



FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS
75265-5906

January 28, 1994

Notice 94-14

TO: The Chief Operating Officer of
each financial institution in the
Eleventh Federal Reserve District

SUBJECT

**Operating Circular No. 14
(Book-Entry Securities Account Maintenance
and Transfer Services)**

DETAILS

In order to provide consistent service levels to all financial institutions, the Federal Reserve Banks have developed a standard operating circular (Operating Circular 14) for the Book-Entry Safekeeping and Transfer Service. This operating circular will be used by all Reserve Districts and will become effective on March 1, 1994. Please review the operating circular and determine whether changes to your operating procedures are necessary. The new Operating Circular 14 replaces this Bank's Fiscal Agency Operating Circular 2 and Bulletin 14 in their entirety.

The most significant change is the requirement for offline receivers to provide matching receipt instructions before the acceptance of a transfer. Failure to do so will result in transfers being returned promptly to the sender. This procedure will be phased in over a 12-month period in this District. During the phase-in period, when a transfer is received for an offline institution without prior notification, the receiving institution will be contacted by Reserve Bank staff and will be notified that securities have been received for their account. The financial institution may inform the Reserve Bank staff to accept or return the securities. Beginning March 1, 1995, Reserve Bank staff will discontinue this notification procedure and will return any incoming security transfer for an offline institution that was not previously authorized.

ENCLOSURE

Enclosed is Operating Circular 14. Please file it in your Operating Circulars (Bulletins) binder and discard the old versions of Bulletin 14 and Fiscal Agency Operating Circular 2.

MORE INFORMATION

For more information about Book-Entry Securities Account Maintenance and Transfer Services, please contact Robert Feil, (214) 922-6787, at the Dallas Office; Javier Jimenez, (915) 521-8202, at the El Paso Office; Luke Richards, (713) 652-1544, at the Houston Office; or Richard Gutierrez, (210) 978-1401, at the San Antonio Office.

For additional copies of this Bank's notice or Operating Circular 14, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script, reading "Tony J. Saluzzo". The signature is written in dark ink and is positioned below the word "Sincerely,".

Operating Circular

F e d e r a l R e s e r v e B a n k o f D a l l a s

14

**Book-Entry Securities
Account Maintenance
and Transfer Services**

Scope

Operating Circular 14 sets forth the terms and conditions under which the Federal Reserve Bank of Dallas maintains securities accounts and effects transfers of book-entry securities for Participants. By maintaining a securities account, a Participant agrees to accept and be bound by the provisions of this Operating Circular and its appendixes, as amended from time to time.

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GOVERNING REGULATIONS

1. This Operating Circular incorporates by reference the provisions of the regulations listed in Appendix 1 as such regulations and that Appendix are amended from time to time.

DEFINITIONS

2. For purposes of this Operating Circular, the following definitions apply. Where the context requires, the singular includes the plural, and the plural includes the singular. Headings are for convenience only and do not constitute substantive provisions of this Operating Circular.

- A. “Bank” means the Federal Reserve Bank issuing this Operating Circular and any or all of its Branches.
- B. “Board” means the Board of Governors of the Federal Reserve System.
- C. “Book-entry security” means a marketable security issued in electronic form—by the U.S. government (the “Treasury”), any agency or instrumentality thereof, certain international organizations, or others—that the Reserve Banks have determined is eligible to be held in a securities account and is eligible for transfer.
- D. “Fedwire” means the electronic facility owned and operated by the Reserve Banks for maintaining securities accounts and effecting transfers.
- E. “Free transfer” means a transfer that does not involve any credit or debit to a funds account other than a transaction fee.
- F. “Funds account” means a reserve, clearing, or other funds deposit account at a Reserve Bank against which debits or credits are posted for transfers against payment, book-entry securities transaction fees, and principal and interest payments.
- G. “Online access” refers to sending transfer messages electronically through a terminal or computer linked directly to this Bank. “Online Participant” refers to a Participant with online access.
- H. “Offline access” refers to other means of sending transfer messages to this Bank, such as by written, facsimile, or telephone instruction. “Offline Participant” refers to a Participant with offline access.
- I. “Participant” refers to any entity that maintains a securities account with a Reserve Bank in the entity’s name. Subject to the risk reduction policies of the Reserve Banks and the Board, entities authorized by law, regulation, policy, or agreement to be Participants include the following:
 - (1) depository institutions as defined in Section 19(b)(1)(A) of the Federal Reserve Act, as amended (12 U.S.C. § 461(b)(1)(A));
 - (2) agencies and branches of foreign banks as defined in Section 1(b) of the International Banking Act of 1978, as amended (12 U.S.C. §§ 3101(1) and (3));
 - (3) member banks of the Federal Reserve System, as defined in Regulation H issued by the Board (12 C.F.R. Part 208);
 - (4) the U.S. Treasury and any entity specifically authorized by federal statute to use the Reserve Banks as fiscal agents or depositories;
 - (5) entities designated by the Secretary of the Treasury in accordance with Section 15 of the Federal Reserve Act (12 U.S.C. § 391);
 - (6) foreign central banks, foreign monetary authorities, foreign governments, and certain international organizations;
 - (7) entities authorized under Section 25, paragraph 3, of the Federal Reserve Act (12 U.S.C. § 601 (Third)) and Section 25A of the Federal Reserve Act (12 U.S.C. § 611); and
 - (8) any other entity authorized by a Reserve Bank to use Fedwire book-entry securities services.

