

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9624]
[January 25, 1984]

ON-LINE TRANSACTIONS IN BOOK-ENTRY SECURITIES

New Operating Circular — No. 21A

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

The availability of Dial-Oriented and Direct Access Remote Terminals (“DOTs” and “DARTs”) has increased “on-line” access to the Federal Reserve Communications System (“Fedwire”). As a result, an increasing number of depository institutions have expressed interest in conducting Fedwire book-entry securities transactions on an on-line basis.

The enclosed Operating Circular No. 21A sets forth the terms and conditions under which this Bank will provide to depository institutions on-line access to Fedwire for transactions in book-entry securities. Institutions that currently conduct such transactions have previously executed a short-form letter agreement with this Bank. Operating Circular No. 21A significantly expands the scope of the former letter agreement and is intended to replace it. Thus, institutions that currently have or desire on-line access should submit a letter of agreement to this Bank in the form of the Exhibit to Operating Circular No. 21A.

If you have any questions regarding Operating Circular No. 21A, or the associated policy and procedures, please call H. John Costalos, Manager, Securities Transfer Department (Tel. No. 212-791-5986) or Daniel C. Bolwell, Chief, Securities Transfer Division (Tel. No. 212-791-5379).

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[Operating Circular No. 21A
Effective January 25, 1984]

**ON-LINE TRANSACTIONS IN
BOOK-ENTRY SECURITIES**

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

1. This circular contains (a) the general terms and conditions under which this Bank will provide to depository institutions "on-line" access to the Federal Reserve Communications System ("Fedwire") for transactions in book-entry securities via terminal and computer equipment; (b) this Bank's policy in the event of equipment problems; (c) the closing hours for on-line transactions (Appendix A); (d) the fee schedule for on-line transactions (Appendix B); and (e) the form of letter to be executed by depository institutions in agreeing to the terms of this circular (Exhibit).

Definitions

2. As used in this circular, unless the context otherwise requires:

(a) "Participant" signifies a depository institution, as defined in Section 19(b) of the Federal Reserve Act, that is authorized by this Bank to conduct on-line transactions.

(b) An "on-line" transaction is the origination of a delivery or the receipt of book-entry securities by a depository institution using a terminal or computer equipment directly connected to Fedwire.

Our current Operating Circulars No. 17 — Transactions in Marketable U.S. Treasury and Agency Securities — and No. 21 — Issuance and Maintenance of Book-Entry Securities — contain additional terms governing on-line transactions in book-entry securities.

On-Line Transactions

3. A participant may maintain up to five on-line securities accounts at this Bank: customer (general account), investment, dealer, trust, and special.

4. A participant, in addition to maintaining at least one securities account, must maintain a reserve or clearing account with this Bank.

5. All on-line transactions must be in the format prescribed by this Bank.

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6. Each on-line transaction that this Bank receives will have the same force and effect as if the instruction were given in a writing signed by authorized officers of both the transferee and transferor participant, and constitutes this Bank's authority to effect the requested transaction.

7. This Bank is authorized to:

(a) charge the reserve or clearing account of a participant in the dollar amount specified in incoming securities transfers to that participant;

(b) credit the reserve or clearing account of a participant in the dollar amount specified in outgoing securities transfers from that participant;

(c) charge the designated on-line securities account or accounts of a participant in the amount of securities specified in outgoing securities transfers; and

(d) credit the designated on-line securities account or accounts in the amount of securities specified in incoming securities transfers.

Transfer limitations

8. Transfers are not authorized:

(a) on or after the date of maturity of the particular issue; or

(b) in the case of bonds or notes that have been called for redemption, on or after the "call redemption date," which is the date on which such bonds or notes are redeemable and on which they will cease to bear interest as specified in the notice of call for redemption.

Transfer acknowledgments

9. Following each on-line transaction, this Bank will as soon as is practicable transmit to the depository institution an acknowledgment of each on-line transaction sent or received, in hard copy for participants using terminals or electronically for participants having computer interfaces.

10. After the close of business on each day on which there is activity, this Bank will transmit in hard copy for participants using terminals or electronically for participants having computer interfaces:

(a) a clearing summary describing net balances for each issue of securities held in each account for which there was activity; and

(b) a summary of funds debited or credited to their reserve or clearing account as a result of on-line transactions.

11. On the following day, this Bank will send a detailed statement itemizing each on-line transaction processed for each account.

12. Participants should carefully examine all summaries, acknowledgments, and statements received from this Bank and promptly report any exception. If a participant fails to make a written report of an exception within ten (10) calendar days, it cannot pursue a claim against this Bank that disputes the accuracy of the summary, acknowledgment, or statement.

Time schedule

13. The time schedule for on-line transactions is contained in Appendix A.

Extension of closing hours

14. At its discretion, this Bank may grant requests for extensions of the closing hours specified in Appendix A in the following circumstances:

(a) failure of equipment at this Bank, another Federal Reserve Bank, or elsewhere in Fedwire;

(b) failure of equipment at any participant of a magnitude deemed disruptive to the securities market; or

(c) unusual or unanticipated circumstances, including high volume in the Government securities market.

