

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8976]
[December 22, 1980]

NEW OPERATING CIRCULAR ON
ADVANCES AND DISCOUNTS

To All Depository Institutions, Branches and Agencies
of Foreign Banks, and Others Concerned in the
Second Federal Reserve District:

The Monetary Control Act of 1980 and the International Banking Act of 1978 have opened this Bank's discount window for the first time on a regular basis to nonmember depository institutions, including nonmember commercial banks, savings banks, savings and loan associations, credit unions, and foreign bank branches and agencies. The enclosed revision of Operating Circular No. 12, together with its appendices, is designed both to assist nonmember institutions in preparing the documentation required to obtain advances from and to pledge assets to this Bank and to establish for members and nonmembers alike the procedural framework within which advances may be made. Member banks and other depository institutions that previously have filed with this Bank the documents required to obtain advances and to pledge assets need not submit any new documents at this time.

Operating Circular No. 12, "Advances and Discounts"

Operating Circular No. 12 discusses the types of credit available through the discount window, the maturity of advances, the procedures for making and repaying advances, the collateral required to secure advances, the computation of interest charges on advances, and the obligations of the borrower and the rights of this Bank in connection with advances. A complete overview of the policies and procedures governing discount window operations may be gained from reading the operating circular together with Regulation A, "Extensions of Credit by Federal Reserve Banks" (issued by the Board of Governors of the Federal Reserve System, effective September 1, 1980, and sent to your institution by this Bank on August 22, 1980). In order to determine the rate applicable to a particular advance, the borrowing institution should refer to the most recent revision of this Bank's Operating Circular No. 13.

Any depository institution that anticipates requesting advances from this Bank (except those that already have submitted the appropriate documents) must file the authorization forms contained in the applicable appendix to this operating circular. This Bank expects that the necessary documents will be submitted before any advance is requested. Depository institutions in this Bank's Head Office territory should send these forms to Eugene P. Emond, Manager, Credit and Discount Department. Institutions located in this Bank's Buffalo Branch territory should send these forms to Gary S. Weintraub, Operations Officer, Collection, Loans, and Fiscal Agency Division.

*Appendix A, "Depository Institution Agreement Regarding
Advances by Federal Reserve Bank of New York"*

The documents set forth in Appendix A to Operating Circular No. 12 are for use by domestic depository institutions that wish to obtain advances from this Bank.

(OVER)

*Appendix B, "Foreign Bank Agreement Regarding
Advances by Federal Reserve Bank of New York"*

The documents set forth in Appendix B to Operating Circular No. 12 are for use by foreign banks that wish to obtain advances from this Bank through a branch or agency located in this Federal Reserve District. The foreign bank agreement is substantially similar to the agreement in Appendix A, but it takes account of the special circumstances of foreign banks. Foreign banks with branches or agencies in this District and in one or more other Districts that wish to be able to borrow in more than one District should consult this Bank's Credit and Discount Department about the possibility of filing duplicate originals of the necessary documents with other Reserve Banks.

Foreign banks should note that paragraph 6 of Appendix B takes account of both the special deposit and asset maintenance requirements of Sections 202-b(1) and (2) of the New York Banking Law regarding liens by the New York Superintendent of Banks on deposit balances held at this Bank.

*Appendix C, "Depository Institution Off-Premises
Collateral Custody Agreement"*

The agreement set forth in Appendix C to Operating Circular No. 12 permits depository institutions to pledge assets retained in their custody as collateral to secure advances from this Bank. Currently, only first mortgages on one- to four-family residences may be used under the off-premises collateral custody agreement. However, this Bank is prepared to consider extending that agreement in the future to cover other types of collateral if circumstances warrant.

Arrangements also can be made for an acceptable third party to hold a depository institution's assets as collateral to secure both this Bank's advances and Treasury Tax and Loan accounts. This Bank is working with the Department of the Treasury to develop a standard agreement to be used in connection with such arrangements. If, prior to the publication of that standard agreement, a depository institution wishes to enter into a third-party custody arrangement, it should contact either this Bank's Credit and Discount Department or the Collection, Loans, and Fiscal Agency Division of the Buffalo Branch, as appropriate.

Inquiries

If you have any questions regarding Operating Circular No. 12, please call, at the Head Office, Eugene P. Emond, Manager, Credit and Discount Department (Tel. No. 212-791-6146), Arnold J. Slansky, Chief, Discount Division (Tel. No. 212-791-5395), or Walker F. Todd, Assistant Counsel (Tel. No. 212-791-5041), or, at the Buffalo Branch, Gary S. Weintraub, Operations Officer (Tel. No. 716-849-5020).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 12
Revised effective December 19, 1980]

ADVANCES AND DISCOUNTS

*To All Depository Institutions in the Second Federal Reserve District,
Foreign Banks Having Branches or Agencies in the Second
Federal Reserve District, and Others Concerned:*

This operating circular sets forth the general terms and procedures under which this Bank extends credit to depository institutions and foreign banks with Second District branches and agencies ("depository institutions"). All references to this Bank in this operating circular apply equally to its Buffalo Branch, and depository institutions whose head offices are located in the Buffalo Branch territory* should request extensions of credit from the Buffalo Branch.

Kinds of credit accommodations

1. Under provisions of the Federal Reserve Act (the "Act") and Regulation A of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 201), this Bank is authorized to extend credit by the following means:

(a) Short-term adjustment credit provided pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(a) of Regulation A.

(b) Seasonal credit provided pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(b)(1) of Regulation A.

(c) Other extended credit provided pursuant to Sections 13, 13a, and 10(b) of the Act and Section 201.3(b)(2) of Regulation A.

* The Buffalo Branch territory includes the following counties in the State of New York: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming, and Yates.

Depository institutions should note that this Bank is not authorized to make a single advance for a period exceeding 90 days under Section 13 of the Act or four months under Section 10(b) of the Act. In practice, this Bank's advances normally mature in much shorter periods of 1 to 14 days. However, advances can be renewed if a depository institution's borrowing needs persist. In case of an extended credit need, this Bank ordinarily would be prepared to make new advances or to roll over advances even after four months. If this Bank believes that discounts of paper held by a depository institution would serve the institution's credit needs better than advances, and if the paper presented for discount satisfies the eligibility requirements set forth in Sections 13 and 13a of the Act, the Bank will make such discounts upon the same terms that would apply to advances of equal maturity.

Continuing lending agreements

2. In general, this Bank will make advances to a depository institution pursuant to the terms of the agreement regarding advances by the Bank (continuing lending agreement) set forth in Appendix A or B to this operating circular. An advice of credit will constitute evidence of particular advances pursuant to that agreement. This Bank will transmit an advice of credit to the depository institution at the time of the advance, specifying the amount and maturity of the advance and the rate of interest. However, this Bank reserves the right to require any depository institution to execute a promissory note at any time with respect to a particular advance or particular advances.

Making of advances

3. (a) In general, this Bank does not require that a request for an advance be accompanied by a written application, and any such request ordinarily may be made by telephone by an authorized officer of a depository institution. However, this Bank reserves the right to require a depository institution to submit a written application. Each request for an advance must specify the amount and maturity of the requested advance, the collateral offered as security, and, in the event that this Bank does not already hold the collateral, the manner in which the collateral will be placed in the Bank's possession, under its control, or otherwise pledged to the Bank.

(b) If this Bank receives a request for an advance and the request is approved before the Bank's close of business, under normal circumstances the borrowing depository institution will be given immediate credit in its account on the Bank's books. If the borrowing depository institution does not maintain an account with this Bank, the amount of the advance will be transferred to the account on the Bank's or another Federal Reserve Bank's books of a depository institution designated by the borrower for credit to the borrower's account, or a wire transfer of funds or an officer's check will be issued in accordance with the borrower's instructions.

Collateral security

4. (a) All advances must be secured to the satisfaction of this Bank. Collateral offered as security for any advance, in addition to meeting other requirements set forth in this operating circular or any applicable Appendix to this operating circular, must be: (i) acceptable to this Bank; (ii) indorsed or assigned by the depository institution (except in the case of negotiable bearer paper); and (iii) in such form, or accompanied by such documents, that it may be transferred readily to the Bank without further action by the depository institution.

(b) Under certain conditions, collateral offered as security for this Bank's advances may be held by the borrowing depository institution itself, another depository institution, another Federal Reserve Bank, or another custodian acceptable to the Bank in lieu of actual delivery of the collateral to the Bank. This Bank must be consulted in advance with respect to any such arrangement. In general, off-premises custody arrangements are subject to the terms set forth in Appendix C to this operating circular.