- J. "Securities account" means an account at a Reserve Bank containing book-entry securities held for a Participant.
- K. "Reserve Bank(s)" means any one (or more) of the 12 Federal Reserve Banks and their Branches as determined by the context.
- L. "Transfer" means the electronic movement over Fedwire of a par amount of book-entry securities (1) by debit to the designated securities account of the Participant sending the transfer message (the "sender") and by credit to the designated securities account of the Participant receiving the book-entry securities (the "receiver") or (2) by debit to one securities account of a Participant and credit to another securities account of that same Participant, in which case that Participant is both a sender and a receiver. A transfer is either a free transfer or a transfer against payment.
- M. "Transfer message" means an instruction of the Participant to a Reserve Bank to effect a transfer.
- N. "Transfer against payment" means a transfer that is effected with a credit to the funds account of the sender and a debit to the funds account of the receiver, for the amount of the payment.

SECURITIES ACCOUNT MAINTENANCE

General

3. A Participant may have one or more securities accounts at this Bank, subject to the terms and conditions required by this Bank. Securities accounts may be restricted or unrestricted. In addition, a Participant may also have certain types of securities accounts for special purposes, subject to terms and conditions agreed upon by this Bank and the Participant.

Unrestricted Securities Accounts

4. A. A Participant may hold book-entry securities it owns, as well as book-entry securities it holds for the account of its customers, in one or more unrestricted securities accounts. Regardless of the combination or number of unrestricted securities accounts maintained by a

Participant, all book-entry securities held in any unrestricted securities account shall be held by this Bank for, and subject to the sole order of, the Participant.

B. A Participant is responsible for maintaining accurate and current records with regard to book-entry securities it holds for its customers in accordance with applicable law. This Bank does not reflect in its records any interest of a Participant's customers in book-entry securities held by this Bank for such Participant. A Participant shall not represent to its customers that this Bank's records reflect the interests of Participant's customers.

Restricted Securities Accounts

- 5. A. A Participant may hold book-entry securities pledged as collateral for a purpose described in paragraph 5B in one or more restricted securities accounts. Credits of book-entry securities to, and debits from, restricted securities accounts may require the approval of the pledgee.
- B. This Bank offers restricted securities accounts that include, but are not limited to, the following:
 - (1) Restricted securities accounts in which this Bank holds book-entry securities in its individual capacity
 - (a) as collateral for advances (including extension of intraday credit) by the Bank to the Participant;
 - (b) as collateral to secure deposits of funds of public entities (including states, municipalities, and other political subdivisions); and
 - (c) as collateral for bankruptcy funds on deposit with the Participant, pursuant to 11 U.S.C. § 345 and 31 C.F.R. Part 225, as amended from time to time (Treasury Department Circular No. 154).

