the federal government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt owed to the federal government.

Collateral: A marketable security or financial asset that has been determined by the Treasury and reviewed by a Reserve Bank as acceptable for pledging to a Treasury collateral program. Depending on the program, the pledgor or obligor provides collateral to secure deposit balances at risk to the Treasury or a Federal agency or in lieu of performance bonds.

Collateral Management System (CMS): An application operated by the Reserve Banks that maintains a record of and values collateral pledged in Fedwire book-entry, non-Fedwire book-entry, or in definitive (physical) form for all Treasury collateral programs administered by the Reserve Banks. Reserve Banks process collateral transactions maintained and valued in this system. Collateral held at the Depository Trust Company (DTC), with an authorized third-party custodian, in a Reserve Bank vault, or through an OPC agreement (BIC arrangement) is reflected and valued in CMS.

CMS Collateral: Fedwire book-entry securities, non-Fedwire book-entry securities, and definitive (physical) assets pledged as collateral to Treasury programs. CMS collateral includes obligations issued by the U.S. Treasury, government agencies, state and local governments, commercial customer notes, corporate notes, asset-backed securities, or others that the Treasury has determined are eligible to be held in a Treasury collateral program Restricted Account.

Computer Interface: A communications link between computers at a financial institution and a Reserve Bank.

Depository: A financial institution authorized to secure public money on deposit and submit a bond secured by government obligations as collateral in lieu of bonds with sureties.

Depository Trust Company (DTC): A national clearinghouse for settling trades in corporate and municipal securities and performing securities custody services for its participating financial institutions and broker-dealers. DTC is an authorized third-party custodian for the Reserve Banks and the Treasury. DTC is a subsidiary of the Depository Trust and Clearing Corporation (DTCC).

Fedwire Securities: Marketable securities issued in electronic form by the United States Government (the "Treasury"), any agency or instrumentality thereof, certain international organizations, or others that the Reserve Banks have determined are eligible to be held in a Fedwire securities account and is eligible for transfer through the Fedwire Securities Service.

Fedwire Securities Service (Fedwire): The electronic facility operated by the Reserve Banks for maintaining Fedwire securities accounts and for effecting Fedwire transfers.

Fedwire Securities Wholesale Operations Sites (WOS): The Reserve Banks (Boston and Kansas City) that provide consolidated customer support and securities account maintenance for the Fedwire Securities Service.

Online Institution: A financial institution that has online access to the Fedwire Securities Service.

Online Access: A connection for the transmission of Fedwire transfer messages directly to or from a Reserve Bank by electronic data transmission, excluding facsimile and oral transmission by telephone.

Offline Institution: A financial institution with offline access to the Fedwire Securities Service.

Offline Access: A connection other than online access for sending and receiving Fedwire transfer messages to or from a Reserve Bank, such as written, facsimile, or telephone voice instructions.

Off-Premise Collateral (OPC): See Borrower-in-Custody (BIC).

Restricted Account: An account at a Reserve Bank (a) used to hold collateral or (b) in which is recorded the receipt of an advice of custody evidencing that collateral is held by or for the pledgor subject to the security interest of the pledgee. In Fedwire and in other related documents, this Restricted Account is also referred to as a Restricted Securities Account.

Treasury Collateral Management and Monitoring (TCMM): A centralized application operated by a Federal Reserve Bank to monitor securities and other financial assets pledged as collateral to various Treasury programs.

TCMM Operations: The Federal Reserve operating area that manages monitoring functions for collateral pledged to the Treasury and government agencies.

- Performs new collateral account set-up, account maintenance, and collateral withdrawals.
- Provides customer support for obligors/pledgors and government agencies as custodian and in its role as Fiscal Agent for the United States Treasury.
- Retains records for all collateral functions and related activities.

Third-Party Custodian: A financial institution acting as a custodian holding pledged assets as collateral approved by a Reserve Bank acting as the Treasury's fiscal agent.

Treasury Support Center (TSC): A centralized Reserve Bank function that provides customer service for various Treasury programs.

Definition of Acronyms:

ATBC - Amount To Be Collateralized

BIC - Borrower-in-Custody

BPD - Bureau of the Public Debt

CFR - Code of Federal Regulations

CMS - Collateral Management System

DTC - Depository Trust Company

DTCC - Depository Trust and Clearing Corporation

FMS - Financial Management Service

OPC - Off-Premise Collateral

TCMM - Treasury Collateral Management and Monitoring

TSC - Treasury Support Center

UST - United States Trustee for Bankruptcy

WOS - Wholesale Operations Site

2. COLLATERAL CUSTODY AND PLEDGING

2.1 Collateral Custody

Generally, collateral pledged under the Treasury Fiscal Service Collateral Programs (Treasury collateral programs) must be deposited at a Reserve Bank. Certain types of collateral can also be held with Treasury and Reserve Bank approved third-party custodians or by qualified pledgors through a BIC arrangement.