(c) If a depository institution that has pledged paper to or discounted paper with this Bank, or has otherwise transferred paper to the Bank for possible future use as collateral for advances, receives any funds in respect of such paper, the depository institution will notify the Bank promptly of the payment and, until the Bank directs otherwise, the depository institution may retain such funds for its own account. The depository institution will pledge other collateral if outstanding principal balances of such paper are reduced. If this

Bank directs that such funds be turned over to it or that other collateral be substituted, the depository institution then must remit the funds to the Bank immediately or substitute other collateral, as directed; and, until so remitted or until other collateral is substituted, those funds will be considered as having been received in trust for the Bank.

(d) Subpart O of 31 C.F.R. Part 306, comparable regulations issued by certain agencies, instrumentalities, and establishments of the United States ("Agencies"), and this Bank's Operating Circular No. 21, "Book-Entry Securities," provide for the maintenance in book-entry form of United States and Agency securities deposited with the Bank as collateral for the Bank's advances. Transferable Treasury securities and securities issued by those Agencies listed in Appendix B to this Bank's Operating Circular No. 21 that are on deposit as collateral for the Bank's advances are maintained in a book-entry collateral account in accordance with the provisions of that operating circular. Definitive securities that this Bank holds in safekeeping for use as collateral for the Bank's advances will be maintained in accordance with the provisions of the Bank's Operating Circular No. 14.

Rates

5. Interest on an advance will be payable to this Bank at the time of repayment of the advance at the applicable rate, or rate plus surcharge, indicated in the Bank's Operating Circular No. 13 that was in effect when the advance was made. However, if the rate is changed while an advance is outstanding, the new rate will apply from and after the effective date of the change, unless the advance and all interest due with respect to it are paid in full by the borrowing depository institution before this Bank's close of business on the effective date of the change of rate. Interest will be computed on a basis of 365 days to the year and will continue to accrue after the maturity of any advance with respect to any outstanding portion of the advance until the advance and all interest due with respect to it are paid in full. The rate of interest after maturity with respect to any advance will be computed at the rate or rates in effect from time to time (including any applicable surcharge) specified for such an advance under this Bank's Operating Circular No. 13 for as long as the entire advance remains unpaid, unless the Bank has agreed in writing that a different rate will apply after the maturity of the advance. If a public holiday or emergency public holiday or other similar event postponing the

date of maturity of an advance occurs, interest before maturity with respect to any advance will continue to accrue at the prematurity rate until the advance actually is repaid.

Statements and reports

6. In connection with any advance or discount, this Bank reserves the right to require a current condition report of the depository institution, a recent balance sheet and profit-and-loss statement of any obligor with respect to obligations offered as collateral for an advance or for discount, and such other reports and statements as this Bank may deem desirable.

Authorization of officers to obtain advances and discounts

7. A certified copy of a resolution in the form set forth in the relevant exhibit to Appendix A or B to this operating circular, adopted by a depository institution's board of directors or trustees or other governing body, authorizing designated officers to execute agreements with this Bank and to pledge assets to the Bank and to obtain advances or discounts on the institution's behalf from the Bank, must be on file with the Bank in order for any depository institution to obtain advances.

Rights of this Bank with respect to collateral

8. Any borrowing depository institution will be deemed to have agreed to pay on demand, and to have agreed that all collateral pledged to this Bank under any Appendix to this operating circular secures, all expenses (including, but not limited to, attorneys' fees and the costs of any file or title searches or insurance or payment of taxes or other charges) of, or reasonably incidental to, the custody, preservation, care, use, sale, or collection of, or realization upon, any such collateral, or in any way relating to the enforcement or protection of the Bank's rights with respect to such collateral.

Continuing obligations of the borrower

9. Any borrowing depository institution agrees that this Bank's rights, remedies, powers, security interests, and liens arising under any applicable Appendix to this operating circular will continue unimpaired and that the borrower will remain obligated in accordance with the terms of such Appendix even if the Bank partially exercises

any right or remedy, or substitutes or adds parties, or compromises or otherwise grants an indulgence under such Appendix in reference to any obligation of the borrower to the Bank or any promissory note, draft, document, or other instrument given in connection with such obligation. The borrowing depository institution will waive all notice of any delay, extension, release, substitution, renewal, compromise, or other indulgence, and will consent to be bound thereby as fully and effectively as if the borrower had agreed expressly to it in advance.

Termination

10. The terms of this operating circular and each applicable Appendix to it will remain in full force and effect and be binding upon any borrowing depository institution and the borrower's legal representatives, successors, and assigns until all obligations of the borrower to this Bank, past, present or future, have been fully satisfied and discharged. If all such obligations to this Bank are satisfied at any time, such terms will be equally applicable to any new obligations incurred after satisfaction by or in behalf of the borrower until the Bank actually receives written notice of termination of the borrower's consent to the terms of this operating circular and its applicable Appendices. No such notice of termination will release the borrower or affect in any manner this Bank's rights, remedies, powers, security interests, or liens with respect to the collateral pledged to secure any of the obligations of the borrower to the Bank arising prior to the Bank's actual receipt of such written notice of termination. Furthermore, before such termination becomes effective, the borrower must deliver all collateral that this Bank requires to the Bank if any obligations secured by collateral pledged under this operating circular or any applicable Appendix would be due and owing to the Bank as of the close of the borrower's business day on the date of termination.

Remedies

11. No remedy reserved to this Bank under any Appendix to this operating circular or otherwise is intended to be exclusive of other remedies, including remedies with respect to any note or other evidence of indebtedness, and each remedy will be cumulative to other remedies agreed to by the borrower or which may exist at law or in equity. If any provision of this operating circular or any of its Appendices is held invalid or unenforceable, such invalidity or

unenforceability will not affect any other provision of the operating circular or any Appendix.

Amendments

12. This Bank reserves the right to amend this operating circular at any time but will endeavor to give 14 calendar days' prior written notice of any amendments. Any amendment will apply to all advances made after the effective date of the amendment.

Effect of this operating circular on previous circulars

13. This operating circular supersedes this Bank's Operating Circular No. 12, Revised February 4, 1971, and the First, Second, and Third Supplements thereto dated April 26, 1971, March 30, 1973, and June 14, 1973.

ANTHONY M. SOLOMON,
President

FEDERAL RESERVE BANK
OF NEW YORK

Appendix A to
Operating Circular No. 12
December 19, 1980

DEPOSITORY INSTITUTION AGREEMENT
REGARDING ADVANCES BY
FEDERAL RESERVE BANK OF NEW YORK

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

This operating circular appendix (the "Appendix") sets forth the terms of the agreement (the "Agreement") between a depository institution ("Borrower") and this Bank regarding advances by and pledges of assets to the Bank.[°] In order for a Borrower to obtain an advance, it must execute and return to this Bank a letter in the form set forth in Exhibit I to this Appendix, along with a certified copy of a resolution substantially in the form contained in Exhibit II to this Appendix.^{°°}

Terms of agreement

1. The Borrower promises to pay to the order of this Bank the amount of each advance made pursuant to this Agreement by the Bank to the Borrower at the maturity date of such advance, as each amount and maturity date are specified in an advice of credit prepared and transmitted by the Bank to the Borrower at the time of such advance, subject to all provisions of this Agreement and any other applicable written agreement among the Bank and the Borrower and any other party directly involved and to applicable terms of the Bank's operating circulars, regulations of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, as amended from time to time. The Borrower further promises to pay interest on

[°] Advances by this Bank to, and pledges of assets to the Bank by, a foreign bank having a branch or agency in the Second Federal Reserve District are governed by the terms of Appendix B to the Bank's Operating Circular No. 12.

^{°°} Depository institutions that already have filed borrowing documents with this Bank may continue to rely on those documents unless advised to the contrary by the Bank.

each such advance, including, to the extent permitted by law, interest accruing after the occurrence of one or more of the events specified in paragraph 9 below, at the rate and in the manner provided in this Bank's operating circulars, including supplements.

2. If the Borrower maintains an account with this Bank, the amount of any advance will be credited to that account. If the Borrower does not maintain an account with this Bank, the amount of the advance will be transferred to the account on the Bank's or another Federal Reserve Bank's books of a depository institution designated by the Borrower for credit to the Borrower's account, or a wire transfer of funds or an officer's check will be issued in accordance with the Borrower's instructions.

3. The Borrower authorizes this Bank to charge the amount of each advance and interest thereon at or after maturity to its account. If the Borrower does not maintain an account with this Bank, the Borrower will make arrangements with the Bank for payment to the Bank in actually and finally collected funds at the maturity of any advance.

