

March 2, 1993

To the Addressee:

Enclosed is a copy of Appendix A, revised effective March 16, 1993, to this Bank's Operating Circular No. 18. This appendix contains changes in the terms of the agreement between this Bank and custodians of collateral pledged under 31 CFR 202 and 203. The changes make explicit the restriction that only custodians that hold the collateral on their own premises may enter into the agreement contained in that Appendix; in cases where the collateral is held elsewhere, a different agreement with the Reserve Bank must be executed.

A letter of instructions regarding the re-execution of such third-party custody agreements has been sent, with the new appendix, to the institutions involved.

If you have any questions about this matter, please contact Anthony Pietrangolare (Tel. No. 212-720-5394) or Donald Wenner (Tel. No. 212-720-5278).

Circulars Division  
FEDERAL RESERVE BANK OF NEW YORK

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

**Appendix A to  
Operating Circular No. 18**

Revised effective March 16, 1993

**THIRD-PARTY CUSTODY AGREEMENT  
FOR TREASURY TAX AND LOAN COLLATERAL**

**[Depository Institution's Offer to Contract and Application  
for Designation as a Third-Party Custodian of Collateral  
Pledged Under 31 C.F.R. Parts 202 and 203]**

*To All Depository Institutions in  
the Second Federal Reserve District:*

This operating circular appendix (the "Appendix") sets forth the terms of the agreement between a depository institution (the "Custodian") and this Bank regarding the holding, as agent for the Bank and any other Federal Reserve Bank in its capacity as Fiscal Agent of the United States, of securities pledged to such Reserve Bank by any other depository institution (the "Pledgor") to secure deposits of public money under the provisions of Parts 202 and 203 of Title 31, Code of Federal Regulations. To support its application under this Appendix, the Custodian represents that it is in the business of providing securities safekeeping services for other depository institutions and has done so for at least one year. In order for a Custodian to be qualified and designated as a Custodian by this Bank, the Custodian must execute and return to this Bank a letter agreement in the form specified in the Exhibit to this Appendix.

This application is for use only by Custodians that hold collateral in safekeeping on their premises. With the knowledge and prior approval of the Reserve Bank, and after executing specific agreements required by the Reserve Bank for such extended custody arrangements, Custodians may place securities in the custody of a depository which is an S.E.C.-registered clearing agency approved by the United States Department of the Treasury for such purposes, for transfer to a Reserve Bank account which has been established to receive pledges of securities at such depository, subject to terms and conditions acceptable to the Reserve Bank.

## Terms of Agreement

Custodian hereby applies to the Federal Reserve Bank of New York to act as a third party custodian for the Bank and any other Federal Reserve Bank (any of which are hereinafter referred to as the "Reserve Bank"). If designated as qualified to be a Custodian by the Reserve Bank, and in consideration of the benefits and privileges related to such designation, the Custodian promises, warrants and agrees:

1. To hold in its custody, as agent of the Reserve Bank, those eligible securities which a Pledgor may pledge as collateral to secure deposits of public money under the provisions of 31 C.F.R. Parts 202 and 203. (Federal Reserve book-entry eligible securities *may not* be held by a custodian.)
2. To hold the securities pledged subject exclusively to the Reserve Bank's written or properly authenticated wired instructions for release, delivery, substitution, withdrawal or other disposition. All instructions shall be executed without delay upon receipt of a written or properly authenticated wired order from the Reserve Bank to that effect. "Wired" transmissions as referred to in this document may be sent by cable, facsimile, telegraph, telephone or other electronic transmission designated by the Reserve Bank.
3. To hold all collateral in safekeeping on the Custodian's premises.
4. To support every pledge of collateral by issuing to the Reserve Bank an advice of custody, in conformance with the following:
  - (a) each advice of custody issued shall be delivered to the Reserve Bank in accordance with the Reserve Bank's delivery time schedules;
  - (b) each advice of custody shall be issued only after the Custodian has confirmed that it possesses the securities, *i.e.*, that the securities are (i) present on the Custodian's premises, or (ii) in the possession of a transfer agent for the purpose of re-registering them in the name of the Custodian's nominee;
  - (c) each advice of custody issued shall include only securities which are negotiable or transferable. (For requirements regarding assignment of securities, *see* 31 C.F.R. Part 202.6(d) or 203.15(e));
  - (d) each advice of custody issued shall specify, without limitation, the following:
    - (i) the name of the Pledgor;
    - (ii) the name of the Custodian's nominee if any, in whose name the pledged securities are registered;
    - (iii) a full description of the security, including the name of the issuer, CUSIP number, maturity date, and rate of interest;
    - (iv) the original face value of the security, and the remaining balance for declining balance securities;