2.2 Fedwire Securities

2.2.1 Applicable Federal Reserve Bank Operating Circulars

Fedwire Securities pledged under Treasury collateral programs are held in distinct Restricted Accounts set up for a depository. Federal Reserve Bank Operating Circular No. 7 contains specific information about Fedwire Securities Accounts and can be found at <http://www.frbservices.org>. Additional information about collateral held under Treasury collateral programs is available in Federal Reserve Bank Operating Circulars No. 8 and No. 9, also found at <http://www.frbservices.org>.

2.2.2 Online Procedures

If a depository has online access to the Fedwire Securities Service, it can transfer securities in or out of a Treasury collateral program Restricted Account. Transfer requests out of a Treasury collateral program Restricted Account require approval by Treasury Collateral Management and Monitoring (TCMM) Operations Support.

2.2.3 Offline Procedures

If a depository has offline access to the Fedwire Securities Service, it can transfer securities in or out of a Treasury collateral program Restricted Account by telephone or by sending written instructions (by mail or fax) to the Offline Wholesale Operations Site (WOS). Transfer requests out of a Treasury collateral program Restricted Account require approval by Treasury Collateral Management and Monitoring (TCMM) Operations Support.

2.2.4 Fedwire Securities Wholesale Operations Sites (WOS)

The Federal Reserve Bank of Boston's WOS (Tel. No. 1.800.327.0147) serves depositories located in the following Reserve Bank Districts:

Boston	Cleveland	New York
St. Louis	Philadelphia	Dallas

The Federal Reserve Bank of Kansas City's WOS (Tel. No. 1.800.333.2448) serves depositories located in the following Reserve Bank Districts:

Richmond	Minneapolis	Atlanta
Kansas City	Chicago	San Francisco

2.3 DTC Pledge Arrangements

Each Reserve Bank has established a pledge account with DTC in which securities pledged under a Treasury collateral program can be held. The Reserve Bank records securities pledged in the CMS application. CMS applies market prices (provided by vendor and other valuation sources), and applicable margins to pledged securities for collateral valuation purposes.

2.3.1 DTC Arrangement Options

DTC arrangements are used to pledge eligible securities (e.g., municipal or corporate debt securities with acceptable credit ratings) that depositaries hold. A depositary can directly pledge such securities (if the depositary is a DTC participant), or it can pledge such securities through a correspondent that is a DTC participant. A depositary should contact its local Reserve Bank to determine if a separate legal agreement is required in order to pledge securities held at DTC.

2.3.2 DTC Participants Making a Pledge

Depositaries that are DTC participants can initiate the transfer of securities through DTC to their local Reserve Bank's Treasury collateral account at DTC. To make a pledge, the depositary will need to use the pledgee account number for its local Reserve Bank. See chart.

Reserve Bank	Pledgee Account Number
Atlanta	609
Boston	600
Chicago	608
Cleveland	610
Dallas	617
Kansas City	606
Minneapolis	611
New York	694
Philadelphia	603
Richmond	602
San Francisco	618
St. Louis	601

2.3.3 Depositaries Pledging through a DTC Participant

Depositaries that hold securities through correspondents that are DTC participants must direct their correspondent to initiate the transfer of securities to their local Reserve Bank's Treasury collateral account at DTC. The depositary should instruct its participant to utilize the same pledgee account numbers and purpose codes listed in section 2.3.2. The depositary should include its ABA number in the pledge instructions.

2.3.4 Acknowledgment of Deposit

Following the completion of a transfer on DTC's books and the recording of the pledge in CMS for collateral valuation purposes, the local Reserve Bank will make available upon request a transaction summary report to acknowledge the receipt of an advice.

2.4 Third-Party Custody Pledging Arrangements

A depository can use an authorized third-party custodian to provide custody services for non-Fedwire, non-DTC collateral in connection with Treasury collateral programs. Third-party custody arrangements involve a depository, another depository institution (a custodian) that holds the assets to be pledged, and the local Reserve Bank. A third-party custodian must not be affiliated with the pledging depository and must be approved by the Treasury and the local Reserve Bank before any pledge of collateral. The custodian must be recognized as a depository institution, be in sound financial condition, and have acceptable custody controls for the assets in its possession. A depository should contact its local Reserve Bank to obtain approval of a proposed third-party custodian.

2.4.1 Agreement of the Third-Party Custodian

The custodian must execute the Treasury's Third-Party Custody Agreement. This agreement must be in place before the pledgor pledges collateral through a third-party custodian. The custody agreement form can be obtained through the pledging institution's local Reserve Bank. The custodian will be required to periodically report and confirm holdings to the local Reserve Bank.