4. The Borrower warrants that it is authorized under applicable law and its charter and by-laws or similar chartering documents to obtain advances and to pledge its assets to this Bank and to grant to the Bank a lien with respect to its assets offered as collateral that is superior to any lien against those assets under any other agreements or borrowing arrangements involving the Borrower.

5. As security for the payment of each advance when due, together with interest thereon, the Borrower pledges to this Bank the collateral agreed upon by the Borrower and the Bank.

6. As further security for the payment of each advance, together with interest thereon, this Bank will have a lien upon, or security interest in, all property (tangible and intangible) of the Borrower in the possession or under the control of the Bank, including but not limited to items in process of collection and the proceeds thereof and any balance to the credit of the Borrower.

7. Upon the request of this Bank, the Borrower will substitute collateral or pledge such additional collateral as the Bank may deem necessary for its protection.

8. In the event of nonpayment of any advance, together with interest thereon, when due, or upon failure of the Borrower to comply with a request by this Bank for substitute or additional collateral, the Bank will have all the rights of a secured creditor, including the right to sell all or any part of the collateral at public or private sale, without demand upon or notice to the Borrower (except such notice as may be required by applicable statute and may not be waived), and to become the purchaser of the whole or any part of such collateral, free from any right or equity of redemption and from all other claims to the extent permitted by governing law. After deduction of all expenses, this Bank may apply the proceeds of such collateral to the payment of such advance and interest thereon and all other liabilities of the Borrower to the Bank, and any surplus then remaining will be paid to the Borrower.

9. Any advance made pursuant to this Agreement and interest thereon will, unless this Bank grants a waiver in writing, become immediately due and payable, without demand or notice, upon (a) the failure of the Borrower to perform any agreement hereunder or to pay any liability of the Borrower to the Bank when due; or (b) the insolvency of, or the appointment of a receiver for, the Borrower; or (c) the suspension or closing of the Borrower (other than a voluntary, routine relocation or closing of an office) or the taking of possession of its business by any governmental authority or receiver; or (d) the whole or partial purchase, acquisition, merger, or other takeover of the Borrower by any other depository institution, including any foreign bank, or any other corporation, government, governmental subdivision or agency, partnership, business trust, co-operative, association, or similar organization, or any other trust.

10. Upon the happening of any event described in paragraph 9 of this Agreement, this Bank will have the right to set off against the amount of any advance, together with interest thereon, any indebtedness of the Bank to the Borrower, whether or not due. The failure of this Bank to insist upon a strict performance of any of the terms or conditions stated in this Agreement or to seek to enforce the Bank's rights or remedies in the event of the happening of any event described in paragraph 9 above will not be deemed a waiver of any rights or remedies that this Bank may have and will not be deemed a waiver of any subsequent breach or default in the terms or conditions contained in this Agreement.

11. This Agreement will be construed in accordance with and governed by Federal law, and the laws of the State of New York to the extent that such laws are not inconsistent with Federal law.

12. This Agreement will become effective when this Bank receives the letter from the Borrower referred to in the first paragraph of this Appendix accepting the terms of this Agreement.

13. This Bank reserves the right to amend this Appendix at any time but will endeavor to give 14 calendar days' prior written notice of any amendments. Any amendment will apply to all advances made after the effective date of the amendment.

14. This Agreement supersedes any prior agreement regarding advances with this Bank.

ANTHONY M. SOLOMON,
President.

EXHIBIT I

LETTER OF AGREEMENT

[Letterhead of Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Credit and Discount Department
(Discount Division)]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and Fiscal
Agency Division]

Gentlemen:

In order to be able to obtain advances and in consideration of your making such advances, we agree to the provisions of Appendix A to your Operating Circular No. 12, as revised from time to time. Enclosed are copies of the resolution that you have requested, together with copies of the signatures of persons authorized to obtain advances from and to pledge our assets to you.

.....
[Name of institution]

By:
[Authorized signature(s)]

EXHIBIT II

RESOLUTIONS AUTHORIZING A DEPOSITORY INSTITUTION TO OBTAIN ADVANCES FROM AND TO PLEDGE ASSETS TO THE FEDERAL RESERVE BANK OF NEW YORK

I hereby certify that the following resolutions were duly adopted at a meeting of the
[Type of governing body, e.g.,
..... of the
board of directors] [Official name of depository
..... (the "Institution"), a (commercial bank, mutual
institution
savings bank, savings and loan association, credit union) duly author-
ized and existing under the laws of,
which meeting was duly called and held on the day of
....., 19.., and that such resolutions are now in full
force and effect and are not in conflict with any provisions in the
certificate of incorporation or by-laws of the Institution.

1. RESOLVED, that the Institution is hereby authorized to apply for advances from and to pledge assets to the Federal Reserve Bank of New York ("Reserve Bank").

2. RESOLVED, that the president, any vice-president, and
..... of the
[Indicate by title any other authorized officers]

Institution, and their successors in office be, and any

..... of them hereby is/are
[Indicate whether one, or two, etc.]

authorized, in the name and on behalf of the Institution, from time to time:

A. To borrow money, and obtain loans and advances, from the Reserve Bank upon such terms and security as the Reserve Bank may require; and

B. To discount, rediscount, or sell (with or without this Institution's agreement to repurchase), and for such purposes to endorse and assign, notes, drafts, bills of exchange, acceptances, and such other bills receivable, evidences of indebtedness, and securities, now or hereafter acquired by this Institution, as the Reserve Bank may now or hereafter be willing to acquire; and

C. To make, execute, and deliver such applications, notes, agreements, certificates, and other instruments as may be necessary or advisable in order to effect, or as may be required or requested by the Reserve Bank in connection with, any transaction authorized by this resolution; and

D. To endorse, assign, deposit, and pledge as collateral security (including any collateral security pledged pursuant to any off-premises or third-party custody arrangement and the authorization to appoint any custodian or to act as custodian in connection with such arrangements) any property of this Institution now or hereafter acquired, for the payment or performance of any liability or obligation of the Institution to the Reserve Bank; and

E. To do any and all acts and things that may be necessary or incidental to any transaction authorized by this resolution, or that may be designed or intended to carry out the purposes of this resolution.

3. RESOLVED, that these resolutions and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of the revocation thereof shall have been given to and received by the Reserve Bank; and that a duly certified copy of these resolutions, with the seal of this Institution thereto attached, be furnished to the Reserve Bank.

I, the undersigned, (Cashier/Comptroller/Secretary)* of the Institution, do hereby certify that the foregoing resolutions are true and

* The official designated herein shall be the cashier or comptroller or secretary of the Institution or another officer of similar or higher rank. The official certifying these resolutions shall have the authority to certify the statements in this document and shall not be designated under paragraph 2.

correct copies of resolutions of the board of directors or trustees of the Institution duly adopted in accordance with and as authorized by its charter and by-laws at a meeting of said board duly called and held on, 19.., at which meeting a quorum of all of the directors or trustees was present and acting throughout, and that said resolutions have not been rescinded or modified and are now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Institution.

Dated:, 19..

.....
Cashier/Comptroller/Secretary

[CORPORATE SEAL]

**FEDERAL RESERVE BANK
OF NEW YORK**

Appendix B to
Operating Circular No. 12
December 19, 1980

**FOREIGN BANK AGREEMENT
REGARDING ADVANCES BY
FEDERAL RESERVE BANK OF NEW YORK**

*To All Foreign Banks with a Branch or Agency in the Second
Federal Reserve District, and Others Concerned:*

This operating circular appendix (the "Appendix") sets forth the terms of the agreement (the "Agreement") between a foreign bank with a branch or agency in the Second Federal Reserve District ("Borrower") and this Bank regarding advances by the Bank to the Borrower, through any branch or agency within the Second Federal Reserve District.* In order for a Borrower to obtain an advance, it must execute and return to this Bank a letter in the form set forth in Exhibit I to this Appendix, along with (a) a certified copy of a resolution substantially in the form contained in Exhibit II to this Appendix, and (b) opinions of counsel in the forms of Exhibits III and IV to this Appendix.

Terms of agreement

1. The Borrower promises to pay to the order of this Bank the amount of each advance made pursuant to this Agreement by the Bank to the Borrower through its branch or agency located in the Second Federal Reserve District at the maturity date of such advance, as each amount and maturity date are specified in an advice of credit prepared and transmitted by the Bank to the Borrower at

* In the ordinary course of its business, this Bank will not make advances to a foreign bank that does not have worldwide consolidated bank assets, either by itself or together with affiliates, in excess of \$1 billion and has only an agency or agencies in the Second Federal Reserve District because such a foreign bank is not required to maintain reserves under Regulation D of the Board of Governors.