- (2) Restricted securities accounts in which this Bank holds book-entry securities in its capacity as fiscal agent of the United States
 - (a) as collateral to secure balances held by the Participant in Treasury Tax and Loan accounts under 31 C.F.R. Part 203, as amended from time to time (Treasury Department Circular No. 92);
 - (b) as collateral for revenues and funds of the United States, as well as any funds the deposit of which is subject to the control or regulation of the United States or any of its officers, agents, or employees, pursuant to 31 C.F.R. Part 202, as amended from time to time (Treasury Department Circular No. 176);
 - (c) as security in lieu of a surety on penal bonds, pursuant to 31 C.F.R. Part 225, as amended from time to time (Treasury Department Circular No. 154); and
 - (d) for such other purposes as this Bank may designate with the approval of the Secretary of the Treasury, subject to Treasury circulars or other relevant instructions.
 - C. Proceeds of book-entry securities, including interest payments on book-entry securities, held in a restricted securities account at maturity or call may be held by this Bank in a non-interest-bearing account until substitute collateral is posted or the pledge is released.
- B. A Participant must maintain a funds account to be a sender or a receiver of transfers against payment. This Bank reserves the right (1) to require a Participant to maintain a balance in its funds account on this Bank's books or pledge collateral sufficient at all times to cover transfers against payment for which it is the receiver, (2) to limit a receiver to free transfers, or (3) to limit transfers against payment or to reject transfer messages.
 - C. A Participant that does not have or is not permitted to have a funds account in its own name may only be a sender or a receiver of free transfers and must designate a correspondent with a funds account on a Reserve Bank's books, which shall be credited for principal and interest payments on book-entry securities and debited for transaction fees, as described in paragraphs 23 and 24. This Bank will reject transfer messages for transfers against payment to a Participant that does not have a funds account or that is only permitted to be a receiver of free transfers.
 - D. The sender and the receiver of a transfer have irrevocably authorized and instructed the Reserve Bank(s) involved in such transfer to debit the sender's designated securities account and credit the receiver's designated securities account for the par amount of the book-entry securities and to credit the sender's funds account and debit the receiver's funds account for the payment in the case of a transfer against payment.
 - E. If this Bank returns a transfer in the circumstances described in paragraph 8B, the sender and the receiver of such transfer irrevocably authorize and instruct the Reserve Bank(s) involved in the transfer to post debits and credits to the sender's and the receiver's securities accounts and their corresponding funds accounts offsetting the debits and credits previously made in connection with such transfer.

TERMS AND CONDITIONS OF ACCESS

General

- 6. A. Each Participant is responsible for all access to, and all debits and credits to, its securities accounts and its funds account. A Participant may use the services of a third-party service provider,

- F. This Bank provides Participants with online access or offline access to Fedwire, described further below, but reserves the right to terminate a Participant's access without prior notice.

Terms and Conditions of Online Access

- 7. A. An Online Participant must manage its access in order to receive timely acknowledgment of credits and debits to its securities accounts and its funds account during Fedwire operating hours.
- B. This Bank assigns a time stamp, identified as Input Message Acknowledgment Data (IMAD), to each transfer message it receives from a Participant. Subject to paragraph 6B, if this Bank does not effect a transfer against payment on the date of receipt of a transfer message that has passed appropriate operational edits, when an IMAD has been assigned five minutes or more before Fedwire closes, the sender is entitled to an as-of adjustment, in accordance with paragraph 21, if its funds account has not already been credited.

Terms and Conditions of Offline Access

- 8. A. A sender must provide transfer messages, and a receiver must provide matching instructions, in writing or by facsimile transmission under an authorized name on file with this Bank or by telephone. This Bank shall call the Participant's place of business to verify a transfer message or other instruction, may record any telephone call relating to transfers, and may require verification of all transfer messages or other instructions through code word in its discretion. This Bank is entitled to rely on any transfer messages or instructions (whether or not authorized) that it reasonably believes to be genuine.
- B. If a receiver has not given matching instructions, this Bank will return the transfer as promptly as possible by having debits and credits posted to the securities accounts and the funds accounts offsetting the debits and credits previously made in connection with such transfer.

Security

- 9. A Participant is responsible for preventing disclosure of any codes or other security procedures relating to either online access or offline access except to those with a need to know. The Participant must notify this Bank immediately if it finds or suspects that the codes or security procedures are compromised and must act to prevent further disclosure.

