

TREASURY DIRECT vs. TRADES

In July, the Treasury Department, supported by the Federal Reserve System, plans to implement TREASURY DIRECT, a new book-entry securities system for private sector investors. TRADES (Treasury/Reserve Automated Debt Entry System), which is the commercial system already in place, will operate alongside Treasury Direct.

What will TREASURY DIRECT do for your customers?

TREASURY DIRECT will provide more security for investors because it eliminates the possibility of certificates being lost or stolen. It will also offer a number of new conveniences and special services to investors as well.

New features include simplified and more accurate recordkeeping, a broader choice of registration options, direct deposit of Treasury payments, and an automatic reinvestment option for Treasury bills beginning in 1987.

Since TREASURY DIRECT eliminates the issuance of physical securities, risk of loss, theft, and mishandling will be greatly reduced. Reductions in the servicing costs associated with these securities are estimated to save the government \$46 million over the next seven years.

Under the new TREASURY DIRECT program, Treasury note and bond investors will receive a statement of account instead of engraved cer-

tificates. The statement will provide a record of their entire portfolio of Treasury securities. (Treasury bill holders should already be familiar with the safety and security of a book-entry system since T-bills have been available only in this form for some time now.)

All holdings, unless they are maintained under different registration options or have different payment instructions, will be held under a single master account for simplified record-keeping and flexibility. The account statement concept is similar to the computerized statements currently issued by securities dealers to purchasers of stocks and bonds and by financial institutions to customers who maintain a number of different accounts.

With TREASURY DIRECT being a nationwide automated system, investors can obtain information and conduct transactions on their accounts at Federal Reserve Banks or the U.S. Treasury. There are 12 Federal Reserve Banks and 25 Branches which have been designated as TREASURY DIRECT servicing offices. This means investors can purchase Treasury bills, notes or bonds, transfer securities from one account to another, or request detailed information changes to their accounts at any of the 37 locations. With each change in account information, the investor will receive an account statement as a record of

the actions taken.

Investors will have a broader choice of registration options as well as the ability to establish clear ownership and survivorship rights to securities with the TREASURY DIRECT system.

TREASURY DIRECT will offer investors the security of direct deposit of refund, interest and principal payments to the designated checking or savings account at a financial institution of the investor's choice. Direct deposit eliminates the possibility of stolen or lost checks and gives investors immediate access to their money.

For complete information and the regulations governing TREASURY DIRECT, see Department of the Treasury Circular, Public Debt Series No. 2 - 86 (31 CRF Part 357).

What will TRADES do for YOUR financial institution?

TRADES, or Treasury/Reserve Automated Debt Entry System, is the commercial counterpart to TREASURY DIRECT. TRADES is made up of a network of entities including

(Cont. on pg. 3)

INSIDE

■ REDSYS

■ PROXY INDEX

■ CORRECTION

REDSYS offered through RESPONSE

Some people actually think a statistic is a statistic. Not so at the Federal Reserve Bank of Dallas. The Dallas Fed's Statistics Department is involved in various activities ranging from providing public information on banking statistics to supplying one-twelfth of the data used by the economists at the Board of Governors in projecting the nation's money supply.

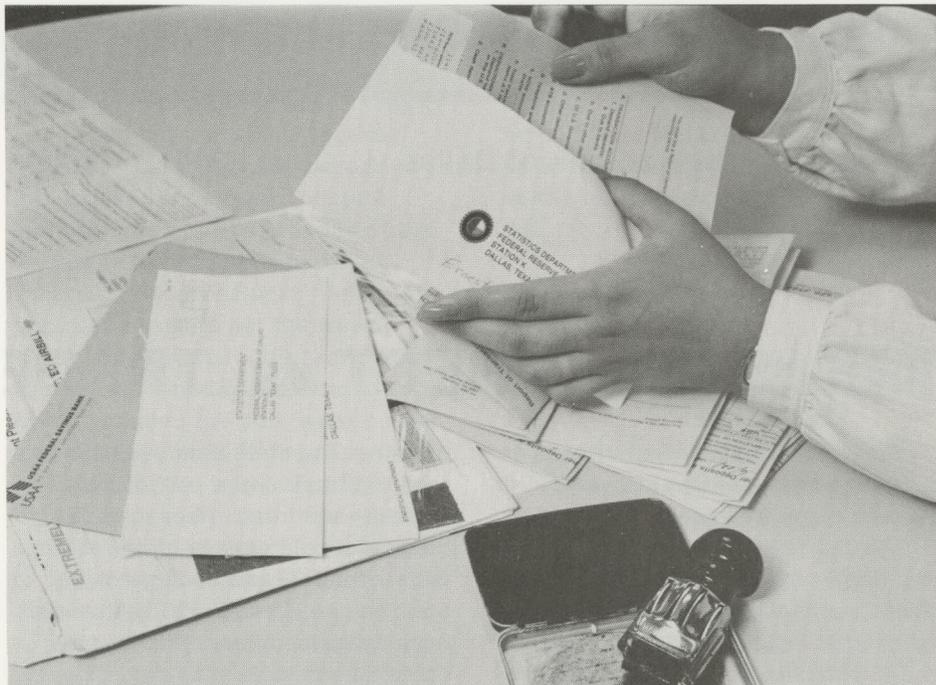
Customized public information on interest rates, deposits and other money stock measures are available by calling (214) 651-6394. Much of this information can be obtained at no charge, unless computer access or research is involved.