2.4.2 Approval of Collateral To Be Pledged

Before pledging collateral held by a third-party custodian, a depository must provide its local Reserve Bank with a list of the collateral it intends to pledge. The local Reserve Bank will review the collateral to ensure that it complies with the Treasury's and the local Reserve Bank's acceptability standards and will notify the depository if the assets are acceptable or unacceptable. This review and acceptance process is generally completed within one business day.

2.4.3 Identification of Collateral and Advice Issuance

Upon receiving notice from its local Reserve Bank that the collateral is acceptable, the custodian should identify the collateral as pledged by issuing an advice to the local Reserve Bank. The advice confirms that the custodian holds the collateral for the local Reserve Bank, which acts as fiscal agent for the Treasury.

2.4.4 Acknowledgment of Deposit

Following the receipt of an advice from the custodian and the recording of the pledge in CMS for collateral valuation purposes, the local Reserve Bank will make available upon request a transaction summary report to acknowledge the receipt of an advice.

2.5 Off-Premise Collateral (OPC) Arrangement (also referred to as a BIC)

For the 31 CFR 202 program the Treasury has approved the pledging of collateral held in an OPC arrangement. A qualified depository can use an OPC arrangement to pledge assets that would be impractical to physically transfer to a local Reserve Bank because of the high volume of individual items involved (e.g., US Government agency guaranteed loans). Under this arrangement, qualified depositories can retain custody of the collateral.

2.5.1 Depository Pledging Requirements

Before pledging collateral under an OPC arrangement, depositories must first:

- Satisfy the local Reserve Bank that the depository is qualified to pledge collateral under an OPC arrangement.
- Generally, depositories must be in sound financial condition, maintain appropriate document-storage facilities, and have an acceptable automated record/reporting system to be eligible to hold collateral in an OPC arrangement. This record/reporting system must be capable of identifying the assets subject to the Treasury's security interest.

2.5.2 Reserve Bank Requirements

A depository's local Reserve Bank will require the following:

- **Making a Pledge Arrangement:** The depository should contact the Federal Reserve for OPC agreements and the local Reserve Bank's Credit Area to request an OPC (BIC) arrangement.
- **Completing the Questionnaire:** A depository must complete a Borrower-In-Custody Collateral Certification that describes its internal custody procedures, as well as its asset-evaluation and collateral-reporting processes.
- **Written Explanation of the Internal Rating System:** The depository must provide a written explanation of its internal loan-rating system to indicate how it assesses and rates the credit quality of its commercial customers. This requirement does not apply to student loans.
- **Review by Local Reserve Bank Staff Members:** A depository must allow local Reserve Bank staff members to visit its premises and perform a review of the pledged collateral. (The local Reserve Bank will set up this appointment.) Thereafter, periodic on-site inspections may be conducted.
- **Periodic Collateral Schedule:** Submit a periodic collateral schedule (in electronic or hard-copy form) that identifies assets pledged to the Treasury held under the BIC arrangement. The depository must contact its local Reserve Bank for requirements as to specific information to be provided on the collateral schedule and the frequency for schedule submission.

A depository's failure to comply with the local Reserve Bank's BIC requirements, including those with respect to the contents and timing of the collateral schedule submission, may result in the Reserve Bank assigning zero value to the collateral pledged by the depository under this arrangement.

Acknowledgment of Deposit: Following the submission of an acceptable collateral schedule, the local Reserve Bank will make available upon request a transaction summary report to acknowledge the transaction to the pledging depository.

2.6 Reserve Bank Custody

Reserve Bank custody of collateral is available for certain physical assets, such as promissory notes evidencing commercial loans or registered notes and bonds. Before pledging commercial customer obligations, a depository should contact its local Reserve Bank to discuss the process for pledging collateral to be held by the local Reserve Bank. The local Reserve Bank will request financial information and other details about the depository's commercial customers to evaluate the credit quality of the obligations. The depository should contact its local Reserve Bank for other requirements in respect to pledged commercial customer obligations.

2.6.1 Review and Acknowledgment of Deposit

A depository can deposit assets with its local Reserve Bank along with a deposit application (available from the depository's local Reserve Bank) that specifies that the assets are being pledged as collateral for a Treasury collateral program Restricted Account. Once these physical assets have been reviewed, approved, and recorded in CMS for collateral valuation purposes, the local Reserve Bank will make available upon request a transaction summary report to the pledging depository.

2.6.2 Acceptable Documents for Customer Obligations

Commercial customer obligations will only be acceptable if supported by an original document signed by the customer. This document can take the form of a promissory note or a credit agreement that states the specific terms of the lending arrangement.

2.6.3 Form for Liquidation of Assets

Commercial customer obligations or registered notes and bonds physically delivered to a local Reserve Bank must be in a form such that the assets can be liquidated without further action by the depository (i.e., notes must be endorsed to the local Reserve Bank or a power of attorney must be provided). Depositories should contact their local Reserve Bank for additional information about this requirement.

