

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-24
March 3, 1982

FEDERAL RESERVE SERVICES BROCHURES

TO THE FINANCIAL INSTITUTION ADDRESSED
IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed are two new brochures, Securities and Noncash Collection, which may be added to your notebook containing the series about Federal Reserve services. The Securities brochure explains book-entry and definitive securities safekeeping, the electronic transfer of securities and securities purchase and sale services. The Noncash Collection brochure provides information on how to sort and deposit noncash items and how availability of credit is determined for these items.

Each brochure in this series gives an explanation of a particular service which is available from the Federal Reserve Bank of Dallas and its Branches, as well as pricing information and the names of persons who may be contacted for additional information about the service. Previous brochures published have included Pricing and Billing of Services, Loan, Wire Transfer of Funds, Net Settlement, Checks, and Automated Clearinghouse. Additional brochures and supplements will be sent to you in the near future, and these may be added to the notebook also.

Additional copies of any of the services brochures may be obtained from the Department of Communications, Financial and Community Affairs, Ext. 6289.

Sincerely yours,



William H. Wallace
First Vice President

Enclosures

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Federal Reserve Bank of Dallas

**El Paso
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Securities

Securities

Introduction

The Monetary Control Act of 1980 requires the Federal Reserve to price its services to depository institutions and make them equally available to all institutions subject to reserve requirements. Pricing of and access to Federal Reserve services is being phased in during a period extending from January 1981 to January 1982. This booklet is one of a series published to explain each service which is available from the Federal Reserve Bank of Dallas and its Branches, how each service may be used by depository institutions, and who in each Federal Reserve office should be contacted for more information about the service.

The securities services are available to all depository institutions beginning October 1, 1981. These services are governed by the Federal Reserve Bank of Dallas Bulletin Nos. 3, 7, and 14, and by the Federal Reserve Bank of Dallas Fiscal Agency Operating Circular No. 2. These sources provide a more detailed explanation of the securities services and should be consulted for a more precise statement of the requirements and conditions under which the services are offered. All prices and procedures described in this booklet are subject to change; therefore, supplements may be issued in the future.

Securities

Securities services offered to financial institutions by Federal Reserve Banks can assist these institutions in a variety of transactions related to their daily involvement with U.S. Government and other types of securities. The Fed's securities services include book-entry and definitive securities safekeeping services and the purchase and sale of government securities. Safekeeping services allow institutions to hold their securities at the Federal Reserve office in either computer-stored or physical form for safety and ease in initiating transactions. In addition, the Fed will place orders for the purchase or sale of government securities in the open market as a further service to financial institutions.

Federal Reserve Safekeeping

Securities acceptable for custody at the Fed include all bonds, notes, certificates of indebtedness, and Treasury bills issued or guaranteed by the U.S. Government, as well as Federal agency securities and miscellaneous state, municipal, and corporate bonds. Securities belonging to institutions which are pledged to departments, agencies, or officials of the U.S. Government can also be held by the Fed in safekeeping. In addition, securities which belong to institutions and are pledged to officials of states and political subdivisions as collateral for public deposits can be held by the Fed when joint application is made. The owning financial institution is responsible for remaining informed of call dates and other information affecting its portfolio.

Safekeeping can be a useful security measure as well as an efficient method of holding collateral to be pledged. Institutions have the option of establishing either custody or collateral accounts, or both, at the Fed to meet a variety of needs. For example, certain deposits at financial institutions, such as Treasury tax and loan balances or deposits from public officials, must be collateralized. If securities are maintained in a Federal Reserve safekeeping account, the owner institution reduces the cost of transfer and shipping by simply switching the securities to a collateral account when a pledge is made. In addition, if necessary, the institution can easily use securities in its safekeeping account as collateral for borrowing from the Federal Reserve discount window without having to send additional securities to the Fed.

The form of safekeeping depends on the type of securities involved. U.S. Government and Federal agency securities are held in book-entry form only. The book-entry security service involves the recording of ownership of securities by computer rather than by issuance of definitive paper securities to owners. The Federal Reserve System and the Treasury have instituted the book-entry system in an effort to make owning and transferring government securities more efficient and secure. State, municipal, and corporate bonds eligible for safekeeping are held in definitive form.

Book-entry Safekeeping Services

When an institution establishes a safekeeping account with a Federal Reserve office, certain functions are performed automatically as a part of account maintenance procedures. The account maintenance services provided in book-entry safekeeping include establishing accounts, maintaining account instructions, maintaining records reflecting book-entry holdings, reconciling accounts, notifying account holders of maturing securities in collateral accounts, and providing periodic statements of account holdings. Daily statements of account activity, if there is any, are also provided.