FEDERAL RESERVE BANK

the time of such advance, subject to all provisions of this Agreement and any other applicable written agreement among the Bank and the Borrower and any other party directly involved and to applicable terms of the Bank's operating circulars, regulations of the Board of Governors of the Federal Reserve System, and the Federal Reserve Act, as amended from time to time. The Borrower further promises to pay interest on each such advance, including, to the extent permitted by law, interest accruing after the occurrence of one or more of the events specified in paragraph 9 below, at the rate and in the manner provided in this Bank's operating circulars, including supplements.

2. If the Borrower maintains an account with this Bank, the amount of any advance will be credited to that account. If the Borrower does not maintain an account with this Bank, the amount of the advance will be transferred to the account on the Bank's or another Federal Reserve Bank's books of a depository institution designated by the Borrower for credit to the Borrower's account, or a wire transfer of funds or an officer's check will be issued in accordance with the Borrower's instructions.

3. The Borrower authorizes this Bank to charge the amount of each advance and interest thereon at or after maturity to its account. If the Borrower does not maintain an account with this Bank, the Borrower will make arrangements with the Bank for the payment to the Bank in actually and finally collected funds at the maturity of any advance.

4. The Borrower warrants that it is authorized under applicable law and its charter and by-laws or similar chartering documents to obtain advances from and to pledge its assets to this Bank and to grant to the Bank a lien with respect to its assets offered as collateral that is superior to any lien against those assets under any other agreements or borrowing arrangements involving the Borrower. The Borrower warrants that it is authorized under its charter or by-laws or similar chartering documents and under the laws, rules, and regulations of its chartering authority to execute, deliver, and carry out the provisions of this Agreement; that the Borrower in its entirety as a juridical entity, and not merely its branches or agencies situated in the United States, is bound by the terms of this Agreement; and that all assets of the Borrower, wherever located, may be executed upon to recover a

judgment against the Borrower arising out of its liabilities or obligations to this Bank.

5. As security for the payment of each advance when due, together with interest thereon, the Borrower pledges to this Bank the collateral agreed upon with the Bank. That collateral also is pledged by the Borrower as security for all other liabilities of the Borrower, arising in the United States or abroad, due or to become due to this Bank.

6. As further security for the payment of each advance, together with interest thereon, this Bank will have a lien upon, or security interest in, all property (tangible and intangible) of the Borrower in the possession or under the control of the Bank, including but not limited to items in process of collection and the proceeds thereof and any balance to the credit of the Borrower. However, this Bank's lien under this Agreement on any deposit balance that is used to satisfy the special deposit requirement of Section 202-b(1) of the New York Banking Law will be subject to the provisions of any separate written agreement between the Bank and the Borrower in regard to that requirement, and the Bank's lien under this Agreement on any deposit balance that is used to satisfy the asset maintenance requirement of Section 202-b(2) of the New York Banking Law will be subject to the provisions of the ninth paragraph of the Bank's Operating Circular No. 7A, as amended from time to time.

7. Upon the request of this Bank, the Borrower will substitute or pledge such additional collateral as the Bank may deem necessary for its protection.

8. In the event of nonpayment of any advance, together with interest thereon, when due, or upon failure of the Borrower to comply with a request by this Bank for substitute or additional collateral, the Bank will have all the rights of a secured creditor, including the right to sell all or any part of the collateral at public or private sale, without demand upon or notice to the Borrower (except such notice as may be required by applicable statute and may not be waived), and to become the purchaser of the whole or any part of such collateral, free from any right or equity of redemption and from all other claims to the extent permitted by governing law. After deduction of all expenses, this Bank may apply the proceeds of such collateral to the payment of such advance and interest thereon and all other liabilities

of the Borrower to the Bank, and any surplus then remaining will be paid to the Borrower.

9. Any advance made pursuant to this Agreement and interest thereon will, unless this Bank grants a waiver in writing, become immediately due and payable, without demand or notice, upon (a) the failure of the Borrower to perform any agreement hereunder or to pay any liability of the Borrower to the Bank when due; or (b) the insolvency of, or the appointment of a receiver for, the Borrower, including any United States or foreign branch or agency of the Borrower; or (c) the suspension or closing of the Borrower, including any branch or agency of the Borrower (other than a voluntary, routine relocation or closing of an office), or the taking of possession of its business (including the business of any branch or agency), by any governmental authority or receiver; or (d) the whole or partial purchase, acquisition, merger, or other takeover of the Borrower by any other depository institution, including any other foreign bank, or any other corporation, government, governmental subdivision or agency, partnership, business trust, co-operative, association, or similar organization, or any other trust.

10. Upon the happening of any event described in paragraph 9 of this Agreement, this Bank will have the right to set off against the amount of any advance, together with interest thereon, any indebtedness of the Bank to the Borrower, whether or not due. The failure of this Bank to insist upon a strict performance of any of the terms or conditions stated in this Agreement or to seek to enforce the Bank's rights or remedies in the event of the happening of any event described in paragraph 9 above will not be deemed a waiver of any rights or remedies that this Bank may have and will not be deemed a waiver of any subsequent breach or default in the terms or conditions contained in this Agreement.

11. This Agreement and all transactions conducted under this Agreement constitute commercial activities of the Borrower. The Borrower and its assets are not, in respect of its obligations to this Bank, entitled to any sovereign immunity (including, without limitation, immunity from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, or from execution upon a judgment, or from attachment prior to the entry of a judgment), in any legal proceeding in the Federal or State courts in the

United States of America or, except as specified in Exhibit IV, in the courts of the country of the Borrower's chartering authority or in the courts of the country in which it principally conducts its banking business, or, if the Borrower is now (as set forth in Exhibit IV) or in the future becomes entitled to such immunity, the Borrower, in respect of its obligations to the Bank, expressly and irrevocably waives in respect of the Bank, to the maximum extent permitted by law, any such immunity in any action or proceeding and hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought in the Federal or State courts in the United States of America or in the courts of the country of the Borrower's chartering authority or of the country in which it principally conducts its banking business.

12. This Agreement will be construed in accordance with and governed by Federal law, and the laws of the State of New York to the extent that such laws are not inconsistent with Federal law.

13. This Agreement will become effective when this Bank receives the letter from the Borrower referred to in the first paragraph of this Appendix accepting the terms of this Agreement.

14. This Bank reserves the right to amend this Appendix at any time but will endeavor to give 14 calendar days' prior written notice of any amendments. Any amendment will apply to all advances made after the effective date of the amendment.

ANTHONY M. SOLOMON,
President.

EXHIBIT I

LETTER OF AGREEMENT

[Letter of Foreign Bank]

[Date]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Attention: Credit and Discount Department
(Discount Division)

Gentlemen:

In order to be able to obtain advances through our (.....)
[City or cities]
Branch(-es) [or Agency(-ies)] and in consideration of your making
such advances, we agree to the provisions of Appendix B to your
Operating Circular No. 12, as revised from time to time. Enclosed are
copies of the resolution and opinions of counsel that you have
requested, together with copies of the signatures of persons authorized
to obtain advances from and to pledge our assets to you.

.....
[Name of foreign bank]

By:
[Authorized signature(s)]

EXHIBIT II

RESOLUTIONS AUTHORIZING A FOREIGN BANK TO OBTAIN ADVANCES FROM AND TO PLEDGE ASSETS TO A RESERVE BANK*

I hereby certify that the following resolutions were duly adopted at a meeting of the

[Type of governing body, e.g., board of directors]

of the

[Official name of foreign bank]

(the "Bank"), a (corporation) duly organized and existing under the laws of, which meeting was duly called and held on the day of, 19.., and that such resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation or by-laws of the Bank:

1. RESOLVED, that the Bank is hereby authorized to make application to a Federal Reserve Bank ("Reserve Bank") for advances and to pledge the Bank's assets to a Reserve Bank.

2. RESOLVED, that

[The president, any vice-president]

and of the Bank and their

[Indicate by title any other authorized officers]

successors in office, be, and any

[Indicate whether one, or two, etc.]

of them hereby is/are authorized to transmit to each appropriate Reserve Bank the signatures of persons to be recognized as authorized to issue instructions on behalf of the Bank and, from time to time:

A. To borrow money, and obtain loans and advances, from a Reserve Bank upon such terms and security as the Reserve Bank may require; and

B. To discount, rediscount, or sell (with or without the agreement of the Bank to repurchase), and for such

* [Where more than one Reserve Bank is involved, duplicate originals should be prepared for each Reserve Bank.]

purpose to endorse and assign, notes, drafts, bills of exchange, acceptances, and such other bills receivable, evidences of indebtedness, and securities, now or hereafter acquired by the Bank, as a Reserve Bank may now or hereafter be willing to acquire; and

C. To make, execute, and deliver such applications, notes, agreements, certificates, and other instruments, including, but not necessarily restricted to, certifications of authorized signatures and executed copies of third-party custody agreements, as may be necessary or advisable in order to effect, or as may be required or requested by a Reserve Bank in connection with, any transaction authorized by this resolution; and

D. To endorse, assign, deposit, and pledge, as collateral security for the payment or performance of any liability or obligation of the Bank and/or any branch or agency of the Bank to a Reserve Bank, any property of the Bank and/or such branch or agency now or hereafter acquired.

