

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8143]
July 11, 1977

REPORTS AND INQUIRIES REGARDING LOST OR STOLEN
UNITED STATES GOVERNMENT AND AGENCY SECURITIES

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

On December 16, 1976, the Securities and Exchange Commission issued Rule 17f-1, which requires all financial institutions covered by the Rule to report to the appropriate instrumentality any incidence of loss or theft of certain securities and, with certain exceptions, to make inquiry prior to the completion of any transaction involving those securities. The Rule will be implemented in two phases. The first part to be implemented will be the reporting requirement, which will go into effect on October 3, 1977. The second part, the inquiry requirement, will go into effect on January 2, 1978. During August 1977 the Securities and Exchange Commission will make a mass distribution of informational material, including copies of the Rule, procedures, and report form.

The Federal Reserve Banks have been designated as the "appropriate instrumentality" for receiving reports of and inquiries as to lost or stolen United States Government and Agency securities. As used in this circular, the term "Government and Agency securities" includes securities issued by the:

United States Treasury
Banks for Cooperatives
District of Columbia Armory Board
Export-Import Bank of the United States
Farm Credit Administration
Farmers Home Administration
Federal Financing Bank
Federal Home Loan Banks
Federal Home Loan Mortgage Corporation
Federal Housing Administration
Federal Intermediate Credit Banks
Federal Land Banks
Federal National Mortgage Association
Government National Mortgage Association
(does not include Pass-Through Securities)
Small Business Administration
Student Loan Marketing Association
Tennessee Valley Authority
United States Postal Service
Washington Metropolitan Area Transit Authority

Asian Development Bank
Inter-American Development Bank
International Bank for Reconstruction and Development

Since late 1970, the Federal Reserve Banks have been operating a checklist procedure designed to assist in the identification of lost and stolen Government and Agency securities. The development of the checklist procedure had been spurred in late 1969 by a marked increase in the incidence and magnitude of thefts of United States Government and Agency securities from banks and other financial institutions.

The reporting and inquiry phases of Rule 17f-1 will be operated on a one-year pilot basis beginning January 2, 1978, when the inquiry requirement becomes effective. The Rule covers every national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, registered transfer agent, registered clearing agency, participant therein, member

of the Federal Reserve System, and bank whose deposits are insured by the Federal Deposit Insurance Corporation. While the Rule requires reports and inquiries on Government and Agency securities from those financial institutions, the Federal Reserve Banks will also accept reports from and respond to inquiries from any other financial institution.

It should be noted that the Federal Reserve Banks undertake no responsibility with regard to any party in maintaining the list of lost or stolen securities or responding to inquiries pertaining thereto and will not be liable for any act or failure to act with respect to any procedures set forth in Rule 17f-1. Furthermore, the list maintained by the Federal Reserve Banks pursuant to such Rule is not a "caveat" or "stop payment" list.

Reports (beginning October 3, 1977)

Reports of lost or stolen securities should be made in writing, using SEC Form X-17F-1A. Copies of the form will be included in the SEC's August mailing and will be available at all regional SEC offices after September 1, 1977. All recoveries must also be promptly reported in writing, using the same form, by the institution that reported the loss. All reports should be addressed to:

Government Bond Division
Federal Reserve Bank of New York
New York, New York 10045

Inquiries (beginning January 2, 1978)

All financial institutions covered by Rule 17f-1 will also be required to make inquiry with respect to every bearer Government or Agency security (including registered securities assigned in blank), which comes into its possession or keeping, whether by pledge, transfer or otherwise, to ascertain whether that security has been reported as lost or stolen unless:

- 1) the security is received directly from the issuer or issuing agent at issuance, or
- 2) the security is received from another reporting institution or from a Federal Reserve Bank in its capacity as fiscal agent. (All securities received from a Federal Reserve Bank are exempt from the Rule 17f-1 inquiry requirement except securities received on a withdrawal from a safekeeping or other custodial account where the securities were not held in book-entry form.)

In this District, inquiries, as well as requests for general information regarding the use of the Federal Reserve Bank checklist procedure, may be made by telephone to our Government Bond Division (Tel. No. 212-791-5359); or, in the territory served by the Buffalo Branch, to the Collection, Loans, and Fiscal Agency Division of the Buffalo Branch (Tel. No. 716-849-5043 or 716-849-5130). Response by the Federal Reserve Office will be in the form of a return call, which will be promptly confirmed in writing.

Reports of and inquiries as to *registered* Government and Agency securities (unless assigned in blank) are not covered by the Rule, but may be made to the appropriate transfer agent (either the U.S. Treasury Department for Treasury and Federal Land Bank issues, or the Federal Reserve Bank of New York for other Agency issues, including securities issued by international organizations). Any reports of or inquiries as to counterfeit securities should be directed to the appropriate law enforcement agencies.

The checklist procedure is designed to help recover lost or stolen securities and to prevent their use in normal commerce. Of even greater importance are measures designed to minimize the risk of loss or theft of securities. In this respect, the book-entry procedure for Government and Federal Agency securities affords the optimal solution to the problem of securities thefts. Currently more than 87 percent of the eligible marketable Government and Federal Agency issues are held in book-entry form. However, about \$63 billion still remains outstanding in definitive form—much of it in the custody of banks. Both the Federal Reserve System and the Treasury have been working to extend the use of the book-entry procedure, and banks are urged to utilize the procedure to the maximum extent possible.

PAUL A. VOLCKER,
President.