The Fed will also make electronic transfers of certain outstanding, unmatured book-entry securities over the Federal Reserve wire system at the direction of the financial institution. Electronic transfers are used for delivery of purchased or sold U.S. Government and most Federal agency securities as well as for repurchase agreements between institutions. Institutions transfer book-entry securities held in one of their custody or collateral accounts to accounts of other depository institutions located within the same or another Federal Reserve District. These transactions are known as intradistrict and interdistrict transfers, respectively.

When making a securities transfer, the Fed decreases the transferring institution's book-entry account and increases the receiving institution's account, either at the same or another Federal Reserve office. Transfers are sometimes sent against payment, with the funds being credited to the transferring institution's reserve or clearing account at the Fed office and debited from the receiving institution's reserve or clearing account.

Financial institutions which are on-line with the Federal Reserve's wire system via a direct-access terminal device located on their premises can initiate a transfer of securities directly. Institutions with

direct-access facilities currently account for about 90 percent of the securities transfers handled by the Federal Reserve. Off-line institutions initiate securities transfers by written or telephone requests from a designated official of the institution. Telephone conversations instructing transfers are recorded for authentication and security purposes.

Only securities which are eligible for book-entry safekeeping at the Fed office are transferred electronically. Securities of two or more different issues are not combined in a single transfer, nor are securities to be delivered to two or more recipients combined in a single transfer.

Transfers are conducted on any business day prior to the date on which the security has been called for redemption or the maturity date of the security involved. The closing hour for initiating transfers of securities is 2:30 p.m. local time at either the sending or receiving Fed office, whichever is earlier.

In addition to transfers of securities, institutions use similar procedures to transfer book-entry securities held in one of their custody or collateral accounts to another one of their custody or collateral accounts. These transactions are called account switches.

Definitive Safekeeping Services

Account maintenance services provided for definitive safekeeping include establishing accounts, maintaining account instructions, storing securities, maintaining records reflecting security holdings, and reconciling accounts. In addition, the Fed will detach maturing coupons from securities, prepare them for delivery to the appropriate paying agent, notify depositing institutions of maturing securities, and provide periodic statements of account holdings. Coupons and securities prepared for delivery to the paying agent are then handled as noncash collection items.

Deposits, withdrawals, and redemptions of definitive securities are processed at the direction of authorized employees of financial institutions. The Fed office will accept deposits to custody or collateral accounts and process the related payments, if any. In addition, the Fed can withdraw securities from custody or collateral accounts, make deliveries, and process the related payments, if any. Another service offered is redemption, which involves withdrawing maturing securities from custody or collateral accounts and preparing them for collection. Then they are handled as noncash collection items.

In addition to deposits, withdrawals, and redemptions, institutions sometimes instruct the Fed office to transfer definitive securities held in one of their custody or collateral accounts to another one of their custody or collateral accounts. These transactions are called account switches.

Purchase and Sale

The Federal Reserve office will purchase and sell in the open market U.S. Government and Federal agency securities for the accounts of financial institutions. Purchase and sales orders are placed with recognized dealers in government securities. When the face amount is more than \$25,000, competitive prices are obtained from more than one dealer and the best price is accepted. The purchase and sales service does not include investment advisory services.

Securities to be sold must be in safekeeping at the Fed office or be delivered to the office before an order to sell the securities can be executed. Instructions to purchase or sell securities are received by telephone, with telephone conversations instructing purchases and sales recorded for authentication and security purposes.

Standard purchase orders are placed for regular delivery (deferred one or more days) unless same-day cash delivery is requested. Orders to purchase or sell at a specific price are held for a maximum of ten days from the date of receipt and thereafter cancelled unless renewed by the institution placing the order. Payments for purchase and sales transactions are made through an institution's reserve or clearing account at the Fed office.

Securities Fees

Charges assessed for the use of securities services depend upon the type of service or transaction involved. The originator of the service will be charged except in situations requiring off-line receipt of a transfer, when the receiver will be assessed the surcharge.

Account maintenance fees for book-entry and definitive safekeeping services are levied monthly and cover establishing, maintaining, and servicing safekeeping accounts for institutions. Separate fees are imposed for each transaction affecting safekeeping account balances, such as definitive deposits, withdrawals, and redemptions; book-entry and definitive account switches; and wire transfers of book-entry securities. No fees are imposed for the maintenance of or activity in collateral accounts supporting borrowings from the Federal

Reserve or U.S. Treasury deposits. Fees are imposed for the collection of maturing securities other than U.S. Government securities held in these accounts, however.

For the purchase and sale service, a fee is charged for each transaction processed. Fees assessed by brokers or dealers, if any, are recovered from users of this service.