3. RESOLVED, that the Bank, in respect of its obligations to any Reserve Bank, expressly and irrevocably waives, to the maximum extent permitted by law, any immunity, whether characterized as sovereign or otherwise (including, without limitation, immunity from service of process, from jurisdiction of any court or tribunal, from attachment in aid of execution, from attachment prior to the entry of a judgment, or from execution upon a judgment), in any action or proceeding.

4. RESOLVED, that the officials designated in the foregoing resolutions are hereby authorized to do any and all acts and things that may be necessary or incidental to any transaction authorized by the relevant resolution, or that may be designed or intended to carry out the purpose of that resolution; and that such resolution and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of the revocation thereof shall have been given to and received by the appropriate Reserve Bank; and that a duly certified copy of these resolutions be furnished to each Reserve Bank to which the Bank wishes to apply for advances.

I,, certify that I am the
[Title]
of, a (banking corporation) organized and
[Foreign bank]
existing under the laws of, having its head
office at, in the city of,
....., and that the foregoing resolutions are true
[Name of country]
and correct copies.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed
the seal of this Bank this day of, 19...

.....
[Name of Bank]

.....
[Address]

.....
[Name and title of
certifying official**]

[SEAL]

** The official certifying these resolutions shall have the authority to certify
the statements in this document and shall not be designated under numbered
paragraph 2.

EMBASSY OF THE UNITED STATES OF AMERICA }
.....

On the day of, in the year 19, before me personally came, to me known, who, being by me duly sworn, did depose and say that he resides at, in the City of, that he is the of [title], the (corporation) described in and [foreign bank] which executed the above instrument; and that he executed such instrument by authority of the Board of directors of said corporation.

.....
[Consul of the
United States of America]

* This acknowledgment may be taken outside the United States by an ambassador, a minister plenipotentiary, a minister extraordinary, a minister resident, a charge d'affaires, a consul general, a vice-consul general, a deputy consul general, a consul, a vice-consul, a deputy consul, a consular agent, a vice-consular agent, a commercial agent, or a vice-commercial agent of the United States within his or her jurisdiction. The seal of his or her office or the seal of the consulate or legation to which he or she is attached should be affixed.

EXHIBIT III

OPINION OF UNITED STATES COUNSEL

[Date]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Attention: Credit and Discount Department
(Discount Division)¹

In re:
[Foreign bank]
..... Branch/Agency²
[City]

Gentlemen:

In connection with the authorization for
[Foreign bank]
("the Bank"), through its Branch/Agency,² to
[City]
obtain advances from and pledge assets to a Federal Reserve Bank,¹
you have requested our opinion on certain matters.

We are counsel to the [..... Branch/Agency² of the]
[City]
Bank and in such capacity are familiar with its affairs and the laws of
[..... and]³ the United States of America affecting it.
[State]

We have made an investigation of such laws to the extent we believe
necessary to render the opinion herein expressed [if appropriate, insert
here a reference to the relevant statute or statutes].

¹ [Where more than one Reserve Bank is involved, duplicate originals should be prepared for each Reserve Bank.]

² [Where more than one branch or agency is involved:]
Branches/Agencies. [Cities]

³ [If the branch or agency is a Federal branch or agency, the reference to State laws should be omitted.]

We are of the opinion that:

(1) The Bank, through its Branch/Agency,⁴
[City]
is authorized to obtain advances from and to pledge assets to any
appropriate Federal Reserve Bank.

(2) The Bank and its assets are not entitled to, or, if either
is so entitled, it has effectively waived, any sovereign immunity
(including, without limitation, immunity from service of process,
from jurisdiction of any court or tribunal, from attachment in aid
of execution, from attachment prior to the entry of a judgment or
from execution upon a judgment), in any legal proceeding
brought in the courts of the United States of America.

(3) The agreement of the Bank to the terms set forth in
Appendix B to Operating Circular No. 12 of the Federal Reserve
Bank of New York is valid and binding.⁵

In rendering this opinion, we have assumed the correctness of the
opinion addressed to you dated, 19..., from
....., counsel to the Bank at its
..... in,
[Place of incorporation or chartering or head office or principal place of business] [Country]
which opinion is attached hereto.

Very truly yours,

⁴ [Where more than one branch or agency is involved:]
[Cities]

Branches/Agencies.

⁵ [If any other Reserve Bank is involved, the opinion in regard to that Reserve
Bank should contain the following statement in lieu of numbered paragraph (3):]
(3) the agreement of the Bank to the terms set forth in [Appendix]
to Operating Circular/Letter No. of the Federal Reserve Bank of
.....] [the Foreign Bank Agreement Regarding Advances by
Federal Reserve Bank of] is valid and binding.

EXHIBIT IV

OPINION OF FOREIGN COUNSEL

[Date]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Attention: Credit and Discount Department
(Discount of Division)¹

In re:
[Foreign bank]

Gentlemen:

In connection with the authorization for
[Foreign bank]
("the Bank"), through its Branch/Agency,² to
[City]
obtain advances from and pledge assets to a Federal Reserve Bank,¹
you have requested that we furnish you with an opinion of counsel
regarding the authority of the Bank and its Branch/
[City]
Agency² to engage in those activities under the laws of
[Country]

We are counsel to the Bank in,
[City] [Country]
its,
[Place of incorporation or chartering or head office or principal place of
business], and in such capacity are familiar with its
business] affairs and the laws of affecting it.
[Country]

¹ [Where more than one Reserve Bank is involved, duplicate originals should
be prepared for each Reserve Bank.]

² [Where more than one branch or agency is involved:]
Branches/Agencies. [Cities]

We are of the opinion that: (1) the Bank, a
[Describe type of institution]
including its Branch/Agency,¹ validly exists under
[City]
the laws of, (2) under such laws the Bank,
[Chartering country]
including its branches or agencies located in the United States, is duly
authorized to enter into the agreement regarding advances and to
obtain advances and to pledge its assets as provided in [Appendix B
to Operating Circular No. 12 of the Federal Reserve Bank of New
York],² (3) assuming that such agreement is valid and binding under
Federal and New York law, such agreement is valid and binding under
the laws of, (4) except as otherwise specified, in
[Country]
respect of its obligations to the Federal Reserve Bank, neither the
Bank nor its assets are entitled to, or, if either is so entitled, the Bank
is authorized to waive, any sovereign immunity (including, without
limitation, immunity from service of process, from jurisdiction of any
court or tribunal, from attachment in aid of execution, or from execu-
tion upon a judgment, or from attachment prior to the entry of a
judgment) in any legal proceedings brought in the United States or
the country of the Bank's chartering authority or country in which it
principally conducts its banking business, and (5) the attached reso-
lutions of the Bank have been duly adopted.

Very truly yours,

1 [Where more than one branch or agency is involved:]
Branches/Agencies. *[Cities]*

2 [If any other Federal Reserve Bank is involved, the opinion in regard to that
Reserve Bank should contain the following statement in lieu of the bracketed
clause:] [Appendix to Operating Circular/Letter No. of the]
[the Foreign Bank Agreement Regarding Advances by] Federal Reserve Bank
of

FEDERAL RESERVE BANK
OF NEW YORK

Appendix C to
Operating Circular No. 12
December 19, 1980

**DEPOSITORY INSTITUTION
OFF-PREMISES COLLATERAL
CUSTODY AGREEMENT**

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

This appendix to this Bank's Operating Circular No. 12 (the "Appendix") sets forth the terms of the agreement (the "Agreement") between a depository institution (the "Borrower") and the Bank regarding advances to the Borrower by the Bank and pledges of the Borrower's assets to the Bank pursuant to any arrangement for retention of physical possession of such pledged assets by the Borrower ("off-premises collateral custody"). In order for a Borrower to obtain advances under such an arrangement, it must execute and return a letter to this Bank in the form set forth in the Exhibit to this Appendix.