**SETTLEMENT OF BOOK-ENTRY
SECURITIES TRANSACTIONS**

Finality

- 10. A. Subject to this Bank's right of rejection in paragraph 6B, all debits and credits in connection with a transfer become final at the earlier of (1) the time such debits and credits are posted to both the sender's and the receiver's securities accounts and their corresponding funds accounts in the case of a transfer against payment or (2) at the time notice of the transfer is made available to the sender and the receiver. Transfers may be reversed only by a separate transfer effected by a transfer message using the reversal code, or transfers may be returned by this Bank in accordance with paragraph 8B.
- B. Subject to paragraph 5C, this Bank credits payments of principal and interest on book-entry securities to the funds account of the Participant (or, subject to prior written agreement, of its correspondent) on the due date (or the next business day, if the payment date falls on a weekend or holiday) from available funds of the issuer, unless otherwise instructed by the issuer.
- C. Credits of principal and interest payments on book-entry securities to a funds account are final, subject only to this Bank's right to debit or credit such funds account (without further authorization or instruction) to correct any payment errors.

Credits and Debits of Book-Entry Securities

- 11. A. Book-entry securities are credited to a Participant's securities account whenever

- (1) a Participant is a receiver or requests that book-entry securities be moved from the TREASURY DIRECT system (described at 31 C.F.R. Part 357.20 *et seq.*) to its securities account at this Bank;
 - (2) a Participant purchases book-entry securities upon original issue; or
 - (3) a Participant converts eligible definitive securities to book-entry form or from one book-entry form to another book-entry form.
- B. Book-entry securities are debited to a Participant's securities account whenever
- (1) this Bank effects a transfer for a Participant that is a sender, or a Participant requests that book-entry securities be moved into the TREASURY DIRECT system;
 - (2) Book-entry securities held in a securities account mature or are called for redemption; or
 - (3) a Participant converts eligible book-entry securities to bearer or registered definitive securities or from one book-entry form to another book-entry form in the same amount, series, and maturity date as the book-entry securities.
- C. Book-entry securities can be credited to a securities account upon original issue or converted to or from definitive form (bearer or registered) according to relevant regulations and policies of the issuers of the book-entry securities and of the Reserve Banks. Book-entry securities are redeemed at maturity or called in accordance with the issuer's instructions.
- D. Book-entry securities can be debited or credited to a securities account in accordance with paragraph 8B.
- E. If a transfer message does not designate the securities account of the receiver to be credited, book-entry securities will be credited to the securities account designated as a default by the receiver.

TRANSFER OF BOOK-ENTRY SECURITIES

Restrictions on Transfers

- 12. A. Transfers are not authorized on or after the date of maturity of a particular issue or on or after the redemption date of a bond or note that has been called for redemption. Certain issues may contain restrictions that do not allow transfers for a specified time period before maturity.
- B. This Bank will not accept instructions from a sender (or a receiver) to credit (or debit) a correspondent's funds account for a payment in connection with a transfer against payment.

Amount Limitations on Transfers

- 13. A. A par amount maximum ("limit") for transfers is specified in Appendix 2. The limit applies to all transfers, as well as to transactions with the Federal Reserve's Open Market Desk, except as provided in paragraph 13B. This Bank shall reject a transfer message with a par amount greater than the limit.
- B. The limit on transfers does not apply to
 - (1) transactions, including the original issuance of book-entry securities and requests to strip and reconstitute book-entry securities, with this Bank in its capacity as fiscal agent of the United States, federal and federally sponsored agencies, or international organizations; and
 - (2) debits or credits to restricted securities accounts on this Bank's books.
- C. Participants should establish procedures to ensure that large transfers are not delayed until late in the day. Specifically, each Participant should encourage its customers to provide it delivery instructions as soon as practical after a trade is executed and to deliver book-entry securities as soon as (par amount) lots of book-entry securities at the limit are in position.

Transfer Hours and Extensions

14. This Bank will effect transfers in accordance with the schedule of operating hours in Appendix 2. However, the Reserve Banks may decide, in their sole discretion, to open or close Fedwire at an earlier time, or extend Fedwire, to facilitate special market needs.

