

**FEDERAL RESERVE BANK
OF NEW YORK**

December 15, 1992

WITHDRAWAL FROM PRICED DEFINITIVE SECURITIES SAFEKEEPING SERVICE

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

Since the mid-1980's, the volume of securities held in Federal Reserve Bank vaults has been steadily declining due to legislation which, in effect, eliminated Federal tax advantages for bearer municipal securities, and led to the movement to immobilize physical securities at depositories. As the volume of vault holdings declined, per-deposit costs increased, in spite of this Bank's ongoing effort to contain these costs. High fixed costs associated with maintaining a definitive securities vault and declining volumes eventually had a negative impact on our ability to achieve full cost recovery for this service. Following extensive evaluation of alternative ways to manage this declining service, this Bank and other Reserve Banks proposed to withdraw from the priced definitive securities safekeeping service (see our Circular No. 10555, dated July 22, 1992).

Following a public comment period, on November 2, 1992 the Board of Governors of the Federal Reserve System approved the Reserve Banks' withdrawal from the priced definitive securities safekeeping service by the end of 1993. This action will eliminate the safekeeping of all priced definitive securities, including definitive securities pledged to State and local governments. It will not, however, affect the safekeeping of collateral pledged to this Bank for discount window lending, to the Treasury Department, or to other Federal Government agencies.

The Reserve Banks have developed guidelines to provide direction for each Reserve Bank's definitive securities safekeeping withdrawal process, including withdrawal schedules and pricing practices. Accordingly, beginning January 1, 1993, no new priced definitive securities customers will be accepted by the Federal Reserve Bank of New York. The formal withdrawal of definitive priced securities at this Bank will commence July 1, 1993 and will be completed by December 31, 1993. During this withdrawal period, withdrawal and shipping fees for priced definitive securities will be waived. Prior to July 1, we will conduct business as usual for current customers and continue to charge 1992 definitive securities safekeeping fees.

This Bank appreciates your priced definitive securities safekeeping business, and we will assist you in making a smooth safekeeping transition to another custodian. In this regard, we ask that you begin to take the steps necessary to select an alternative service provider as soon as possible. If you have securities in a priced safekeeping account with us, we will send you further details on withdrawal within the next few months, and ask you to instruct us as to where securities currently held at this Bank in priced safekeeping accounts should be transferred. If you have any questions or concerns about the transition, please call Christina H. Ryan, Manager, Safekeeping Department at (212) 720-7726; Stephen Bernatowicz, Chief, Coupon and Safekeeping Division at (212) 720-5081; or your account manager -- (212) 720-6600 at the Head Office or (716) 849-5108 at the Buffalo Branch.

WHITNEY R. IRWIN,
Vice President.