2.7 General

2.7.1 Ownership of Collateral

The pledgor must own (free and clear of all liens, charges, and claims) all collateral pledged to a Treasury collateral program.

2.7.2 Proceeds to Satisfy Claims

Through the Reserve Banks acting as fiscal agent, the Treasury may, with or without notice or demand, sell or otherwise collect the proceeds of all or part of the collateral, including additions and substitutions. The Treasury may apply the proceeds to satisfy any claim of the United States against the depository if any of the following events occur:

- a) The depository is closed for business by regulatory actions or by proper corporate actions.
- b) In the event that a receiver, conservator, liquidator, or any other officer is appointed to terminate its business.
- c) To satisfy any claim of the United States, including those not arising out of the depository relationship.

3. TITLE 31 CFR PART 202 - DEPOSITARIES AND FINANCIAL AGENTS OF THE FEDERAL GOVERNMENT

3.1 Purpose and Requirements

Government agencies are responsible for ensuring the security of public money. Public money includes, but is not limited to, revenue and funds of the United States and deposit funds subject to the control or regulation of the United States or any of its officers, agents, or employees. The procedures and authority for the agencies are issued under Title 31 of CFR Part 202 (Depositaries and Financial Agents of the Federal Government) and Part 380 (Collateral Acceptability and Valuation). These regulations govern the designation of financial institutions as depositaries and financial agents of the federal government, the deposit of public money, and the acceptability and valuation of collateral pledged to secure public funds. Based on the collateral requirements supplied by the government agencies, the Federal Reserve, acting as fiscal agent for the Treasury, will ensure that depositaries provide proper collateralization for public money, as defined above, which exceeds applicable deposit insurance limits.

When an agency selects a financial institution as a depository for public funds, the financial institution is required to complete, execute, and submit FMS forms 5902 and 5903. The Federal Reserve of St. Louis, will be responsible for obtaining and maintaining the current forms for all depositaries with public funds on deposit under this program. (Complete FMS 5902 and FMS 5903 (see the Fiscal Service Web site at <http://www.fms.treas.gov/collateral/index.html>) and submit these forms to the TCMM to establish collateral security accounts).

FMS Form 5902 (Resolution Authorizing Depository, Financial Agency and Collateral Agreement)

This resolution authorizes the execution of the Depository, Financial Agency, and Collateral agreement. The execution must be under seal and certified by an officer of the bank authorized to do so.

FMS Form 5903 (Depository, Financial Agency and Collateral Agreement)

This agreement defines the responsibilities of the financial institution as a depository of public funds under the 202 program. This agreement must be executed by an officer of the institution, with authority to do so.

3.2 Acceptable Collateral

The most current listing of acceptable collateral for the 202 program is available on the TreasuryDirect website at:

http://www.treasurydirect.gov/instit/statreg/collateral/collateral_acc31cfr202.pdf

3.3 Collateral Valuation

The Reserve Banks use pricing vendors that currently reprice marketable fixed income securities pledged under Treasury collateral programs on a daily basis at the opening of business each day. For paydown securities, new factors are applied to Fedwire securities when they are received from the issuer and to collateral recorded in CMS when they are received from the pricing vendor(s). Margins are also applied to priced and non-priced marketable securities based on asset type to adjust the market valuation for collateral requirement purposes.

A copy of the current collateral margin table for the 202 program is available on the TreasuryDirect website at:

[http://www.treasurydirect.gov/instit/statreg/collateral/202%20Margins%20Table%20\(06.03.14\).pdf](http://www.treasurydirect.gov/instit/statreg/collateral/202%20Margins%20Table%20(06.03.14).pdf)

This table identifies the appropriate margin values for acceptable collateral as approved by the Treasury.

For more specific questions about acceptable collateral and its valuation, depositaries should contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1).

3.4 Restricted Account Maintenance

Opening an Account

After a financial institution has been contracted by an authorized agency to hold public funds on deposit, the institution should contact the Federal Reserve of St. Louis to ensure that the agency's 202 program Restricted Account is established under its Fedwire securities account structure in order to pledge Fedwire securities. Agency authorization (by phone, fax or Email) is required to establish a new relationship with a FI. If the agency has funds to deposit immediately with the pledging financial institution, the FI pledging collateral can fax a copy of the completed 5902 and 5903 agreement to TCMM Operations Support and mail the originals in order to get the collateral account opened as soon as possible. The depositary must obtain the four-digit account number from the agency. It will be an alphanumeric character beginning with the letter V, followed by three numbers. If the agency does not know its number or does not have one, the depositary should request that the agency contact the Federal Reserve of St. Louis, to ensure the correct account is established.

Note: If the form is not on file with the Federal Reserve Bank of St. Louis, the financial institution will be required to complete the legal form described in Section 3.1 of this document before the account can be opened.

