

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 6624]
October 23, 1970]

**Federal Reserve Bank Checklist Procedures for Government
Securities Reported as Missing or Stolen**

*To All Banks, and Others Concerned,
in the Second Federal Reserve District:*

During the past year there has been a marked increase in the incidence and magnitude of thefts of United States Government and agency securities from banks and other financial institutions. When it became apparent that the problem was becoming acute, the Treasury and the Federal Reserve System undertook a comprehensive review of the problem and of measures to cope with it. The Treasury, of course, has a direct interest in any developments relating to Government securities, and the Reserve Banks, as fiscal agents of the United States, share that interest. In addition, the Federal Reserve System has a direct interest in the problem of thefts of Government securities as that problem affects member banks and the banking system, and as it affects the performance of the Government securities market, through which the System's open market operations are conducted.

As the result of such a review, in June of this year the Treasury adopted certain changes in its regulations and procedures designed to accelerate the time within which the Treasury can process and grant relief on stolen or missing securities. Other changes in Treasury policies and procedures are also under active consideration.

Apart from their responsibilities as fiscal agents of the Treasury, the Federal Reserve Banks have undertaken further measures, in their capacities as the central bank, to assist in meeting the problem of stolen Government securities. Over the past year, the Reserve Banks have been developing a "checklist" procedure for the purpose of maintaining a surveillance for transferable United States Government and agency securities reported as stolen or missing by the financial community. Under that procedure, each Reserve Bank obtains current information on such securities from banks and other financial institutions and investment and brokerage firms within its District, and forwards such information to a coordinating Reserve Bank. The coordinating Bank compiles and distributes a master checklist containing such information to all 36 Federal Reserve Bank or Branch offices throughout the country, and it keeps the list current by informing all such offices promptly, by wire, of any changes in the list. Using the list, each Federal Reserve office has established procedures to check Government securities received at that office. The checklist procedures vary from office to office, depending on local conditions and circumstances, but in general are designed to check promptly all Government and agency securities received at the office.

Each Federal Reserve office is also prepared to serve as a clearing house for information regarding stolen Government securities. It will be prepared to answer inquiries regarding such securities from parties—such as banks and other financial institutions—having legitimate interests in such information. It will also be prepared to facilitate prompt contact with the local offices of appropriate law-enforcement agencies—including, where appropriate, police authorities or the Federal Bureau of Investigation, or both—regarding such matters.

Under the procedure, whenever a listed security is discovered, the Federal Reserve office will inform the appropriate law-enforcement agency, as well as the Treasury and other interested parties, of the discovery so that they may act promptly in taking whatever steps they may deem necessary. The Federal Reserve's primary function is to inform the appropriate parties of the discovery of a listed security as promptly as possible. No further action is contemplated by the Federal Reserve Bank, and the law-enforcement agencies will take whatever steps they consider appropriate in the circumstances.

It is understood that the Reserve Bank checklist is not a "caveat" list or a "stop payment" list, that the Reserve Banks undertake no responsibility with regard to any party in maintaining the list, and that the Banks will not be liable for any act, or any failure to act, with respect to searching for, or identifying, any security reported to a Reserve Bank or described on the list. While the checklist procedure is undertaken by the Reserve Banks in their individual capacities, based on their role and responsibilities as the central bank and not as fiscal agents of the United States, it is also understood that each Reserve Bank's procedures are consistent with Treasury regulations and instructions governing lost or stolen securities—as reflected in Treasury Department Circular No. 300 and related documents—and with the Bank's responsibilities as fiscal agent of the United States. In general, the Reserve Bank checklist procedure was designed to supplement existing procedures; it has been established within the framework of existing Treasury regulations and is based on full cooperation with the F.B.I. and local police authorities.

The checklist procedure has been in effect at many Federal Reserve offices for several months. A uniform, coordinated system has recently been adopted by all Federal Reserve offices and is now in operation throughout the country. Banks and other financial institutions, as well as investment and brokerage firms, may utilize the system by submitting information on missing transferable United States Government and agency securities to their local Federal Reserve office. Such information should include the full name and type of the security, the due date, the serial number, and the denomination. For the procedure to be most effective, it is urged that such reports be submitted as promptly as possible. Institutions reporting missing securities are also urged to inform their Federal Reserve office if such securities are subsequently located. In all cases it is essential that the information on the checklist be kept current. As a general rule, securities will be automatically deleted from the checklist within specified periods after maturity; for example, Treasury bills will be deleted 10 weeks after maturity, notes will be deleted 18 weeks after maturity, and bonds will be deleted 31 weeks after maturity.

In this connection, it should be noted that the National Crime Information Center (NCIC)—a computerized system operated by the F.B.I. for compiling data on stolen property, including securities—is available to banks and financial institutions through local law-enforcement authorities and field offices of the F. B. I. and the Secret Service. Under this system, a party

suspecting that a particular security may be a stolen security may contact a local law-enforcement office and request that an inquiry be made to the NCIC from local terminals maintained throughout the country. The NCIC includes information on U. S. Savings Bonds—as well as other securities, including corporate stocks and bonds—reported to law-enforcement agencies; the Reserve Bank checklist procedure is limited to transferable United States Government and agency securities reported to Federal Reserve offices by banks and other financial institutions and investment and brokerage firms. Further information on the use of the NCIC may be obtained from local law-enforcement offices or any Federal Reserve office.

It should be stressed that any institution submitting information on missing securities to a Federal Reserve office should also submit reports on the securities to the appropriate law-enforcement agencies. The Reserve Bank checklist procedure is not intended to substitute in any way for the usual procedures for reporting missing or stolen securities to law-enforcement agencies. All such institutions are also urged to act promptly in filing such reports or in taking any other action with respect to missing securities; experience has demonstrated that prompt action is most effective in leading to the apprehension of the criminals involved in securities thefts.

Any institution having a legitimate interest in obtaining information on specific securities on the Federal Reserve checklist may do so by contacting its local Federal Reserve office. In all cases, the Federal Reserve office will satisfy itself as to the appropriateness of any requests for such information. In this District, such requests for information, as well as any general inquiries regarding the use of the Reserve Bank checklist procedure, may be made by telephone to our Government Bond Division (Telephone Number 212-732-5700, Extension 323, 381, or 666); or, in the area served by the Buffalo Branch, to the Collection, Loans and Fiscal Agency Division of the Buffalo Branch (Telephone Number 716-853-1700, Extension 229 or 227).

The checklist procedure was designed primarily to help recover lost securities. Just as important are measures designed to minimize the risk of loss or theft of securities. In this respect, the book-entry procedure for Government securities will ultimately afford the optimal solution to the problem of thefts of Government securities, for it almost eliminates the possibility of such thefts. Both the Federal Reserve System and the Treasury are proceeding with the further expansion of the book-entry procedure. Banks are urged to utilize the procedure to the maximum extent possible during each stage in its continuing development.

ALFRED HAYES,
President.