- (v) the name of the Reserve Bank pledgee;
  - (vi) the purpose of the pledge, *i.e.*, whether the collateral is being pledged to the Treasury under 31 C.F.R. Part 202 or Part 203. Separate advices of custody should be issued for collateral pledged under each Part.
5. That an advice of custody regularly issued with printed, facsimile, or other non-manual signature of an authorized officer or an electronic transmission of the Custodian shall have the same effect as if issued and manually signed by an authorized officer of the Custodian, provided the Reserve Bank receiving the advice has received prior written notice, and approved of the Custodian's procedures in this respect.
  6. That each advice of custody issued to the Reserve Bank shall be conclusive evidence of the facts stated in the advice.
  7. That any (a) interest payments by the obligor with respect to securities pledged under this custodial arrangement, and (b) proceeds of the redemption of maturing coupons shall be paid to the Pledgor, unless otherwise directed by the Reserve Bank. Proceeds received with respect to principal payments on declining value securities shall be paid to the Pledgor unless the Reserve Bank directs otherwise. (*Declining value securities are eligible only as collateral to secure public money under 31 C.F.R. 203*).
  8. That the Custodian shall hold securities on its premises as agent for the Reserve Bank without compensation from the Reserve Bank, free and clear of all liens, charges or claims by the Custodian for safekeeping or otherwise, and shall mark its books to show that collateral is pledged to the Reserve Bank.
  9. With respect to securities pledged under this Appendix, to indemnify and hold the Reserve Bank and the United States harmless from any loss that is proximately caused by the negligence or willful misconduct of the Custodian, or its employees, or agents, and that arises from the destruction, disappearance, theft, or unauthorized release of such securities.
  10. With respect to those securities pledged under this Appendix that decline in value as payments of principal are made, to provide to the Reserve Bank, on not less than a quarterly basis, a statement of the original face value and the value of the remaining balance on each declining-value security pledged.
  11. To comply with terms and conditions specified by the Reserve Bank under instructions issued to prescribe the routine mechanics of pledging collateral, except that, in the event of any inconsistency between the terms of this document and the specified terms and conditions or the terms and

conditions of the Custodian's advice of custody, the terms of this offer to contract and application shall prevail.

12. To permit the Reserve Bank to inspect during the Custodian's regular business hours the Custodian's safekeeping premises, books and records of custodial accounts, and any securities pledged hereunder.
13. To promptly respond in writing to the Reserve Bank's periodic requests for verification of the securities in its custody that are pledged to the Reserve Bank. Such requests will list the information required in an advice of custody (as set forth in paragraph 4(d) of this Appendix) for all securities which the Reserve Bank's records reflect as being held by the Custodian and pledged to the Reserve Bank. The Custodian shall respond in writing by either confirming that it holds all such securities and that all information in the Reserve Bank's request is correct or by specifying any differences reflected in its records, whichever is appropriate.

Nothing in this Appendix affects the Reserve Bank's supervisory or regulatory powers, or any other rights the Reserve Bank may have with respect to the Custodian. If the United States Department of the Treasury issues any amendment of this Agreement, notice will be provided to the Custodian by the Reserve Bank 60 calendar days in advance of the date such amendment becomes effective, provided the Treasury Department notifies the Reserve Bank to give such notice prior to that time, as the Treasury Department reserves the right to make amendments effective immediately (or in fewer than 60 calendar days) if such notice is impractical, unnecessary, or not in the public interest. Unless otherwise provided, any amendment will apply to all pledges of securities under this Appendix made on or after the effective date of the amendment.