The department staff, if asked, would probably view their involvement in collecting and analyzing data on forty-eight different reports as their primary function. The largest and most well known of these reports is the Report of Transaction Accounts, Other Deposits and Vault Cash, FR2900.

Each week, approximately sixteen-hundred financial institutions in the Eleventh District channel information on reservable liabilities to the Dallas FED. These data are used to calculate required reserves and to provide the Board of Governors and the Federal Open Market Committee (FOMC) with a prompt, accurate estimate of the money supply (M1, M2, and M3) for the formulation of monetary policy.

A typical work week in the Statistics Department entails meeting nonnegotiable deadlines while ensuring data quality. An important factor in the work involves timely receipt of the information which is often hampered by mail delays. The best way to ensure immediate receipt of this crucial information is through Remote Edited Deposits SYSTEM (REDSYS).

For depository financial institutions on-line with the FED through the



The Dallas Fed Statistics Department receives approximately 1600 FR2900 Reports per week. REDSYS should curtail some of that mail flow.

RESPONSE network system, FR2900 data can be transmitted electronically. REDSYS enables reporters to enter and validate their FR2900 data using either a personal computer or a dedicated terminal.

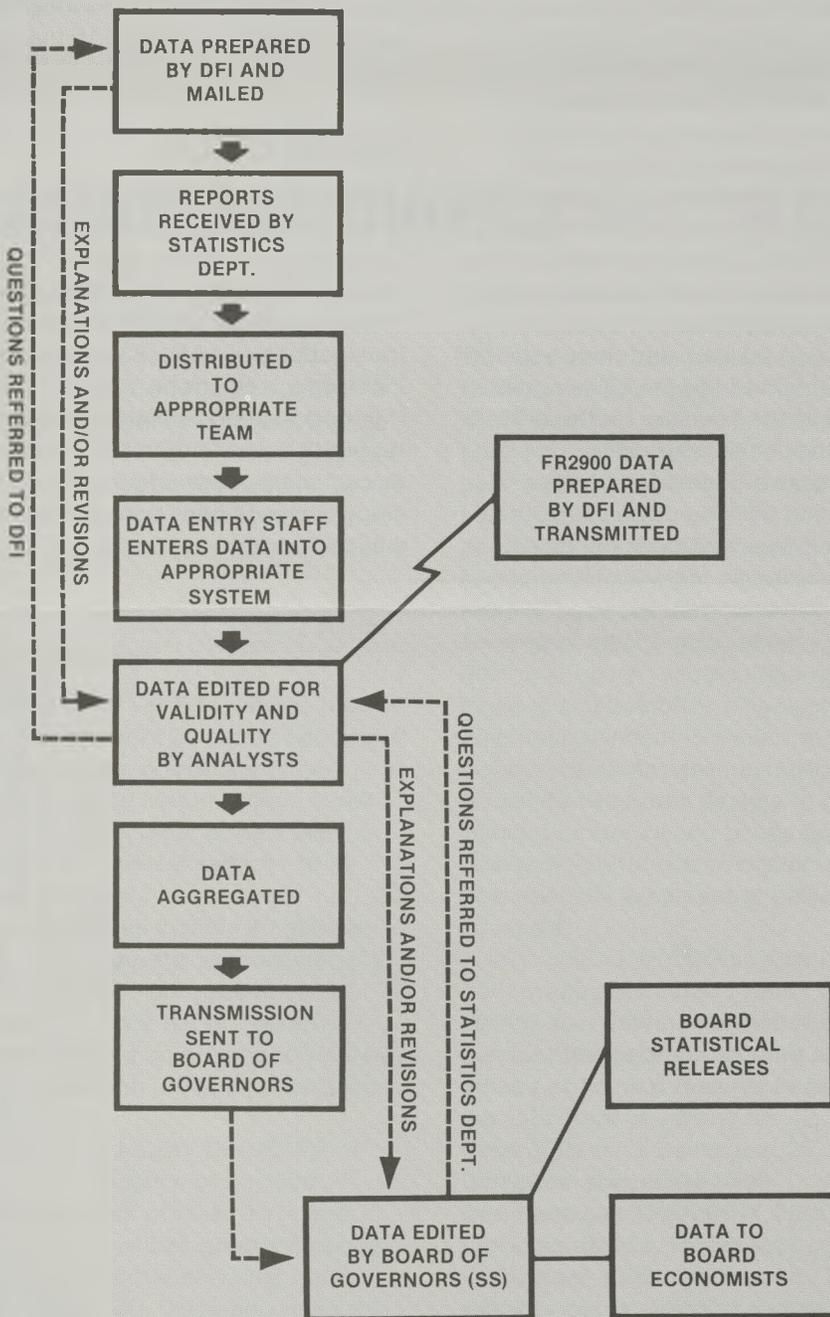
The REDSYS application does not perform reserve calculations or allow for daily transmission of FR2900 data; however, obvious advantages to FR2900 reporters are decreased dependency on mail schedules, increased flexibility to utilize personnel more effectively, and earlier availability of reserve maintenance position data. Best of all, as a RESPONSE user, there is no additional cost associated with the use of the REDSYS application.

