

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-299

November 11, 1974

To All Member Banks
in the Eleventh Federal Reserve District:

Effective November 18, 1974 a new transfer of funds code word authentication procedure will be implemented at this Bank and its branches. The new procedure is to be utilized by all member banks in the Eleventh Federal Reserve District with the exception of those that have terminals connected on-line with this Bank. On November 18, and thereafter, requests for transfers of funds should be made by telephone for processing through the Federal Reserve Communications Network. Consequently, this change will negate the necessity of relying on the use of the mails, Western Union wires, TWX messages or TELEX messages in requesting transfers of funds.

In conjunction with the implementation of this security procedure, this Bank and its branches will begin accepting telephonic requests for transfers of funds which contain third party information. However, extreme care should be taken when requesting such transfers to insure that accurate data is transmitted. In addition, the current requirement of written confirmation for telephonic requests for transfers of funds will be discontinued.

A complete description of the code word authentication procedure is enclosed for your information. A listing(s) with a three-month supply of code words is enclosed for those member banks which utilize the transfer of funds facilities of this Bank or its branches on a regular or continuing basis. A listing(s) is not being sent to those member banks which utilize this service infrequently. Such banks will continue to be able to request transfers of funds by calling an officer in charge of the Accounting Department at the Head Office or any officer at the branches.

The need for strict confidentiality on the part of those member banks utilizing a code word authentication listing is stressed. If you have any question concerning the enclosed material, please contact Mr. E. W. Vorlop, Jr. or Mr. C. L. Vick at the Head Office or any officer at the branches.

Yours very truly,

T. W. Plant

First Vice President

Enclosure

CODE WORD AUTHENTICATION PROCEDURE
(effective November 18, 1974)

INTRODUCTION

In the interest of greater security, the Federal Reserve Bank of Dallas will implement on November 18, 1974 a new procedure to be used by many member banks in the Eleventh District when requesting transfers of funds, by telephone, to be made through the Federal Reserve Communications Network. The new procedure, which is called the Code Word Authentication Procedure, between the Federal Reserve Bank of Dallas and its branches, and the member banks is designed to detect and prevent the processing of unauthorized telephonic transfers of funds requests. With the implementation of this new procedure, all requests for transfers of funds including those for odd amounts and those for the benefit of a third party will normally be accepted only by telephone. In unusual circumstances any member bank may request a transfer of funds by contacting an officer in charge of the Accounting Department at the Head Office or any officer at the branches. However, this procedure should be used only in emergency situations or for those banks that infrequently utilize the transfer of funds facilities.

This procedural change should eliminate requests for transfers of funds utilizing the mails, Western Union wires, TWX messages and TELEX messages. Requests utilizing these means of transmission should not be made and will be accepted only where prior arrangements have been made or in emergency situations. For those banks that wish to continue to utilize the slower method of issuing transfer drafts, this Bank will continue to honor this as a valid method of transfer. However, as always, credit for such drafts will be based upon actual collection times.

REQUEST FOR AND USE OF
CODE WORD AUTHENTICATION LIST

The Federal Reserve Bank of Dallas will furnish each member bank which utilizes the transfers of funds facilities of the Federal Reserve Bank on a regular and continuing basis with a three-month supply of code words. The code words will be printed on an 8 1/2" by 11" listing and each listing will contain 100 code words. The number of listings received will depend upon the expected volume of transfers of funds requests during a normal three-month period.

The affected member banks will sequentially use these code words when requesting transfers of funds by telephone. Each transfer of funds request will require a separate code word and it must be the next sequential unused code word shown on the code word listing. Otherwise, it will not pass this Bank's code word authentication check and it will be necessary to reconfirm the transfer request by placing a telephone call to the requesting member bank.

A duplicate copy of the code words issued to each member bank will be on file at the Federal Reserve Bank for the purpose of authenticating the validity of the transfer of funds request. When the code words match, this Bank and its branches will assume that the transfer request is valid and that the call did originate at the member bank specified by the person requesting the transfer. This will eliminate the need for a formal written confirmation of telephonic requests.

If the code words do not match, this Bank will contact the member bank to verify the transfer of funds request and to reconcile the difference in code words between it and the member bank.

Member banks should promptly acknowledge the receipt of the code word authentication listing(s). Any bank that does not acknowledge the receipt of the code words will be contacted prior to the implementation date to insure that they have the proper and necessary code word authentication listing(s) to make transfer of funds requests.

If a member bank does not receive the code word one week prior to the implementation date, it should immediately contact the manager or assistant manager of the Accounting Department of the Federal Reserve Bank of Dallas or its branches.

This Bank and its branches will endeavor to furnish a new list of code words approximately one week prior to the time that the current list of code words is exhausted. Should a member bank foresee the need for an additional list of code words before this time, it should direct a request to the manager or assistant manager of the Accounting Department at the Head Office or the branches to obtain a new list. In addition, should a member bank lose or misplace a list of code words, it should request a new list in the same manner. All requests for lists of code words should be in writing and signed by an officer of the member bank whose signature is on file at this Bank as authorized to request transfers of funds.

DESCRIPTION OF CODE WORD
AUTHENTICATION LIST

As indicated previously, each code word listing contains a unique list of 100 sequentially-numbered code words. In addition, each listing contains the following information:

1. The Federal Reserve Office issuing the listing
2. List number
3. Page number
4. Date
5. Appropriate area code and telephone number for making telephone requests
6. Member bank name and address
7. Nine-digit identification number
8. Abbreviated member bank name (for FRB use)

At the bottom of each listing, it is noted that the list is for authorized use only. Since the code word will be the only method of verifying the authenticity of a transfer request, it is strongly suggested that only those individuals authorized to transfer funds at each member bank have access to the code words. This will help to insure the confidentiality of the member bank list and the integrity of the authentication procedure.

When making a transfer of funds request, the sequence as shown at the bottom of each list should be used. This will facilitate the processing of all transfers of funds requests.