



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

DALLAS, TEXAS
75265-5906

August 20, 1999

Notice 99-64

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

SUBJECT

Revisions to Operating Circulars 4 and 6

DETAILS

In our ongoing effort to enhance existing products and services, we want to inform you of the latest developments involving Federal Reserve System data security. Recently, the Federal Reserve System conducted in-depth reviews of its security architecture. As a result, Triple Data Encryption Standard (Triple DES) was selected as an improvement to the current data encryption standard for depository institutions (DIs) that use FedLine[®] software. The availability of Triple DES was announced in our correspondence dated May 6, 1999. Accordingly, the enclosed security procedures and agreements for ACH and Fedwire funds transfer services have been amended.

The revised security procedures and agreements allow us to offer multiple Level One (online) security options for ACH and Fedwire. With the rapid advancements in electronic access methods and electronic security, the need for such flexibility is becoming increasingly important. Moreover, Reserve Banks anticipate that Level One security options may eventually include an Internet access method.

The revised security procedure appendices state that when a DI uses one of the online or Level One security options, it rejects the other online or Level One security options. Additionally, each DI will be bound by any transaction, whether or not authorized, if it was issued in the DI's name and accepted by a Reserve Bank in accordance with the security procedure selected by the DI.

We ask that you replace your existing security procedures and agreements in Operating Circular 4, *Automated Clearing House Items*, and 6, *Funds Transfer through Fedwire*, with the enclosed revised Appendices A and A-1.

Requirements for Executing New Agreements

The majority of Fedline customers will implement the new Triple DES online security option within the next several months. Because DIs that currently subscribe to the ACH and/or Fedwire funds transfer services have previously executed security procedure agreements, it is not necessary to obtain new security agreements from all customers. However, DIs that choose **not** to implement Triple DES are required to sign and return the revised security agreements to the Federal Reserve by September 30, 1999, unless one of the following statements is true:

- You are a computer interface customer, or
- You do not have online access.

Additionally, if a DI uses the services of an ACH service provider or is a party to a Fedwire third-party agreement, the DI is required to execute a new security procedure agreement unless the service provider satisfies one of the above statements.

ENCLOSURES

The revised security procedures and agreements for ACH and Fedwire funds transfer services are enclosed.

MORE INFORMATION

If you have any questions regarding revised appendices to our operating circulars or Federal Reserve security standards, please contact your local FedLine customer support area at one of the following numbers:

Dallas	(800) 333-4460
El Paso	(800) 592-1631
Houston	(800) 392-4162, ext. 111
San Antonio	(800) 292-5810

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

Sincerely,

