

## **New Appendix A to Operating Circular 5 and Related Revisions to Operating Circulars 4, 6, 7, and 12**

### **Summary of Key Changes**

Effective June 30, 2016, the Federal Reserve Banks are amending Operating Circular 5, *Electronic Access*, by adding an information security appendix. This new Appendix A is intended to serve as a consolidated location of information security responsibilities of the Reserve Banks and of Reserve Banks' financial services and electronic access customers. Conforming revisions are also being made to Operating Circular 4, *Automated Clearing House Items*, Operating Circular 6, *Funds Transfers Through the Fedwire® Funds Service*, Operating Circular 7, *Book-Entry Securities Account Maintenance and Transfer Services*, and Operating Circular 12, *Multilateral Settlement*. The specific provisions that have been revised in each of those operating circulars are detailed below. The amendments to Operating Circulars 4, 6, 7, and 12 are also effective June 30, 2016.

Appendix A to Operating Circular 5 is divided into three sections. Section 1 contains a high-level description of the Reserve Banks' information security program, as well as high-level information security requirements applicable to customers (and, if applicable, to customers' third-party service providers or other agents) using the Reserve Banks' electronic access channels. Section 2 contains provisions relating to the security procedures the Reserve Banks offer to their customers to verify the authenticity of transaction instructions, much of the substance of which was formerly found in the security procedure provisions in Operating Circulars 4, 6, 7 and 12. Section 3 covers liability matters more generally in relation to information security for both the Reserve Banks and their customers. It provides that a customer bears the risk of loss (and indemnifies the Reserve Banks for any claims) resulting from its failure to have an information security program that meets the high-level requirements in section 1.2 or from its failure to include one or more of the controls described in section 3.1, unless applicable law specifically requires otherwise. Customers should carefully review Appendix A to Operating Circular 5 to ensure they meet the revised information security requirements by the June 30, 2016, effective date.

Below are the specific provisions affected by the revisions to Operating Circulars 4, 6, 7, and 12.

#### Operating Circular 4

- **Paragraph 1.4** has been added to make Appendix A to Operating Circular 5 applicable to any sending or receiving bank that sends or receives any item through the FedACH® service.
- **Paragraph 1.5** has been added to make it clear that both section 2 of Appendix A to Operating Circular 5 and Appendix A-1 to Operating Circular 4 apply to any bank that sends or receives a commercial credit item through the FedACH service.

#### Operating Circular 6

- **Paragraph 7.2** has been revised to oblige each sender and receiving bank to comply with Appendix A to Operating Circular 5 and states that by using the Fedwire Funds Service senders and receiving banks agree to the terms of that appendix.
- **Paragraph 7.3** has been revised to replace *receiver* with *receiving bank* where the former term appears.
- **Paragraph 18.2** has been revised to include a cross-reference to the descriptions of the security procedures the Reserve Banks offer, which are now found in section 2 of Appendix A to Operating Circular 5.
- **Paragraph 20.1** has been revised to reflect the effective date of these amendments, as well as to indicate the effective date of the operating circular that is being superseded.
- **Appendix A** has been revised in its entirety by incorporating by reference section 2 of Appendix A to Operating Circular 5.

#### Operating Circular 7

- **Paragraph 7.2.4** has been revised to state that by using the Fedwire Securities Service an online participant agrees to the terms of Appendix A to Operating Circular 5.
- **Paragraph 8** has been reserved because its substance is now found in sections 2.1(f) and 2.1(g) of Appendix A to Operating Circular 5.
- **Paragraph 19.1** has been revised to reflect the effective date of these amendments, as well as to indicate the effective date of the operating circular that is being superseded.

## Operating Circular 12

- **Appendix B** has been revised as follows:
  - Paragraph 1.1 has been revised to incorporate by reference section 2 of Appendix A to Operating Circular 5.
  - Paragraph 1.2 has been revised to replace *Settlement Instructions* with *Settlement Files* where the former term appears.
  - Paragraphs 2 and 3 have been deleted because their substance is now found in section 2 of Appendix A to Operating Circular 5.

The definitive text of each revised operating circular is posted on [FRBservices.org](http://FRBservices.org).

Your continued use of Reserve Bank services on or after June 30, 2016, constitutes agreement to the revised terms of Operating Circular 5 (including new Appendix A), as well as to the revised terms of Operating Circulars 4, 6, 7, and 12 (including their revised appendixes).

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