Closing an Account

If a depository no longer holds public funds on deposit from a specific agency, it must contact the Federal Reserve Bank of St. Louis, to have its Fedwire 202 program Restricted Account closed. The Federal Reserve Bank of St. Louis will verify with the agency that funds are no longer on deposit with the depository. Once the information is verified, the agency should send a written request to the Federal Reserve Bank of St. Louis, requesting that the specific 202 program Restricted Account be closed.

Note: The 202 program Restricted Account will not be closed until the Federal Reserve Bank of St. Louis, has verified with the agency that the collateral requirement has been reduced to zero and that no other monies will be deposited.

3.5 Amount To Be Collateralized (ATBC)

After all requirements have been met and the deposit relationship is established with the depository, the agency will inform the Federal Reserve of St. Louis, of the amount of collateral value required for the designated depository. This dollar amount is referred to as the Amount To Be Collateralized (ATBC). The ATBC can be increased or decreased by the agency via the TCMM application or by contacting TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 2). ATBC totals will not be changed without authorized direction to do so from the agency. If a depository has a question about the current ATBC for a specific agency, it should contact the agency directly.

3.6 Collateral Monitoring

Collateral held under a 202 program Restricted Account is monitored by the Federal Reserve of St. Louis, using current collateral value, not par value. Depositories pledging collateral to a 202 program Restricted Account must ensure that the current collateral value is sufficient to cover the ATBC.¹ The Federal Reserve's TCMM application receives real-time updates for the current business day until the close of TCMM (refer to TCMM Operating Hours as listed in the Additional Resources Section).

3.6.1 Collateral Deposits

Fedwire Securities

A 202 program Restricted Account needs to be opened in Fedwire before securities can be pledged. A depository can initiate transactions through its online access to the Fedwire Securities Service, or by contacting the appropriate WOS (when the depository has offline access to the Fedwire Securities Service) or by contacting its correspondent Bank (when a correspondent Bank handles the security transfer).

¹ While the Federal Reserve Bank of St. Louis, monitors collateral value against the ATBC, the depository has the responsibility for ensuring that all uninsured deposits of the agency are fully collateralized.

Non-Fedwire Securities

Depositories must contact their local Reserve Bank's CMS area to process non-Fedwire collateral transactions. Collateral held at DTC, with an authorized third-party custodian, or at the Federal Reserve is recorded and valued in CMS.

Ineligible Collateral

The Collateral Management System (CMS) will review Fedwire security deposits for eligibility. If the security is ineligible for the 202 program, the Federal Reserve Bank of St. Louis, will contact the depository. A replacement (if needed) should be deposited, and a withdrawal request for the ineligible collateral should be submitted. If the ineligible deposit was to cover a collateral deficiency in the account, the Federal Reserve Bank of St. Louis, will not approve the withdrawal request until the depository deposits an eligible substitute of sufficient collateral value. Non-Fedwire CMS collateral deposits are currently reviewed by the local Reserve Bank. A depository should contact its local Reserve Bank before pledging non-Fedwire CMS collateral to ensure that the asset is eligible for the 202 program.

3.6.2 Collateral Withdrawals

Fedwire Securities

A depository can request the withdrawal of securities from its 202 program Restricted Accounts through the Fedwire Securities Service. The Federal Reserve Bank of St. Louis, will review all withdrawal requests of securities and approve only the requests that do not create a collateral deficiency in the account. A depository can initiate withdrawal requests in one of two ways: through online access or through the appropriate WOS for offline depositories.

Non-Fedwire Securities

A depository must contact its local Reserve Bank's CMS area for authorization to process non-Fedwire collateral withdrawal transactions recorded in CMS. Collateral held at DTC, with an authorized third-party custodian or in a local Reserve Bank's vault is recorded and valued in CMS and may require additional action for withdrawal. The Federal Reserve Bank of St. Louis, will review all withdrawal requests and approve only the requests that do not create a collateral deficiency.

3.6.3 Maturing Collateral

Fedwire Securities

Proceeds from maturing securities held under a 202 program Restricted Account will not be released for payment to a depository if the remaining collateral value is not sufficient to cover the ATBC. In such cases, proceeds will only be released upon receipt of sufficient replacement collateral value from the depository. If the depository questions the account's current ATBC, they should contact the agency to verify the requirement. If the agency adjusts

the ATBC and a deficiency would not occur, the Federal Reserve Bank of St. Louis, will release the proceeds to the depository. If the agency does not adjust the ATBC, the depository will be required to deposit a replacement of sufficient collateral value before the proceeds are released. Proceeds will be held in a noninterest-bearing account by the Federal Reserve bank of St. Louis, until sufficient collateral value exists to release the proceeds.