15. A. A Participant requiring an extension of Fedwire operating hours should contact this Bank as soon as possible; however, requests made later than five minutes before the scheduled Fedwire close shall not be granted. Extensions may be granted for reasons including, but not limited to, the following:
- (1) heavy volume in the book-entry securities market;
 - (2) failure of Reserve Bank and/or Fedwire network equipment; or
 - (3) failure of any Participant's (or its customer's) equipment when such failure is deemed disruptive to the securities market as a whole.
- B. When requesting an extension, the Participant will be required to state the dollar amount and volume of unprocessed transfer messages and to assess the severity of any technical difficulties.
- C. Every extension of Fedwire is broadcast electronically to all Reserve Banks and all Online Participants.

Notices

16. This Bank sends each Participant a notice after each credit or debit to its securities accounts on this Bank's books. The notice is not a negotiable or transferable receipt but is merely confirmation of a completed transfer.

- A. This Bank sends an Online Participant an electronic notice of each such debit or credit to its securities accounts.
- B. This Bank sends an Offline Participant a printed notice of each debit or credit to its securities accounts. This Bank will also attempt to notify such Participant by telephone of each such debit or credit.

17. After the close of business, this Bank provides each Online Participant with

- A. a summary of funds debited or credited to the Participant's funds account on this Bank's books as a result of transfers against payment; and
- B. a summary of net balances for each book-entry security issue for which there was activity.

18. Each Participant also receives information detailing principal and/or interest payments credited to its (or its correspondent's) funds account.

19. A Participant must notify this Bank in writing of an exception to any notice, summary, or statement as soon as possible but, in any event, no later than 10 calendar days from the date of the notice, summary, or statement.

Improper Use of the Reversal Code

20. A. A Participant should not send a transfer message for the first time during the reversal period by using the reversal code. A receiver unable to reverse a transfer effected by such transfer message to the sender may request an as-of adjustment, as discussed in paragraph 21.
- B. No misuse of the reversal code has occurred if a transfer effected by a transfer message sent initially and properly during the origination period by using the origination code is reversed one or more times by a transfer message using the reversal code. However, any request for compensation arising therefrom is not handled by this Bank and must be handled directly by the sender and the receiver.

REQUESTING AS-OF ADJUSTMENTS

21. Participants may request an as-of adjustment for improper use of the reversal code and for delays and operational errors caused by this Bank. Participants must submit written documentation supporting the request within two business days of the transaction giving rise to the request.

**TRANSFER AND SECURITIES
ACCOUNT MAINTENANCE FEES**

22. Fees for our book-entry securities account maintenance and transfer services are set forth in a fee schedule that we publish and amend from time to time. Such fees are charged to an account on our books designated by the Participant.

Assessment of Fees

23. A. **Transfer Fees**

This Bank charges an Online Participant that is a sender, and an Offline Participant that is a sender or a receiver, a fee for each transfer, except transfers affecting the following restricted securities accounts: Treasury Tax and Loan (TT&L), loans and discounts, and Circular 176. All receivers are charged a fee for each reversal.

B. **Issue and Securities Account Maintenance Fees**

For non-Treasury book-entry securities only, fees are assessed for per-issue balances maintained in each securities account and for each securities account maintained on this Bank's books. A separate per-issue fee is assessed for each third-party pledge held in the same securities account. Per-issue and securities account fees are not assessed for the following restricted securities accounts: Treasury Tax and Loan (TT&L), loans and discounts, and Circular 176.

Billing of Fees

- 24. A. The funds account of the Participant (or, subject to prior written agreement, of its correspondent) is debited for fees for Treasury book-entry securities daily. These fees may not be offset against earnings credits.
 - B. Fees for book-entry securities other than Treasury book-entry securities are billed monthly and debited to the funds account of the Participant (or, subject to prior written agreement, of its correspondent). These fees can be offset against earnings credits.
25. A Participant that does not have a funds

account is not relieved of its liability for any fees it incurs by using Fedwire.

EMERGENCY CONDITIONS

Failure of a Participant's Equipment

26. Online Participants are responsible for developing their own contingency and recovery plans, such as backup computer and operations facilities, to ensure their ability to continue Fedwire operations in the event of equipment failure or other operational interruption. This Bank assumes no responsibility for providing any backup access facilities for Participants.