Failure of on-line equipment

15. In the event of failure of a participant's on-line equipment, the participant may request one of the following alternatives. On-line transactions effected by such alternative means shall be subject to paragraphs 5-8 hereof.

(a) Authorization for the participant's employees to use backup facilities provided by this Bank. To gain access to this Bank's facilities, the participant must deliver to this Bank a letter of authorization signed by an authorized officer whose signature is on file with this Bank. The employee must also show proper identification.

(b) Redirection of all incoming transfers of securities messages to a terminal located at this Bank. A participant may request telephone advice of receipt of securities.

(c) Origination of transactions by this Bank. After receipt of properly authenticated instructions by telephone or in writing, this Bank will enter transactions on behalf of the participant.

Security provisions

16. A participant is responsible for prevention of disclosure of any codes or other security procedures relating to on-line transactions except within that organization on a "need to know" basis. The participant should notify this

Bank immediately if the confidentiality of these procedures is compromised, and act to prevent any further disclosure.

17. This Bank may request each participant to provide to the Manager of the Securities Transfer Department a description of its security procedures to prevent improper or unauthorized use of on-line equipment. This Bank will treat confidentially any information so supplied.

Charges

18. A monthly statement of charges that this Bank has charged to the reserve or clearing account of participants according to the fee schedule in Appendix B will be sent to each participant.

Termination of on-line participants

19. This Bank reserves the right without prior notice to terminate the use of on-line equipment by any participant.

Reserve Bank liability

20. This Bank shall not have or assume any responsibility to any party except the immediate participants involved in an on-line transaction. This Bank shall not be liable in connection with an on-line transaction for the insolvency, neglect, misconduct, mistake, or default of another bank or person, including the immediate participants, except as provided in this paragraph 20 and paragraph 21. This Bank shall not have or assume any liability except for its own lack of good faith or failure to exercise ordinary care.

21. This Bank will be liable only for actual loss sustained by the immediate participants as a direct result of the Bank's failure to exercise ordinary care or act in good faith. Specifically, the amount of the Bank's liability is limited to no more than the dollar amount of the transaction plus reasonable interest. If, however, the participant's claim is based on delay of a transaction otherwise properly credited, the Bank's liability is limited to reasonable interest.

Form of agreement

22. Participants must submit to this Bank a letter of agreement in the form of the Exhibit to this circular.

Revision of this circular

23. The right is reserved to withdraw, add to, or amend at any time any of the provisions of this circular. This Bank will endeavor, however, to give at least 30 calendar days' notice of any revision.

ANTHONY M. SOLOMON,
President.

EXHIBIT TO OPERATING CIRCULAR NO. 21A

ON-LINE AGREEMENT

[To be typed on the depository institution's letterhead]

.....
[Date]

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

Attention: Manager
Securities Transfer Department

Dear Sir:

We hereby agree to the terms contained in your Operating Circular No. 21A, regarding on-line transactions in book-entry securities.

We reserve the right to terminate this agreement by written or telegraphic notice to the Manager of your Securities Transfer Department, which notice shall be effective on receipt. Termination shall not, however, affect your right to make all debits or credits required by or incidental to any instruction received by you before the termination.

.....
[Name of depository institution]

By:
[Authorized Signature]

.....
[Title]

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Appendix A to
Operating Circular No. 21A
Effective January 25, 1984**]

**CLOSING HOURS
FOR ON-LINE TRANSACTIONS
IN BOOK-ENTRY SECURITIES**

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

The following schedule contains the closing hours for on-line transactions in book-entry securities under Operating Circular No. 21A. All times listed are Eastern Time.

Origination of On-Line Transactions	2:30 p.m.
Origination of Turnaround (Redelivery) Transactions to New York, Chicago, Los Angeles, or San Francisco from a dealer to an ultimate customer	2:45 p.m.
Reversal of On-Line Transactions	3:00 p.m.

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Appendix B to
Operating Circular No. 21A
Effective January 25, 1984**]

**FEE SCHEDULE
FOR ON-LINE TRANSACTIONS
IN BOOK-ENTRY SECURITIES**

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

The following fee schedule contains the fees for on-line transactions in book-entry securities under Operating Circular No. 21A. All times listed are Eastern Time.

Origination of On-Line Transaction	
9:00 a.m. — 12:00 Noon	\$ 1.00
12:01 p.m. — 2:00 p.m.	\$ 3.00
2:01 p.m. — closing	\$ 5.00
Origination of Off-Line Transactions	\$10.00
Receipt of Off-Line Transactions	\$10.00
Monthly Maintenance of Each Account	\$15.00
Monthly Maintenance of Each Issue	\$.50

ANTHONY M. SOLOMON,
President.