Fee Schedule For Book-Entry Securities Services

Security Transfers:

Originated On-Line	per transaction (includes account switches)	\$2.00
Originated Off-Line	per transaction (includes account switches)	8.50*
Received Off-Line	per transaction	6.50
Account Maintenance	per account per month	6.00

* Composed of the on-line origination fee of \$2.00 plus the \$6.50 off-line surcharge.

Fee Schedule For Definitive Securities Safekeeping And Purchase and Sale Services

FEDERAL RESERVE DISTRICT	DEFINITIVE SECURITIES SAFEKEEPING			PURCHASE OR SALE
	DEPOSIT, WITHDRAWAL OR REDEMPTION	ACCOUNT SWITCH	ACCOUNT MAINTENANCE	per transaction***
	per transaction*	per transaction	per receipt per month**	
Boston	\$12.50	\$12.50	\$2.65	\$12.00
New York	35.50	13.50	5.35	23.00
Philadelphia	15.00	10.00	2.50	17.00
Cleveland	11.00	11.00	2.00	27.00
Richmond	20.00	12.50	1.50	27.00
Atlanta	20.00	10.00	2.50	—
Chicago	15.00	10.00	3.20	17.50
Detroit	11.00	10.00	1.75	17.50
St. Louis	16.00	16.00	1.45	—
Minneapolis	13.50	11.50	1.70	5.50
Kansas City	15.00	6.50	1.35	10.50
Dallas	12.00	5.00	1.40	26.50
San Francisco	—	—	—	22.00

* For bonds as well as other noncash items, add shipping expenses, insurance fees and fees assessed by other Federal Reserve Banks, if any.

** In the New York and Minneapolis Districts, the fee shown is per issue per month.

*** Plus brokers' fees, if any.

Contact List

The following persons may be contacted for additional information about the securities services.

Head Office
400 South Akard Street, Dallas, Texas

Securities Department:	Trudy White, Manager, ext. 6179 Don Curtis, Assistant Manager, ext 4218 Cornell Jones, Supervisor of Marketable Issues, ext 6360
Telephone Numbers:	214-651-6111 (Local) 800-442-7140 (Intrastate incoming WATS) 800-527-9200 (Interstate incoming WATS)
Mailing Address:	Station K Dallas, Texas 75222

El Paso Branch
301 East Main Street, El Paso, Texas

Cash-Fiscal Agency Department:	Jerry Silvey, Manager Vicky Acuna, Supervisor, Fiscal Agency
Telephone Numbers:	915-544-4730 (Local) 800-351-1012 (Intrastate incoming WATS) 800-392-1631 (Interstate incoming WATS)
Mailing Address:	P O Box 100 El Paso, Texas 79999

Houston Branch
1701 San Jacinto Street, Houston, Texas

Fiscal Agency: Jack Stone, Manager
Department: Greg Rich, Assistant Manager
Telephone Number: 713-659-4433
Mailing Address: P.O. Box 2578
Houston, Texas 77001

San Antonio Branch
126 East Nueva Street, San Antonio, Texas

Cash-Fiscal Agency: Herb Barbee, Manager
Department: David Sowell, Assistant Manager,
Fiscal Agency
Telephone Number: 512-224-2141
Mailing Address: P.O. Box 1471
San Antonio, Texas 78295

For additional copies of this brochure, Bulletin Nos. 3, 7, 14, or Fiscal Agency Operating Circular No. 2, contact:

Department of Communications, Financial and Community Affairs
Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

(214) 651-6268 Brochures
(214) 651-6289 Bulletins and Regulations

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**Noncash
Collection**

Noncash Collection

Introduction

The Monetary Control Act of 1980 requires the Federal Reserve to price its services to depository institutions and make them equally available to all institutions subject to reserve requirements. Pricing of and access to Federal Reserve services is being phased in during a period extending from January 1981 to January 1982. This booklet is one of a series published to explain each service which is available from the Federal Reserve Bank of Dallas and its Branches, how each service may be used by depository institutions, and who in each Federal Reserve office should be contacted for more information about the service.

The noncash collection service is available to all depository institutions beginning October 1, 1981. This service is governed by the Federal Reserve Board of Governors Regulation J, Subpart A, and by the Federal Reserve Bank of Dallas Bulletin No. 9. These sources provide a more detailed explanation of the noncash collection service and should be consulted for a more precise statement of the requirements and conditions under which the service is offered. All prices and procedures described in this booklet are subject to change; therefore, supplements may be issued in the future.

Noncash Collection

Noncash collection services provided by Federal Reserve Banks include receiving and collecting items which cannot be processed as cash items, and crediting reserve or clearing accounts of financial institutions for these items. Noncash collection items include, for example, corporate and municipal securities held by institutions which mature or carry coupons due to mature. An institution may also receive bankers' acceptances and checks or drafts that cannot be handled in the same manner as regular commercial checks. All these items may be processed through noncash collection, using a nationwide system established by the Federal Reserve.