Terms of agreement

1. This Agreement will apply to all pledges of a Borrower's assets to this Bank to secure advances under an off-premises collateral custody arrangement. The collateral pledged to this Bank under such an arrangement will be restricted to notes secured by first mortgages on one- to four-family residences, and any other collateral designated in writing by an officer of the Bank's Loans and Credits Function (the "Collateral"). Borrowers whose head offices are located in this Bank's Buffalo Branch territory should consult with an officer of the Buffalo Branch in regard to pledges of Collateral under this Agreement.*

* The Buffalo Branch territory includes the following counties in the State of New York: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming, and Yates.

Rights in the collateral

2. As security for repayment of advances to the Borrower made by this Bank and all other indebtedness, liabilities, and obligations of the Borrower to the Bank existing at or after the time of the Borrower's agreement to the provisions hereof, the Borrower hereby grants to the Bank a security interest in the Borrower's Collateral, together with any proceeds in respect of the Collateral.

3. Any pledge of Collateral under this Agreement will be effected simultaneously with the making of any advance to the Borrower after the Borrower has issued a Statement of Account to this Bank identifying all instruments being pledged to the Bank. The Borrower warrants in connection with all Collateral pledged under this Agreement that it has not assigned or transferred and, except as provided in this Agreement, will not assign or otherwise transfer its interest in or create or suffer the creation of any lien against the Collateral that is not subordinated to this Bank's security interest or lien without the Bank's prior written approval. The foregoing warranty will be construed as including the Borrower's warranty that it has sufficient assets that are unpledged to any other person, whether under a general lien or pledge agreement or otherwise, to grant to this Bank the security interest created under this Agreement without violating the terms and conditions of such other lien or pledge agreements. The Borrower further warrants that, after the Collateral is pledged to this Bank hereunder, the Borrower will neither perform nor fail to perform any act with respect to the pledged Collateral that would impair the Bank's security interest in that Collateral. The Borrower will mark its records to show that the Collateral and the proceeds thereof have been pledged to this Bank and are subject exclusively to the Bank's written orders and directions. The Borrower will act as this Bank's agent in holding the Collateral, but only for the purpose of securing advances to the Borrower and without any right of compensation from the Bank.

Pledge procedure

4. The Borrower agrees that any item of Collateral pledged hereunder in its possession will be deemed to be in the possession of this Bank as though the Collateral had been deposited at the Bank's premises. The Borrower will consult with this Bank in advance of any pledge of Collateral under this Agreement. Before issuing any Statement of Account, the Borrower will determine that each item of Col-

lateral is negotiable or transferable and that each mortgage has been recorded in the Borrower's favor in proper form and in the proper place for recording interests in real property. The Borrower agrees that it will, upon demand by this Bank, do, make, seal, execute, acknowledge, endorse, and deliver immediately to the Bank or its designee all and every such further or other acts, matters, assignments, conveyances, instruments, assurances, applications, guarantees, loan agreements, participation certificates, notes, powers of attorney, and other documents in connection therewith, including, without limitation, giving notice to third parties, engaging in consultations with third parties, and endeavoring in good faith to obtain consent from third parties, necessary to enable the Bank to record and otherwise perfect its security interest in or to dispose of each item of the Collateral, as the Bank and any successor will, in their sole discretion, require for the better carrying out of the provisions and purposes of this Agreement and for better securing the payment of principal and interest on the Borrower's indebtedness owed to the Bank at any time after the Borrower accepts the terms of this Agreement.

5. Unless prior alternative arrangements have been made with this Bank, the Borrower will provide its first Statement of Account to the Bank specifically identifying all items of Collateral pledged under this Agreement in accordance with the provisions of paragraph 6 below as of the effective date of this Agreement. At least annually thereafter, the Borrower will provide a revised Statement of Account to this Bank. Every quarter, the Borrower will provide a current statement of the cumulative value of the Collateral to this Bank, together with a separate listing of any items of Collateral with respect to which the obligors are delinquent or in default. Each such quarterly statement will indicate the value of the Collateral after deduction of satisfactions issued during the preceding quarter.

6. For the purposes of this Agreement, a Statement of Account will consist of a document issued by the Borrower identifying each item of Collateral and will contain:

a. The name of the State and county where any real property securing any note pledged hereunder is located; and

b. A description of the items of Collateral sufficient to enable this Bank to identify those items in accordance with reasonable commercial practice, including (i) names of obligors and/or (ii) account numbers, (iii) face value of each obligation, (iv) current amount outstanding with respect to each obligation, and (v) maturity date of each obligation.

7. The Borrower will not transmit any Statement of Account or other notice with respect to this Agreement to this Bank without the manual signature or indorsement of a duly authorized officer of the Borrower. The Borrower agrees that any Statement of Account or other notice issued hereunder will bind it and its successors and assigns.

Withdrawals

8. (a) The Borrower will notify this Bank before 3:00 p.m. of the Bank's business day immediately preceding the date of any proposed withdrawal during any one banking day of more than one percent of the aggregate amount of Collateral pledged under this Agreement, but not more than ten percent of the aggregate amount of the Collateral may be withdrawn without such prior notice to this Bank during any ninety-day period unless the Borrower issues a new Statement of Account or a new statement of the cumulative value of the Collateral in accordance with the provisions of paragraph 5 above. No such withdrawal will become effective until the Borrower receives written approval from this Bank. Notwithstanding any procedures specified in this paragraph to the contrary, the Borrower will not be deemed to have breached any provision of this Agreement in any material respect if the Borrower fails to consult with this Bank in advance of any withdrawal of a specific item of Collateral for the purpose of issuing a satisfaction to a mortgagor in regard to that item of Collateral.

(b) This Bank will endeavor to notify the Borrower of the Bank's approval or disapproval of any proposed withdrawal before 11:00 a.m. of the business day of the proposed withdrawal. This Bank's failure to transmit such notice will not be deemed to cause the Bank to assume any liability to the Borrower, and the Bank expressly reserves the right to transmit such notice at any time or not to transmit such notice at all if, in the Bank's opinion, circumstances warrant the withholding of such notice. Any substitution of Collateral will be considered a withdrawal and subsequent pledge, and this Bank will require that the withdrawal procedures specified in this paragraph be followed with respect to substitutions of Collateral.

9. This Bank may inspect the Borrower's premises at which any collateral pledged hereunder is kept, as well as any item of Collateral, for the purpose of verifying the Collateral.

Surrender of the collateral

10. The Borrower agrees that this Bank may demand and take possession of the Collateral without prior notice to or the consent of the Borrower. The Borrower further agrees, upon request from a duly authorized officer or employee of this Bank, to segregate all instruments being pledged to the Bank from all other instruments in the possession of the Borrower and/or to surrender immediately (or as soon after demand as access to the appropriate premises of the Borrower becomes available) to the Bank or its designee all Collateral pledged under this Agreement. Upon receipt of a demand for possession or segregation of the Collateral, the Borrower may, at its option, comply with this Bank's demand or notify the Bank that the Borrower intends to terminate this Agreement in compliance with the provisions of this paragraph and paragraph 16 below. The Borrower may terminate this Agreement as of the close of business on the date of this Bank's demand under this paragraph upon the Bank's receipt from the Borrower of the full amount of all advances by the Bank, together with interest thereon, and all other obligations and liabilities owed by the Borrower to the Bank. Receipt of notice of termination will not prohibit this Bank from taking possession of the Collateral within the Borrower's premises or obviate the Borrower's duty to segregate the Collateral for the Bank's benefit or to allow the Bank to remove the Collateral from the Borrower's premises unless the Bank has received payment in full in actually and finally collected funds. If such payment is made, this Bank agrees to consider such payment final and to surrender possession of the Collateral to the Borrower as of either (i) the opening of business on the Borrower's business day next following the date of payment or (ii) the Bank's issuance of the Borrower's or, in appropriate cases, the Borrower's correspondent's, reserve or clearing account statement for the date of payment, whichever is later.

11. The Borrower authorizes this Bank, in the Bank's sole discretion, at any time, whether or not the Collateral is deemed adequate by the Bank, to appropriate and apply upon any obligation of the Borrower to the Bank, whether then due or not due, any of the Collateral pledged by the Borrower and to charge any obligation of the Borrower to the Bank against any account balance standing to the Borrower's credit on the Bank's books. Furthermore, in accordance with the Borrower's right to terminate this Agreement pursuant to the procedures described in paragraphs 10 and 16, the Borrower's

compliance with those procedures will forestall this Bank's right to appropriate and apply the Collateral until the close of the Borrower's banking day on the date of the Borrower's compliance with the procedures of paragraphs 10 and 16 of this Agreement.

