

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 7590  
March 19, 1975 ]

**BOOK-ENTRY PROCEDURE  
Application to Securities Owned by  
Insurance Companies in New York State**

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

Our Circular No. 7427, dated July 26, 1974, and previous circulars issued by this Bank, have reported on the progress achieved in the development of the joint Federal Reserve/Treasury Department book-entry program. The purpose of the program is to eliminate the use of definitive securities to the fullest possible extent in connection with the issuance, custody, and transfer of marketable Treasury and Federal Agency obligations.

As a further indication of the extent to which the book-entry concept has expanded, enclosed is the text of a press release issued by this Bank, announcing that the Superintendent of Insurance of New York State has approved use of the book-entry procedure for eligible securities owned by insurance companies authorized to write insurance in the State of New York.

Printed below is a table showing the status of the book-entry procedure for Treasury securities at each year-end from 1968 through 1974, and also at the end of January and February 1975. In addition to Treasury securities, about \$27 billion, or 37 percent, of the \$73 billion of Federal Agency securities that are eligible for the book-entry procedure are currently in book-entry form.

As previously announced in Circular No. 7427, Appendices B and C to this Bank's Operating Circular No. 21 have been revised to reflect the addition of the obligations of the Federal Financing Bank to the list of Federal Agency securities that are eligible for the book-entry procedure. Enclosed are copies of these Appendices. Additional copies will be furnished upon request.

ALFRED HAYES,  
*President.*

**Marketable United States Treasury Securities in Book-Entry Form  
December 1968 to February 1975**

(Dollar amounts in billions)

| <i>End<br/>of<br/>Period</i> | <i>Marketable<br/>Treasury<br/>Securities<br/>Outstanding</i> | <i>Book-Entry Holdings</i>    |                                        |                                         |
|------------------------------|---------------------------------------------------------------|-------------------------------|----------------------------------------|-----------------------------------------|
|                              |                                                               | <i>Federal Reserve System</i> |                                        | <i>Federal Reserve<br/>Bank of N.Y.</i> |
|                              |                                                               | <i>Amount</i>                 | <i>% of Securities<br/>Outstanding</i> |                                         |
| 1968                         | \$ 236.8                                                      | \$ 36.5                       | 15.4                                   | \$ 21.0                                 |
| 1969                         | 235.9                                                         | 38.2                          | 16.2                                   | 21.2                                    |
| 1970                         | 247.7                                                         | 121.3                         | 48.9                                   | 96.6                                    |
| 1971                         | 262.0                                                         | 152.6                         | 58.2                                   | 124.6                                   |
| 1972                         | 269.5                                                         | 160.2                         | 59.4                                   | 129.2                                   |
| 1973                         | 270.2                                                         | 176.6                         | 65.4                                   | 135.6                                   |
| 1974                         | 281.3                                                         | 201.4                         | 71.6                                   | 151.5                                   |
| January 1975                 | 284.6                                                         | 205.5                         | 72.2                                   | 156.1                                   |
| February 1975                | 288.3                                                         | 210.3                         | 72.9                                   | 159.6                                   |



# FEDERAL RESERVE BANK OF NEW YORK

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NEW YORK FED EXPANDS BOOK-ENTRY FACILITIES TO INCLUDE  
INSURANCE COMPANIES LICENSED IN NEW YORK STATE

NEW YORK--Insurance companies licensed to operate in New York State are now authorized by the superintendent of insurance to use the book-entry facilities of the Federal Reserve Bank of New York for United States government and agency securities, Thomas C. Sloane, vice president, government securities and safekeeping area, said Tuesday.

The expansion of book-entry procedures, through member commercial banks, to include securities owned by insurance companies, constitutes a major development in the joint Federal Reserve-U.S. Treasury Department book-entry program,

Mr. Sloane said.

In a letter to insurance companies, Lawrence O. Monin, acting superintendent of insurance for New York State, said the department has approved participation of insurance companies in the book-entry procedure of the New York Fed.

The letter said book-entry procedures "would eliminate many clerical steps involved in the delivery and receipt of securities; reduce costs and problems related to the storage, inspection, transportation, counting and insuring of securities; and reduce the exposure of certificates to theft or loss."

Similar action by other state insurance agencies is expected soon, Mr. Sloane said.

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Calling the insurance department action "highly significant," Mr. Sloane said an "estimated \$4.7 billion eligible U.S. government securities held by insurance companies in the U.S., the great majority owned by insurance companies in New York State, should soon be converted into book-entry form."

Under the book-entry procedure, physical paper securities are replaced by computer entries on the records of a Reserve Bank.

Insurance companies in New York, operating through Federal Reserve member commercial banks as custodians, will be able to transfer physical securities to the New York Fed for safekeeping in computer-entry form, and wire them through the Reserve's Government Securities Clearing Arrangement (GSCA) in connection with sales and other transactions.

Insurance companies and other depositors maintain the same relationships as before with their commercial banks, and may obtain definitive securities at any time upon request, Mr. Sloane said.

The New York Fed also will furnish, as usual, each depositing member bank with daily transaction reports and periodic statements of balances held, Mr. Sloane said.

The commercial banks, in turn, generally will report to their customers, on a weekly or monthly basis, depending upon the degree of activity, the exact status of the book-entry securities owned.

Through the GSCA conducted by the New York Fed, securities held in book-entry accounts can be transferred by wire among participating member banks in New York City, or to or from other Federal Reserve Banks, without need to handle paper certificates. The procedure speeds delivery and virtually eliminates opportunities for loss or theft.

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In January 1974, the New York Fed urged bank and non-bank financial institutions in the Second Federal Reserve District to speed conversion of U.S. government securities to book-entry form in an effort to halt a sharp rise in reported losses and thefts.

During 1974, \$22.8 million in government securities were reported lost or stolen, compared to \$23.6 million in 1973 and \$17.5 million in 1972.

The Reserve Banks, as fiscal agents of the U.S., have a direct interest in the problem of thefts of government securities since they issue, redeem and service such securities. As central banking institutions they also have an interest and a responsibility in reducing such losses which affect member banks, the entire banking system and the performance of the government securities market. Buying and selling securities in that market is the System's primary method of carrying out monetary policy.

In addition to insurance company holdings, member commercial banks are progressively making the book-entry procedure available to correspondent banks and other accounts, including those of individual customers, Mr. Sloane said.

Currently, more than \$210 billion, or about 73 percent of the \$288 billion marketable U.S. Treasury securities outstanding are in book-entry form.

Of the remaining \$78 billion eligible for book-entry, about \$71 billion are in bearer form and \$7 billion in registered form. Bearer securities are negotiable by anyone who has possession.

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In addition, about \$27 billion, or about 37 percent of the \$73 billion in eligible securities issued by large U.S. government agencies have been converted to book-entry form. The securities are those issued by the Banks for Cooperatives, Farmers Home Administration, Federal Financing Bank, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association and the U.S. Postal Service.

The Second Federal Reserve District encompasses New York State; the 12 northernmost counties of New Jersey; and Fairfield County, Connecticut.