

Fedwire® Securities Joint Custody Service

The Federal Reserve Banks offer the Fedwire® Securities Joint Custody Service to assist financial institutions and their state, local and tribal government customers in mitigating risk to deposits of public funds held at financial institutions. Through the service, a financial institution can collateralize the deposit of a state, local or tribal government on its books, with securities held in a securities account of the financial institution on the books of a Federal Reserve Bank.

Because this service offers an efficient and cost-effective method for the management of public funds, your institution can leverage this opportunity to increase its breadth of service offerings and attract new state, local, or tribal government customers.

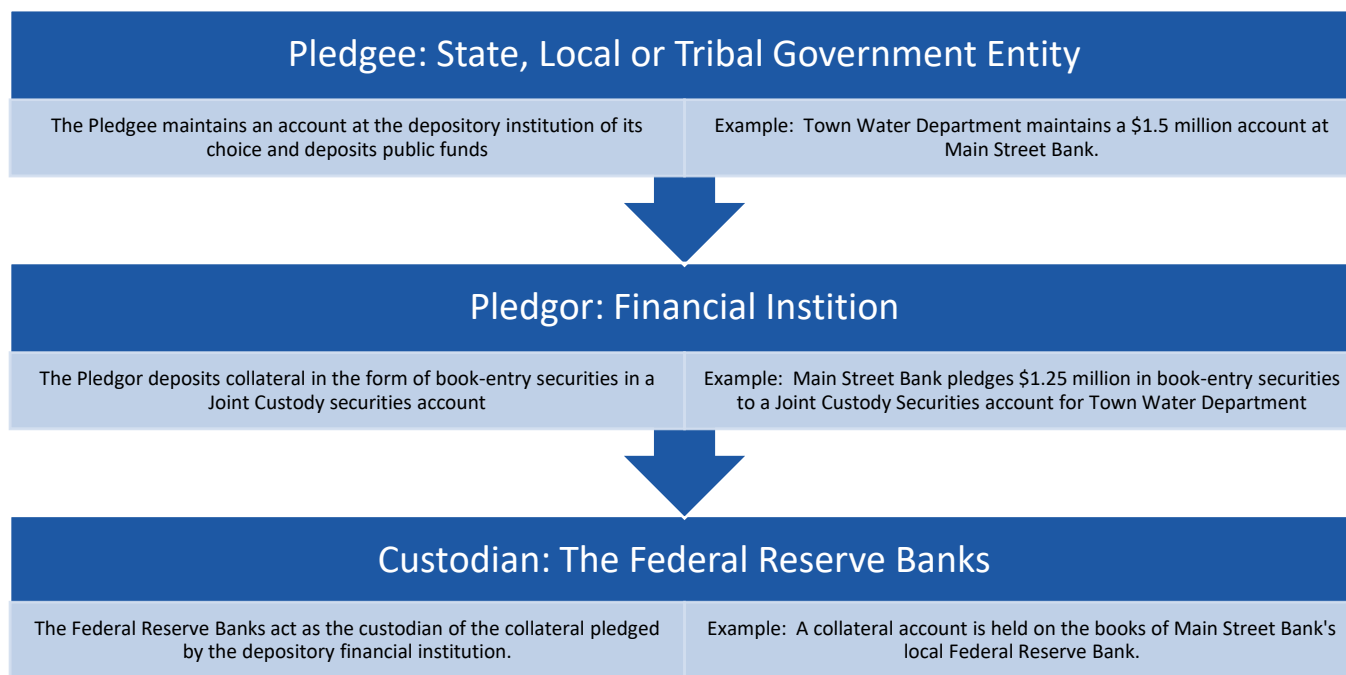
How a Joint Custody Service transaction works

A Joint Custody Service transaction includes three parties:

A depository financial institution acts as the **Pledgor**, accepting deposits of public funds on its books and protecting those funds against loss by depositing collateral in the form of book-entry securities into a Fedwire Securities Joint Custody securities account. A pledgor must have both a master account and a Fedwire Securities Service Joint Custody securities account with a Federal Reserve Bank. Joint Custody securities accounts are held on the books of a Pledgor's local Federal Reserve Bank.

The **Pledgee** is the state, local or tribal government entity (or a unit or instrumentality of a state or local government) that chooses to deposit public funds with the Pledgor. The Pledgee's funds are protected against loss to the extent the value of the book-entry securities pledged by its financial institution and held in the Joint Custody securities account equals or exceeds the uninsured portion of the deposit. The Pledgee is responsible for confirming that the book-entry securities pledged in the Joint Custody securities account meet its eligibility criteria and offer sufficient market value for the Pledgee's needs. Pledgees provide approval for any transfers of collateral out of the Joint Custody securities account, including for each collateral substitution, and can provide pre-approval for par-for-par collateral substitutions.

A **Federal Reserve Bank** acts as the custodian of the collateral pledged by the depository financial institution. The Federal Reserve Banks do not provide collateral valuation services and do not monitor the value of book-entry securities that have been pledged to the Pledgee.



Key Benefits

- Provides an efficient, cost-effective method for the management of public funds that helps support overall risk management practices.
- Enables you to leverage new business opportunities with state, local or tribal government entities and to better serve your existing government customers.
- Offers the ability to encourage your state, local, or tribal government customers to consolidate deposits with the confidence that deposits are secured beyond the FDIC insurance limit.
- Offers a streamlined setup process for existing Fedwire Securities Service customers and utilize the processes you already have in place for processing Fedwire Securities Service transactions.

Get Started Today

To sign up for the Fedwire Securities Joint Custody Service, please visit FRBservices.org to complete the applicable [forms and agreements](#), or call the Support Center at (833) FRS-SVCS (377-7827), Option 3 (Fedwire), then Option 2 (Joint Custody).



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