12. This Bank may, at its option, declare any underlying obligations of the Borrower to the Bank immediately due and payable, without notice or demand, if the Borrower defaults in any material way in the performance of the terms of this Agreement. In its discretion, this Bank may waive any such instance of default by the Borrower.

13. Upon complying with the provisions of paragraph 14 below and the applicable provisions of Federal law and State law, this Bank will be relieved and fully discharged from any liability or responsibility to any person with respect to the Collateral so transferred. Notwithstanding the foregoing provisions of this paragraph, this Bank will account to the Borrower or its successors or assigns for the Collateral and its proceeds.

14. The Borrower agrees to exercise ordinary care with respect to Collateral pledged to this Bank under this Agreement and agrees to indemnify the Bank and hold it harmless from and against any damages, liabilities, costs, expenses (including attorneys' fees and expenses of litigation), or any other losses incurred by the Bank, other than any damages, liabilities, costs, expenses, or other losses arising from the Bank's failure to exercise ordinary care, arising from any pledge of Collateral under this Agreement. The Borrower does not assign to this Bank the obligation to perform or not to perform any act or forbearance with regard to the instruments pledged as Collateral hereunder.

15. This Bank may give any call for Collateral, demand for payment, or notice to the Borrower by leaving same directed to the attention of an officer at the address given by the Borrower in the Exhibit to this Appendix or any other address subsequently filed by the Borrower with an officer of the Bank's Loans and Credits Function, or, in an appropriate case, the Bank's Buffalo Branch, or by mailing same by registered or certified mail, return receipt requested, postage prepaid, to such address with the same effect as if personally delivered to a duly authorized officer of the Borrower. Such notice given in the manner herein provided will be considered received by the Borrower upon delivery in the manner described above or upon

return to this Bank of the appropriate signed postal return receipt. Any notice to this Bank under this Agreement will be directed to an officer of the Bank's Loans and Credits Function or Legal Department or, in an appropriate case, the Bank's Buffalo Branch.

Termination of the agreement

16. Before termination of this Agreement becomes effective, the Borrower will deliver to this Bank any Collateral required to secure advances by the Bank that remain outstanding as of the close of the Borrower's business day on the date of termination.

Miscellaneous

17. Any documents tendered to this Bank under the provisions of this Agreement that must be indorsed to perfect a security interest will be indorsed or assigned to the Bank with recourse to the Borrower, and the Borrower hereby waives presentment, demand, notice of dishonor, protest, and notice of protest, and all other notices relating thereto.

18. The Borrower, at its own expense, authorizes this Bank, as the Bank deems it necessary, to make filings of financing statements or to record or otherwise perfect the security interest granted hereby.

19. The Borrower agrees that, in the event of any inconsistency between any terms of this Agreement and Statements of Account, advices, or other notices issued by the Borrower, the terms of this Agreement, as interpreted in any written instructions that this Bank may issue from time to time, will prevail.

20. Unless the text otherwise requires, all terms used in this Agreement will have the meanings specified in the Uniform Commercial Code as in effect in the State of New York at the time the relevant pledge of Collateral hereunder is made.

21. This Agreement will become effective when this Bank receives the letter from the Borrower referred to in the first paragraph of this Appendix (the Exhibit) accepting the terms of this Appendix.

22. This Bank reserves the right to amend this Appendix at any time but will endeavor to give 14 calendar days' prior written notice of any amendments. Any amendment will apply to all advances made after the effective date of the amendment.

ANTHONY M. SOLOMON,
President,

EXHIBIT

LETTER OF AGREEMENT

[Letterhead of Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Credit and Discount Department
(Discount Division)]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and Fiscal
Agency Division]

Gentlemen:

In order to be able to obtain advances and in consideration of your making such advances to us secured by our pledge to you of collateral, including one-to-four family residential mortgages, that you will permit us to hold in safekeeping for you, we agree to the provisions of Appendix C to your Operating Circular No. 12, as revised from time to time.

.....
[Name of institution]

By:
(Authorized signature(s))

FEDERAL RESERVE BANK
OF NEW YORK

Appendix C to
Operating Circular No. 12
December 19, 1980

**DEPOSITORY INSTITUTION
OFF-PREMISES COLLATERAL
CUSTODY AGREEMENT**

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

This appendix to this Bank's Operating Circular No. 12 (the "Appendix") sets forth the terms of the agreement (the "Agreement") between a depository institution (the "Borrower") and the Bank regarding advances to the Borrower by the Bank and pledges of the Borrower's assets to the Bank pursuant to any arrangement for retention of physical possession of such pledged assets by the Borrower ("off-premises collateral custody"). In order for a Borrower to obtain advances under such an arrangement, it must execute and return a letter to this Bank in the form set forth in the Exhibit to this Appendix.

Terms of agreement

1. This Agreement will apply to all pledges of a Borrower's assets to this Bank to secure advances under an off-premises collateral custody arrangement. The collateral pledged to this Bank under such an arrangement will be restricted to notes secured by first mortgages on one- to four-family residences, and any other collateral designated in writing by an officer of the Bank's Loans and Credits Function (the "Collateral"). Borrowers whose head offices are located in this Bank's Buffalo Branch territory should consult with an officer of the Buffalo Branch in regard to pledges of Collateral under this Agreement.*

* The Buffalo Branch territory includes the following counties in the State of New York: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming, and Yates.

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Rights in the collateral

2. As security for repayment of advances to the Borrower made by this Bank and all other indebtedness, liabilities, and obligations of the Borrower to the Bank existing at or after the time of the Borrower's agreement to the provisions hereof, the Borrower hereby grants to the Bank a security interest in the Borrower's Collateral, together with any proceeds in respect of the Collateral.

3. Any pledge of Collateral under this Agreement will be effected simultaneously with the making of any advance to the Borrower after the Borrower has issued a Statement of Account to this Bank identifying all instruments being pledged to the Bank. The Borrower warrants in connection with all Collateral pledged under this Agreement that it has not assigned or transferred and, except as provided in this Agreement, will not assign or otherwise transfer its interest in or create or suffer the creation of any lien against the Collateral that is not subordinated to this Bank's security interest or lien without the Bank's prior written approval. The foregoing warranty will be construed as including the Borrower's warranty that it has sufficient assets that are unpledged to any other person, whether under a general lien or pledge agreement or otherwise, to grant to this Bank the security interest created under this Agreement without violating the terms and conditions of such other lien or pledge agreements. The Borrower further warrants that, after the Collateral is pledged to this Bank hereunder, the Borrower will neither perform nor fail to perform any act with respect to the pledged Collateral that would impair the Bank's security interest in that Collateral. The Borrower will mark its records to show that the Collateral and the proceeds thereof have been pledged to this Bank and are subject exclusively to the Bank's written orders and directions. The Borrower will act as this Bank's agent in holding the Collateral, but only for the purpose of securing advances to the Borrower and without any right of compensation from the Bank.

Pledge procedure

4. The Borrower agrees that any item of Collateral pledged hereunder in its possession will be deemed to be in the possession of this Bank as though the Collateral had been deposited at the Bank's premises. The Borrower will consult with this Bank in advance of any pledge of Collateral under this Agreement. Before issuing any Statement of Account, the Borrower will determine that each item of Col-

lateral is negotiable or transferable and that each mortgage has been recorded in the Borrower's favor in proper form and in the proper place for recording interests in real property. The Borrower agrees that it will, upon demand by this Bank, do, make, seal, execute, acknowledge, endorse, and deliver immediately to the Bank or its designee all and every such further or other acts, matters, assignments, conveyances, instruments, assurances, applications, guarantees, loan agreements, participation certificates, notes, powers of attorney, and other documents in connection therewith, including, without limitation, giving notice to third parties, engaging in consultations with third parties, and endeavoring in good faith to obtain consent from third parties, necessary to enable the Bank to record and otherwise perfect its security interest in or to dispose of each item of the Collateral, as the Bank and any successor will, in their sole discretion, require for the better carrying out of the provisions and purposes of this Agreement and for better securing the payment of principal and interest on the Borrower's indebtedness owed to the Bank at any time after the Borrower accepts the terms of this Agreement.

5. Unless prior alternative arrangements have been made with this Bank, the Borrower will provide its first Statement of Account to the Bank specifically identifying all items of Collateral pledged under this Agreement in accordance with the provisions of paragraph 6 below as of the effective date of this Agreement. At least annually thereafter, the Borrower will provide a revised Statement of Account to this Bank. Every quarter, the Borrower will provide a current statement of the cumulative value of the Collateral to this Bank, together with a separate listing of any items of Collateral with respect to which the obligors are delinquent or in default. Each such quarterly statement will indicate the value of the Collateral after deduction of satisfactions issued during the preceding quarter.