Failure of Reserve Bank Equipment

- 27. A. In the event of an emergency or failure of this Bank's computer or operations facilities, transfers may be delayed until the emergency or failure is resolved. During extended disruptions, this Bank's Fedwire operations may be relocated to a backup site. Participants should refer to this Bank's contingency guidelines regarding Participant requirements and responsibilities during contingency operations.
- B. Online Participants should be prepared to reconcile their positions, up to the point of the failure, under this Bank's instructions.
- C. This Bank will notify Online Participants of an operating problem at another Reserve Bank and, should the problem be deemed critical, will give instructions to Online Participants.

LIMITATIONS ON LIABILITY

28. This Bank is not liable for the insolvency, neglect, misconduct, mistake, or default of any entity or person, including a Participant. Except as otherwise provided herein, this Bank is liable only for the actual direct loss sustained by the immediate Participants to a transaction proximately caused by this Bank's failure to exercise ordinary care or act in good faith. Specifically, the amount of this Bank's liability to a Participant is limited to no more than the dollar amount of the transaction plus reasonable interest and incidental expenses, unless the Participant's claim is based on delay of a transaction, in which case this Bank's liability is limited

to reasonable interest and incidental expenses. This Bank may, in its discretion, satisfy its obligation to pay interest hereunder by providing an as-of adjustment or by paying compensation. In no event shall this Bank be liable for consequential, indirect, incidental, or special damages (including lost profits), however derived and regardless of whether this Bank has been informed of the possibility thereof.

RIGHT TO AMEND

29. We reserve the right to amend this Operating Circular at any time but will endeavor to give 30 days' notice.

APPENDIX 1

APPLICABLE REGULATORY CITATIONS GOVERNING BOOK-ENTRY SECURITIES OF AGENCIES, INSTRUMENTALITIES, AND ESTABLISHMENTS OF THE UNITED STATES

- 12 C.F.R. Part 615, Subpart O (Farm Credit System)
- 12 C.F.R. Part 615, Subpart R (Farm Credit System Financial Assistance Corporation)
- 12 C.F.R. Part 912 (Federal Home Loan Banks)
- 1 C.F.R. Part 462 (Federal Home Loan Mortgage Corporation)
- 24 C.F.R. Part 81, Subpart E (Federal National Mortgage Association)
- 12 C.F.R. Parts 912, 950.5 (Financing Corporation)
- 12 C.F.R. Part 1511 (Resolution Funding Corporation)
- 31 C.F.R. Part 354 (Student Loan Marketing Association)
- 18 C.F.R. Part 1314 (Tennessee Valley Authority)
- 31 C.F.R. Part 306, Subpart O (U.S. Department of the Treasury)
- 31 C.F.R. Part 350, Subpart B (U.S. Department of the Treasury)

APPENDIX 2

**FEDWIRE OPERATING HOURS FOR BOOK-ENTRY
SECURITIES TRANSFERS**

PAR AMOUNT MAXIMUM

The par amount maximum for transfers is \$50 million.

ONLINE TRANSFERS

| | |
|--|-----------------------------|
| Opening of Fedwire ¹ | 8:30 a.m. Eastern time (ET) |
| Close of the origination period for transfers | 2:30 p.m. ET |
| Close of the period for turnaround transfers from a dealer to an ultimate customer | 2:45 p.m. ET |
| Close of the reversal period for transfers | 3:00 p.m. ET |

OFFLINE INSTRUCTIONS

| | |
|--|--------------|
| Begin accepting instructions | 9:00 a.m. ET |
| Cutoff for accepting instructions for current-day processing ² | 1:30 p.m. ET |
| Cutoff for accepting instructions for future-days processing | 3:00 p.m. ET |

¹ Reserve Banks may decide, in their sole discretion, to open—or close—Fedwire at an earlier time, or extend Fedwire, to facilitate special market needs.

² An attempt will be made to process offline instructions received after the cutoff time, but such processing cannot be guaranteed. The requesting Participant will be notified if the transfer is not effected.

(Appendix 2 continued on the next page)

APPENDIX 2 *(continued)*

BOOK-ENTRY BUSINESS DAYS

Our book-entry business days are all days except the following standard holidays that are observed by Reserve Banks:³

- All Saturdays
- All Sundays
- New Year's Day (January 1)
- Martin Luther King, Jr. Day (third Monday in January)
- Presidents Day (third Monday in February)
- Memorial Day (last Monday in May)
- Independence Day (July 4)
- Labor Day (first Monday in September)
- Columbus Day (second Monday in October)
- Veterans Day (November 11)
- Thanksgiving Day (fourth Thursday in November)
- Christmas Day (December 25)

If January 1, July 4, November 11, or December 25 falls on a Sunday, the next following Monday is a standard Reserve Bank holiday.