If you are interested in finding out more about the REDSYS application, or in obtaining public information on banking statistics, please contact the Statistics Department at (214) 651-6394.



Statistics Department employees may verify financial institutions' report figures either over the telephone or online.

Statistics Department Processing Flow Chart



TRADES, cont.

the Federal Reserve Banks, financial institutions and government security dealers and brokers.

Depository financial institutions which submit tenders for securities to be held in book-entry form by the Federal Reserve will be held in TRADES.

Private sector investors may elect to maintain their purchases of securities in the commercial book-entry account of a financial institution.

Private investors who submit tenders through an institution have two options: 1) to request the security be held in safekeeping through the institution's commercial book-entry account. As the custodian of the account, your institution would record ownership information on its internal records, or 2) to request the application to purchase tender be submitted through the Treasury or local Federal Reserve office for the account to be held in TREASURY DIRECT.

Securities may be transferred between accounts in TREASURY DIRECT or from TREASURY DIRECT to TRADES or vice versa under the guidelines specified by the Department of the Treasury. An account master record must exist for the receiving investor for transfers between TREASURY DIRECT accounts or to TREASURY DIRECT accounts.

It should be noted that a transfer involving a TREASURY DIRECT book-entry system account cannot be made against payment.

Applications for securities held in TRADES should be submitted on form SEC 213 - Tender for Treasury Notes/Bonds. If you need a copy of the guidelines for TRADES transactions, call the Public Affairs Department at the Dallas Fed at (214) 651-6289 and ask for Circular 86-30.

Treasury sets proxy index

Since the termination of the Depository Institutions Deregulation Committee (DIDC), the U.S. Treasury no longer computes or announces a two-and-a-half-year yield curve.

For institutions with loans or obligations tied to that curve, the U.S. Treasury department has set up a proxy to replace the two-and-a-half-year, five-day yield curve.

A spokesperson at the U.S. Treasury office in Washington, D.C. said the proxy is a "reasonable substitute." The proxy is an average of the two- and three-year constant maturity rates which are also calculated by the Treasury.

Constant maturity rates are indexes computed from statistics on actively traded Treasury securities reported by five of the leading U.S. government security dealers. These constant maturities, which range from one-year to 30-years, are used by some financial institutions as well as mortgage

companies for establishing adjustable rate mortgage payments.

Here is the computation that will get you the current weekly proxy figure: for a given week, average the two- and three-year constant maturity rates from the preceding Tuesday through Friday, with the average of the two- and three-year constant maturity rates for the Monday of the week which the rate is desired.

Federal Reserve Banks' Public Affairs Departments get the weekly statistical release (H.15) each Tuesday (unless Monday is a holiday) which includes the prior week's rates and indexes. The U.S. Treasury must be called for the latest Monday figures on the two- and three-year constant maturity rates. The number to call at the Treasury for those Monday rates is (202) 566-5204.

To receive figures for the four preceding working days, call your Federal Reserve Bank's Public Affairs

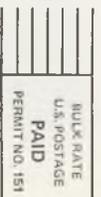
Department. The Dallas Office numbers are (214) 651-6222 or 1-800-442-7140, extension 6222.

Should financial institutions wish to receive the information in statistical release form on a regular basis, they should contact the Board of Governors at (202) 452-3244 and ask to be placed on the H.15 mailing list.

CORRECTION

In the May 1986 issue of *Roundup*, in the "Security controls addressed" story, a figure was incorrectly reported. The story stated that \$100 billion is lost annually in financial transactions of which 83 percent is lost through electronic funds transfers, while 12 percent is lost through checks and only five percent through cash transactions. The dollar amount should have been \$100 million.

FEDERAL RESERVE BANK OF DALLAS
STATION K
DALLAS, TEXAS 75222
ADDRESS CORRECTION REQUESTED



Roundup is published monthly by the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston, and San Antonio. Additional copies of most issues and subscription information are available from the Public Affairs Department. Editor: Dione Anteau