Non-Fedwire Securities

The local Reserve Bank's CMS area provides depositories with information about upcoming maturing non-Fedwire securities collateral. The local Reserve Bank's CMS area will request authorization to release maturing CMS collateral held in 202 program Restricted Accounts by depositories. The maturing collateral should not be released if the remaining collateral value is not sufficient to cover the ATBC for the account. If collateral must be replaced, contact the FI thirty days, five days, one day prior and same day to inform them that a substitution must be received on the day of, or prior to the date of maturity.

3.6.4 Collateral Deficiencies

A collateral deficiency occurs when the current collateral value is less than the account's ATBC. Collateral deficiencies may occur in a 202 program Restricted Account for the following reasons:

- Collateral held in the account received a periodic principal paydown (e.g., mortgage-backed securities or asset-backed securities)
- Collateral held in the account was revalued
- Collateral held in the account either matured or was called
- The agency increased the ATBC for the account.

When a deficient account is identified during the Federal Reserve Bank of St. Louis's collateral monitoring process, the Federal Reserve Bank of St. Louis, will inform the depository that additional collateral must be deposited as soon as possible.

3.7 Mergers and Acquisitions

If a depository (the non-survivor) participating in the 202 program is merging into another depository (the survivor), instructions concerning the disposition of collateral held under any 202 program Restricted Account(s) should be included in the merger information provided by the survivor to its local Reserve Bank.

If the legal and operational mergers occur on different dates, the non-survivor's account will have the recognized insurance coverage for its 202 account balances for the first six months after the legal merger date.

The survivor will be responsible for ensuring that sufficient collateral is pledged to the account by the end of the sixth month after the legal merger date. The non-survivor's

account may be retained for up to one year after the legal merger date. If the survivor requests that the collateral be transferred before the operational merger date, it should contact the Federal Reserve Bank of St. Louis, for further instructions.

Prior to the operational merger date, the Federal Reserve Bank of St. Louis, will contact the agencies involved to verify ATBCs and to obtain authorization to move the collateral. On the operational merger date after receiving authorization from the respective agencies, the Federal Reserve Bank of St. Louis, will authorize the transfer of any securities held in the non-survivor's 202 program Restricted Account(s) to the survivor's appropriate 202 program Restricted Account(s).

Please contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1) to discuss any specific questions regarding the 202 collateral program.

4. TITLE 31 CFR PART 225 - ACCEPTANCE OF BONDS SECURED BY GOVERNMENT OBLIGATIONS IN LIEU OF BONDS WITH SURETIES

4.1 Purpose and Requirements

Title 31 CFR Part 225 (225 program) permits government agencies, United States Trustees for Bankruptcy (UST), or Bankruptcy courts to accept bonds secured by government obligations in lieu of bonds secured with sureties. The acceptability and valuation of collateral for the 225 program is governed by Title 31 CFR Part 380. The agency official accepting these bonds on behalf of the government agency, UST, or Bankruptcy court is referred to as the bond official. Bonds may be required by the above entities from financial institutions that are acting as depositaries or by nonfinancial businesses (both referred to as pledgors or obligors). The bond provides the government with protection should the pledgor default on an obligation to the government agencies, UST, or Bankruptcy courts.

Under this program, the pledgor has the option of pledging certain government obligations to secure the underlying bond requirement. The pledgor deposits a par amount of securities with a Reserve Bank or a Reserve Bank-authorized custodian that will provide the same monetary value to the bond official as a bond with sureties, should the pledgor default on the underlying obligation. Any agreements or other requirements for this program are the responsibility of the bond official. Reserve Banks act as the custodian of the collateral pledged.

4.2 Acceptable Collateral

Acceptable collateral is currently limited to only public debt obligations of the United States government whose principal and interest are unconditionally guaranteed by the United States government (excluding stripped components).

For a current listing of acceptable collateral, pledgors should refer to the TreasuryDirect website at:

http://www.treasurydirect.gov/instit/statreg/collateral/collateral_acc225Acceptablecollateral.pdf

For more specific questions about acceptable collateral, institutions should contact TCM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1).

4.3 Collateral Valuation

The Reserve Banks use pricing vendors that currently reprice marketable fixed income securities pledged under Treasury collateral programs on a daily basis at the opening of business each day. For paydown securities, new factors are applied to Fedwire securities when they are received from the issuer and to collateral recorded in CMS when they are received from the pricing vendor(s). Margins are also applied to priced and non-priced marketable securities based on asset type to adjust the market valuation for collateral requirement purposes.

A copy of the current collateral margin table for the 225 program is available on the Treasury Direct website at:

[http://www.treasurydirect.gov/instit/statreg/collateral/225%20Margins%20Table%20\(06.03.14\).pdf](http://www.treasurydirect.gov/instit/statreg/collateral/225%20Margins%20Table%20(06.03.14).pdf)

This table identifies the appropriate margin values for acceptable collateral as approved by the Treasury.

For more specific questions about acceptable collateral and its valuation, depositories should contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1).