The Custodian may resign by giving 60 calendar days' prior written notice to both the Reserve Bank and the Pledgor. The resigning Custodian shall, on the effective date of its resignation, assign, transfer, and deliver to the Reserve Bank or the successor custodian designated to the Custodian by the Reserve Bank in writing, all funds, securities or other assets held at that time by the resigning Custodian under this Appendix without recourse, representation, or warranties of any kind, except as to acts or omissions of the resigning Custodian or claims against the resigning Custodian arising under this agreement prior to, or on the effective date of, the Custodian's resignation.

The acceptance of this Offer and the designation of the undersigned institution as Custodian may be revoked by any Reserve Bank with respect to that Reserve Bank, by providing the Custodian with advance written notice of such revocation. The revocation shall be effective ten calendar days after the date the notice is sent or transmitted. A copy of such notice shall simultaneously be transmitted to each of the other Reserve Banks. The notice of revocation may also contain instructions or orders to the Custodian concerning the assignment,

transfer, and delivery to the Reserve Bank of all funds, securities and other assets held by the Custodian under the terms of this Appendix. Revocation shall not affect the Reserve Bank's or the United States Department of the Treasury's rights hereunder, with regard to any collateral pledged under the Appendix prior to revocation.

This Offer to Contract and Application for designation as a Third Party Custodian of Collateral Pledged Under 31 C.F.R. Parts 202 and 203 supersedes any prior agreements for this purpose which may currently be in effect between the Custodian and the Reserve Bank. The undersigned depository institution agrees that upon acceptance by the Federal Reserve Bank of New York, acting as Fiscal Agent of the United States, this document shall evidence the contract entered into between the Secretary of the Treasury and the Custodian.

E. GERALD CORRIGAN,  
*President.*

**EXHIBIT I**  
**LETTER AGREEMENT FOR THIRD PARTY CUSTODY  
OF TREASURY TAX AND LOAN COLLATERAL**

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

*or*

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

Gentlemen:

In order to qualify and be designated by you as a third-party custodian for any Federal Reserve Bank of securities pledged to the Reserve Bank by any other depository institution (the "Pledgor") to secure deposits of public money under 31 C.F.R. Parts 202 and 203, and in consideration of the benefits and privileges related to such qualification and designation, we agree to the provisions of Appendix A to your Operating Circular No. 18, as revised from time to time. Enclosed is a list of Pledgors that have requested that we act as their custodian for this purpose. We agree to provide you with an updated list of such Pledgors as changes are made.

This letter is signed on our behalf by an officer duly authorized to execute such a document, as is evidenced by the certificate executed below.

.....  
[Name of Depository Institution]

.....  
[Street Address]

..... [City or Town, State] [Zip Code]

By: .....  
[Signature of Authorized Officer]

Print Name: .....

Title: .....

Date: .....

I hereby certify, after review of this letter, Appendix A of Operating Circular No. 18 of the Federal Reserve Bank of New York, and the pertinent regulations issued by the Department of the Treasury at Title 31, Code of Federal Regulations, Parts 202 and 203, that the ..... is  
[name of depository institution]  
authorized to apply to be a Custodian and that .....  
[name of authorized officer]  
has been authorized and directed to execute this letter.

IN WITNESS WHEREOF, I have signed my name [and affixed the seal of this depository institution].

By: .....  
[Signature of Certifying Officer\*]

[corporate seal, if any]

Print Name: .....

Title: .....

Date: .....

\* *The officer making this certification shall have the authority to do so and must not be the same officer signing the letter.*



## ACCEPTANCE

The Federal Reserve Bank of New York [,Buffalo Branch], acting as Fiscal Agent of the United States, and on behalf of each of the other Federal Reserve Banks, hereby designates .....

[*name of depository institution*]

third-party custodian and accepts the offer to contract made by the custodian, effective on the date set forth below, in accordance with the provisions of Appendix A to this Bank's Operating Circular No. 18, as revised from time to time.

Federal Reserve Bank of New York  
[Buffalo Branch]  
as Fiscal Agent of the United States

By: .....  
[*Signature of Official*]

Print Name: .....

Title: .....

Date: .....