³The New Orleans Branch of the Federal Reserve Bank of Atlanta closes on Mardi Gras.

APPENDIX 3

TELEPHONE TENDERS FOR TREASURY AUCTIONS

This Appendix sets forth the terms under which a submitter in a Treasury auction ("the Submitter") may submit a tender by telephone to the Federal Reserve Bank of Dallas or its Branches at Houston or San Antonio ("the Bank") as fiscal agent of the United States. By submission of a telephone tender, the Submitter accepts the provisions of Appendix 3 of this Bank's Operating Circular 14.

Routine submission of telephone tenders is *not* permitted. However, under special emergency circumstances, such as power failures and equipment or communications failures, the Bank may, in its discretion, receive tenders submitted by telephone. A tender will not be received by telephone if, in the Bank's judgment, the Submitter has the ability to submit the tender in a timely manner by either computer or paper and has not made a good faith effort to do so.

ELIGIBLE SUBMITTERS

To submit a telephone tender, the Submitter must have on file with the Bank's Securities Department, Securities Division, an executed "Authorization for Persons to Submit Paper Tenders on Behalf of Submitter." Individuals authorized to submit paper tenders on behalf of the Submitter will be considered authorized to submit telephone tenders. In addition, the Submitter must have made arrangements for payment by an authorized charge to a funds account of a depository institution. If the Submitter does not have a funds account at the Bank or chooses not to pay by charge to its funds account, it must have on file with the Bank a current autocharge agreement with a depository institution that has a funds account at the Bank.

TIMELY SUBMISSIONS

Telephone tenders, to be considered timely, must be received before the relevant auction deadline. Telephone tenders will be considered received when the Submitter has provided all required tender information to the Bank. No withdrawals, corrections, or other adjustments may be made after the deadline.

PROCEDURES

Telephone tenders will be received only over the following recorded telephone lines: (214) 922-6751 at the Dallas Office; (713) 652-1628 at the Houston Branch; or (210) 978-1305 at the San Antonio Branch.

An individual submitting a telephone tender for the Submitter must satisfactorily identify himself or herself to the Bank personnel receiving the tender.

Bank personnel receiving a telephone tender should read back to the caller the Submitter's tender information, including dollar amounts bid at each yield, names of customers, and amounts of net long position.

The Bank may make a follow-up verification call to a person authorized to submit tenders under the Submitter's "Authorization for Persons to Submit Paper Tenders on Behalf of Submitter." That person will be requested to repeat the tender information. Verification calls will be made as quickly as possible after completion of the original call submitting the tender.

The Submitter submitting a tender by telephone must submit a computer tender—or if the Submitter is unable to submit a computer tender, a paper tender—confirming its telephone

APPENDIX 3 *(continued)*

tender. The confirming tender must be received by the Bank by the close of business on the day of the auction in question. Any computer or paper tender submitted hereunder should be marked clearly as a confirmation of the telephone tender.

GENERAL PROVISIONS

The Bank is entitled to rely on any telephone tender it believes to be genuine. All tenders submitted by telephone are binding on the Submitter to the same extent as if they were paper tenders. All terms, conditions, and certifications applicable to submissions of paper tenders under "Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds," Department of the Treasury Circular, Public Debt Series No. 1-93 (31 C.F.R. Part 356)—and under the applicable offering announcement—apply to tenders submitted by telephone. The Bank may disregard or cancel any telephone tender it is unable to verify in accordance with its procedures. A failure to submit a confirmation as required by the "Procedures" section of this Appendix, a delay in submitting the confirmation, or a discrepancy between a tender and the confirmation shall not relieve any Submitter of responsibility for its tender but may cause the Bank to refuse to accept the same Submitter's tenders by telephone in the future.

The Bank may use tape recordings of telephone conversations to resolve disputes regarding tenders submitted by telephone. All disputes must be presented before the issue date of the security being auctioned.