4.4 Restricted Account Maintenance

Opening an Account

Restricted Accounts opened under the 225 program are divided into two distinct groupings:

U.S. Trustees for Bankruptcy (UST)

Account designations for the UST have been standardized across all Reserve Banks. All UST 225 program Restricted Accounts begin with the letter "S." Each UST region is assigned a region number, which occupies the next two characters, and each office within a region is assigned an alpha character for the last character of the Restricted Account number (e.g., S01A refers to the UST for Region 1 and the Boston office).

For a depository to establish an existing UST 225 program Restricted Account under its Fedwire securities account structure, the depository must contact the UST to ensure that all necessary forms are completed and obtain the 225 program Restricted Account number assigned to that UST office. Then the agency should contact the Federal Reserve Bank of St. Louis, to give written authorization to have the UST 225 program Restricted Account opened on the Fedwire Securities Service.

Other Government Agencies and Bankruptcy Courts

Account designations for government agency and Bankruptcy court 225 program Restricted Accounts have been standardized across all the Reserve Banks. These accounts also have established alphanumeric accounts that begin with the letter “S” to identify the account as part of the 225 program. The government agency is established as the owner of the account and the obligor includes, but is not limited to, an individual, a trust, an estate, a partnership, a corporation, and a sole proprietor. The bond official at the government agency must contact the Federal Reserve Bank of St. Louis, for instructions on how to establish a 225 program account.

For a depository to establish an existing Bankruptcy court account, the depository needs to ensure that all necessary forms are completed with the respective Bankruptcy court. A contact name at the Bankruptcy court should be obtained. The depository should also obtain the four-digit alphanumeric character 225 program Restricted Account number from the Bankruptcy court. If the Bankruptcy court does not have a 225 program Restricted Account currently established, the bond official should contact the Federal Reserve Bank of St. Louis, to set up a 225 program Restricted Account.

After the 225 program Restricted Account is verified or established, the agency will need to provide the Federal Reserve Bank of St. Louis, with written authorization to have the 225 program Restricted Account opened for its account on the Fedwire Securities Service.

Closing an Account

A depository must contact the Federal *Reserve Bank* of St. Louis, to close a 225 program Restricted Account. The Federal Reserve Bank of St. Louis, will verify with the bond official that there is no further need for the account. Once the Federal Reserve Bank of St. Louis, has verified that the bond official no longer requires collateral, the Federal Reserve Bank of St. Louis, will have the account closed.

If a government agency no longer requires a 225 program Restricted Account, the bond official should contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 2).

4.5 Amount To Be Collateralized (ATBC)

After an account has been opened, the bond official will provide the Federal Reserve Bank of St. Louis, with an amount representing the amount of collateral value required for the designated depository. This amount is referred to as the ATBC and can be increased or decreased by the bond official via TCMM or by contacting the Federal Reserve Bank of St. Louis. If a depository disputes this amount, it should directly contact the bond official. The Federal Reserve Bank of St. Louis, cannot change the ATBC requirement without written directions to do so from the bond official.

4.6 Collateral Monitoring

Collateral held under the 225 program is monitored based on the collateral value pledged, not par value. Depositories pledging collateral under the 225 program need to ensure that the current collateral value will be sufficient to cover the Amount To Be Collateralized (ATBC). The TCMM application receives real-time updates throughout the business day until the close of TCMM (refer to TCMM Operating Hours as listed in the Additional Resources Section).

4.6.1 Collateral Deposits

Fedwire Securities

A 225 program Restricted Account needs to be opened in Fedwire before securities can be pledged. A depository can initiate transactions through its online access to the Fedwire Securities Service or by contacting the appropriate WOS (when the depository has offline access to the Fedwire Securities Service) or by contacting its correspondent Bank (when a correspondent Bank handles the depository's security transfers).

Ineligible Securities

Acceptable collateral for the 225 program is currently limited to only public debt obligations of the United States government whose principal and interest are unconditionally guaranteed by the United States government (excluding stripped components). The CMS application reviews Fedwire security deposits for eligibility. If the security is ineligible for the 225 program, the depository will be contacted by the Federal Reserve Bank of St. Louis, and informed that the collateral is ineligible. A replacement (if needed) should be deposited and a withdrawal request for the ineligible collateral should be submitted. If the ineligible deposit was to cover a collateral deficiency in the account, the Federal Reserve will not approve the withdrawal request until the depository deposits an eligible substitute of sufficient collateral value.

4.6.2 Collateral Withdrawals

Fedwire Securities

A depository can request a withdrawal of securities from its 225 program Restricted Account(s) through the Fedwire Securities Service. The Federal Reserve Bank of St. Louis, will review all withdrawal requests and approve only the requests that do not create a collateral deficiency in the account. A depository can initiate withdrawal requests in one of two ways: through online access or through the appropriate WOS for offline depositories.