Items Acceptable for Noncash Collection

Noncash collection items can be divided into two major categories: time items—which receive credit at the Fed office according to a predetermined availability schedule—and demand items—which receive credit only after finally collected funds are received.

Time items include maturing bonds, debentures, coupons, and similar securities, other than obligations of the U.S. Government and its agencies. An Auto Charge Agreement must be signed by an institution and on file in the Federal Reserve office before the institution begins submitting coupons for collection.

Demand items include checks and other demand items that would ordinarily be handled as cash items except that a passbook, certificate, or other document is attached to the item; special instructions, such as a request for special advice of payment or dishonor, accompany the item; or other special conditions require that the item not be handled as a cash item. Demand items also include maturing acceptances and bankers' acceptances drawn on depositors in a Reserve Bank, bills of exchange and drafts with securities, bills of lading, or other documents attached, and drafts and orders on savings deposits with passbooks attached.

Interest coupons of the U.S. Government and governmental and agency securities, as well as payment orders for letters of credit on government grants, are handled at no charge as part of the Fed's responsibility as fiscal agent for the United States Treasury.

Sorting Requirements

Noncash collection items are sent to the Fed office in the form of collection letters. These are similar to the cash letters institutions use to deposit their commercial checks, but collection letters are sent as a separate entity.

Noncash collection items are sorted by type of item and by location of payor institution before they are sent to the Fed for collection. Bonds, debentures, and similar securities are sorted into city collection letters—which contain items payable in the city of the Reserve office—and country collection letters—which contain items payable within the Fed's territory but outside of the Reserve city.

Coupons sent to the Fed for collection are enclosed in a separate sealed window envelope for each issue. Then the items are sorted into the following classes for deposit: matured (past due) city coupon cash letters, unmatured (due in the future) city coupon cash letters, matured country coupon cash letters, and unmatured country coupon cash letters.

Noncash items payable in other Federal Reserve territories are normally sent directly to the appropriate Fed office for collection.

Availability of Credit

Credit for corporate and municipal coupons is given to an institution's reserve or clearing account at the Fed according to a predetermined availability schedule, in much the same way that depositors are credited for commercial checks deposited at the Fed for collection. Credit for all other noncash items is given when the Fed office receives payment in actually and finally collected funds or advice from another Federal Reserve office of such payment.

Noncash Collection Fees

Fees for noncash collection processing are assessed for each item included in a deposit. Fees for shipment of coupon envelopes to the paying institutions are assessed on a fixed rate per thousand dollars of value. Fees for shipment of bonds and other noncash items are generally assessed on a basis of recovering actual expenses incurred.

If items payable in other Federal Reserve territories are deposited with the local Fed office, handling and shipping fees or expenses will be assessed by both the depositing and collecting office.

Fee Schedule For Noncash Collection Services

NONCASH COLLECTION (Coupon, Bond or Noncash Items)

Federal Reserve District	per envelope or item processed*	per \$1,000 coupon value shipped
Boston	\$1.80	\$1.00
New York	1.40	1 00
Philadelphia	2.90	1 00
Cleveland	2.85	1.00
Richmond	2.00	1.00
Atlanta	1.40	1.00
Chicago	2.50	1.30
Detroit	2.50	1 30
St. Louis	2.80	50
Minneapolis	2.25	.60
Kansas City	3.20	1.00
Dallas	2.25	1.00
San Francisco	6.85	1.00

* For bonds as well as other noncash items, add shipping expenses, insurance fees and fees assessed by other Federal Reserve Banks, if any. The maximum fee for bonds processed per transaction per issue will be \$12.00.

Credit Availability Schedule For Corporate and Municipal Coupons

<u>Item</u>	<u>Place Payable</u>	<u>Credit Available</u>
Due and past due coupons (including future due coupons not received sufficiently in advance of maturity)	City of Reserve office where sender maintains account	3 banking days after receipt
	Elsewhere	8 banking days after receipt
Future due coupons received by second banking day prior to maturity	City of Reserve office where sender maintains account	1 banking day after maturity
Future due coupons received by sixth banking day prior to maturity	Outside city of Reserve office where sender maintains account	2 banking days after maturity

Contact List

The following persons may be contacted for additional information about the noncash collection service.

Head Office

400 South Akard Street, Dallas, Texas

Securities: Trudy White, Manager, ext 6179
Department: Don Curtis, Assistant Manager, ext. 4218
Lola Lewis, Supervisor of Noncash
Collections, ext. 6379
Telephone Numbers: 214-651-6111 (Local)
800-442-7140 (Intrastate incoming WATS)
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