6. For the purposes of this Agreement, a Statement of Account will consist of a document issued by the Borrower identifying each item of Collateral and will contain:

a. The name of the State and county where any real property securing any note pledged hereunder is located; and

b. A description of the items of Collateral sufficient to enable this Bank to identify those items in accordance with reasonable commercial practice, including (i) names of obligors and/or (ii) account numbers, (iii) face value of each obligation, (iv) current amount outstanding with respect to each obligation, and (v) maturity date of each obligation.

7. The Borrower will not transmit any Statement of Account or other notice with respect to this Agreement to this Bank without the manual signature or indorsement of a duly authorized officer of the Borrower. The Borrower agrees that any Statement of Account or other notice issued hereunder will bind it and its successors and assigns.

Withdrawals

8. (a) The Borrower will notify this Bank before 3:00 p.m. of the Bank's business day immediately preceding the date of any proposed withdrawal during any one banking day of more than one percent of the aggregate amount of Collateral pledged under this Agreement, but not more than ten percent of the aggregate amount of the Collateral may be withdrawn without such prior notice to this Bank during any ninety-day period unless the Borrower issues a new Statement of Account or a new statement of the cumulative value of the Collateral in accordance with the provisions of paragraph 5 above. No such withdrawal will become effective until the Borrower receives written approval from this Bank. Notwithstanding any procedures specified in this paragraph to the contrary, the Borrower will not be deemed to have breached any provision of this Agreement in any material respect if the Borrower fails to consult with this Bank in advance of any withdrawal of a specific item of Collateral for the purpose of issuing a satisfaction to a mortgagor in regard to that item of Collateral.

(b) This Bank will endeavor to notify the Borrower of the Bank's approval or disapproval of any proposed withdrawal before 11:00 a.m. of the business day of the proposed withdrawal. This Bank's failure to transmit such notice will not be deemed to cause the Bank to assume any liability to the Borrower, and the Bank expressly reserves the right to transmit such notice at any time or not to transmit such notice at all if, in the Bank's opinion, circumstances warrant the withholding of such notice. Any substitution of Collateral will be considered a withdrawal and subsequent pledge, and this Bank will require that the withdrawal procedures specified in this paragraph be followed with respect to substitutions of Collateral.

9. This Bank may inspect the Borrower's premises at which any collateral pledged hereunder is kept, as well as any item of Collateral, for the purpose of verifying the Collateral.

Surrender of the collateral

10. The Borrower agrees that this Bank may demand and take possession of the Collateral without prior notice to or the consent of the Borrower. The Borrower further agrees, upon request from a duly authorized officer or employee of this Bank, to segregate all instruments being pledged to the Bank from all other instruments in the possession of the Borrower and/or to surrender immediately (or as soon after demand as access to the appropriate premises of the Borrower becomes available) to the Bank or its designee all Collateral pledged under this Agreement. Upon receipt of a demand for possession or segregation of the Collateral, the Borrower may, at its option, comply with this Bank's demand or notify the Bank that the Borrower intends to terminate this Agreement in compliance with the provisions of this paragraph and paragraph 16 below. The Borrower may terminate this Agreement as of the close of business on the date of this Bank's demand under this paragraph upon the Bank's receipt from the Borrower of the full amount of all advances by the Bank, together with interest thereon, and all other obligations and liabilities owed by the Borrower to the Bank. Receipt of notice of termination will not prohibit this Bank from taking possession of the Collateral within the Borrower's premises or obviate the Borrower's duty to segregate the Collateral for the Bank's benefit or to allow the Bank to remove the Collateral from the Borrower's premises unless the Bank has received payment in full in actually and finally collected funds. If such payment is made, this Bank agrees to consider such payment final and to surrender possession of the Collateral to the Borrower as of either (i) the opening of business on the Borrower's business day next following the date of payment or (ii) the Bank's issuance of the Borrower's or, in appropriate cases, the Borrower's correspondent's, reserve or clearing account statement for the date of payment, whichever is later.

11. The Borrower authorizes this Bank, in the Bank's sole discretion, at any time, whether or not the Collateral is deemed adequate by the Bank, to appropriate and apply upon any obligation of the Borrower to the Bank, whether then due or not due, any of the Collateral pledged by the Borrower and to charge any obligation of the Borrower to the Bank against any account balance standing to the Borrower's credit on the Bank's books. Furthermore, in accordance with the Borrower's right to terminate this Agreement pursuant to the procedures described in paragraphs 10 and 16, the Borrower's

compliance with those procedures will forestall this Bank's right to appropriate and apply the Collateral until the close of the Borrower's banking day on the date of the Borrower's compliance with the procedures of paragraphs 10 and 16 of this Agreement.

12. This Bank may, at its option, declare any underlying obligations of the Borrower to the Bank immediately due and payable, without notice or demand, if the Borrower defaults in any material way in the performance of the terms of this Agreement. In its discretion, this Bank may waive any such instance of default by the Borrower.

13. Upon complying with the provisions of paragraph 14 below and the applicable provisions of Federal law and State law, this Bank will be relieved and fully discharged from any liability or responsibility to any person with respect to the Collateral so transferred. Notwithstanding the foregoing provisions of this paragraph, this Bank will account to the Borrower or its successors or assigns for the Collateral and its proceeds.

14. The Borrower agrees to exercise ordinary care with respect to Collateral pledged to this Bank under this Agreement and agrees to indemnify the Bank and hold it harmless from and against any damages, liabilities, costs, expenses (including attorneys' fees and expenses of litigation), or any other losses incurred by the Bank, other than any damages, liabilities, costs, expenses, or other losses arising from the Bank's failure to exercise ordinary care, arising from any pledge of Collateral under this Agreement. The Borrower does not assign to this Bank the obligation to perform or not to perform any act or forbearance with regard to the instruments pledged as Collateral hereunder.

15. This Bank may give any call for Collateral, demand for payment, or notice to the Borrower by leaving same directed to the attention of an officer at the address given by the Borrower in the Exhibit to this Appendix or any other address subsequently filed by the Borrower with an officer of the Bank's Loans and Credits Function, or, in an appropriate case, the Bank's Buffalo Branch, or by mailing same by registered or certified mail, return receipt requested, postage prepaid, to such address with the same effect as if personally delivered to a duly authorized officer of the Borrower. Such notice given in the manner herein provided will be considered received by the Borrower upon delivery in the manner described above or upon

return to this Bank of the appropriate signed postal return receipt. Any notice to this Bank under this Agreement will be directed to an officer of the Bank's Loans and Credits Function or Legal Department or, in an appropriate case, the Bank's Buffalo Branch.

Termination of the agreement

16. Before termination of this Agreement becomes effective, the Borrower will deliver to this Bank any Collateral required to secure advances by the Bank that remain outstanding as of the close of the Borrower's business day on the date of termination.

Miscellaneous

17. Any documents tendered to this Bank under the provisions of this Agreement that must be indorsed to perfect a security interest will be indorsed or assigned to the Bank with recourse to the Borrower, and the Borrower hereby waives presentment, demand, notice of dishonor, protest, and notice of protest, and all other notices relating thereto.

18. The Borrower, at its own expense, authorizes this Bank, as the Bank deems it necessary, to make filings of financing statements or to record or otherwise perfect the security interest granted hereby.

19. The Borrower agrees that, in the event of any inconsistency between any terms of this Agreement and Statements of Account, advices, or other notices issued by the Borrower, the terms of this Agreement, as interpreted in any written instructions that this Bank may issue from time to time, will prevail.

20. Unless the text otherwise requires, all terms used in this Agreement will have the meanings specified in the Uniform Commercial Code as in effect in the State of New York at the time the relevant pledge of Collateral hereunder is made.

21. This Agreement will become effective when this Bank receives the letter from the Borrower referred to in the first paragraph of this Appendix (the Exhibit) accepting the terms of this Appendix.

22. This Bank reserves the right to amend this Appendix at any time but will endeavor to give 14 calendar days' prior written notice of any amendments. Any amendment will apply to all advances made after the effective date of the amendment.

ANTHONY M. SOLOMON,
President,

EXHIBIT

LETTER OF AGREEMENT

[Letterhead of Depository Institution]

[Date]

[Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attention: Credit and Discount Department
(Discount Division)]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Collection, Loans, and Fiscal
Agency Division]

Gentlemen:

In order to be able to obtain advances and in consideration of your making such advances to us secured by our pledge to you of collateral, including one-to-four family residential mortgages, that you will permit us to hold in safekeeping for you, we agree to the provisions of Appendix C to your Operating Circular No. 12, as revised from time to time.

.....
[Name of institution]

By:
(Authorized signature(s))