4.6.3 Maturing Collateral

Fedwire Securities

Proceeds from maturing securities held under a 225 program Restricted Account will not be released for payment to a depository if the remaining collateral value is not sufficient to cover the ATBC. In such cases, proceeds will only be released upon receipt of sufficient replacement collateral from the depository. If the depository questions the account's current ATBC, it should contact the bond official to verify the requirement. If the bond official adjusts the ATBC such that a deficiency would not occur, the Federal Reserve Bank of St. Louis, will release the proceeds to the depository. If the bond official does not adjust the ATBC, the depository will be required to deposit a replacement of sufficient collateral value before the proceeds are released. Proceeds will be held by the Federal Reserve Bank of St. Louis, in a noninterest-bearing account until sufficient collateral value exists to release the proceeds.

4.6.4 Collateral Deficiencies

A collateral deficiency occurs when the current collateral value is less than the account's ATBC. Collateral deficiencies may occur in a 225 program Restricted Account for the following reasons:

- a) Collateral held in the account was revalued
- b) Collateral held in the account received a periodic principal paydown (e.g., mortgage-backed securities)
- c) Collateral held in the account either matured or was called
- d) The bond official increased the ATBC for the account.

When a deficient account is identified during TCMM's collateral monitoring process, the Federal Reserve Bank of St. Louis, will inform the depository that additional collateral must be deposited as soon as possible. If the account is held under the government agency structure, the bond official will be informed that there is a deficiency in the account due to one of the above mentioned reasons (a-d).

4.7 Mergers and Acquisitions

If a depository (the non-survivor) participating in the 225 program is merging into another depository (the survivor), instructions concerning the disposition of collateral held under any 225 program Restricted Account(s) for the non-survivor should be included in the merger information provided by the survivor to its local Reserve Bank, which will forward the information for further processing.

If the legal and operational mergers occur on different dates, the non-survivor's account will have the recognized insurance coverage for its 225 account balances for the first six months after the legal merger date. The survivor will be responsible for ensuring that sufficient collateral is pledged for the non-survivor's account by the end of the sixth month after the legal merger date. The non-survivor's account may be retained for up to one year after the legal merger date.

If the survivor requests that the collateral be transferred before the operational merger date, it should contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1) for further instructions.

Prior to the operational merger date, the Federal Reserve Bank of St. Louis, will contact the bond officials for the 225 program Restricted Account(s) involved to verify ATBCs and obtain authorization to move the collateral. On the operational merger date after receiving authorization from the respective bond official(s), the Federal Reserve Bank of St. Louis, will authorize the transfer of any securities held under the non-survivor's account to the survivor's appropriate 225 program Restricted Account(s).

Please contact TCMM Operations Support at 1-888-568-7343 (select menu option 2, and then select menu option 1) to discuss any specific questions regarding the 225 collateral program.

5. ADDITIONAL RESOURCES

- **Bureau of the Fiscal Service**

<http://www.fms.treas.gov/collateral/index.html>

This website provides the CFR sections, procedural instructions, and other program information, including recent developments. You can also sign up to receive e-mail notification when certain areas of the site are updated.

- **TreasuryDirect**

<http://www.treasurydirect.gov/instit/statreg/collateral/collateral.htm>

Find the latest information on acceptable collateral for each Treasury collateral program, as well as information on collateral valuation. Sign up for e-mail notification when certain areas of the site are updated.

- **Financial Services**

<http://www.frbservices.org>

This website gives information on Treasury collateral programs and the Fedwire Securities Service. The Treasury Services information page will have information on the Treasury's collateral programs and the Reserve Bank collateral services. The Fedwire Securities page will give current information on the Fedwire Securities Service and provides a Fedwire Securities Guide.

6. PROCESSING TIME FRAMES

NOTE: Refer to the Financial Services website at <http://www.frbservices.org> for the most current processing times.

6.1 Processing Time Frames for Fedwire Securities

Online Transfers

Opening of Fedwire Securities	8:30 a.m. ET
Closing time for transfer originations	3:15 p.m. ET
Closing time for transfer reversals.....	3:30 p.m. ET
Closing time for repositions against payment.....	4:30 p.m. ET
Closing time for repositions free of payment.....	7:00 p.m. ET

Offline Transfers

Begin accepting instructions.....	9:00 a.m. ET
Cut-off for instructions for current day's processing.....	1:30 p.m. ET
Cut-off for instructions for future day's processing	4:00 p.m. ET

6.2 Processing Time Frames for Collateral Management System

Opening of CMS	8:00 a.m. ET
Closing time for CMS	5:00 p.m. ET

6.3 Processing Time Frames for Treasury Collateral Management and Monitoring

Opening of TCMM.....	8:00 a.m. ET
Closing time for TCMM.....	6:00 p.m. ET