

The Depository Trust Company

IMPORTANT

B#: 0372-06

DATE: January 03, 2007

TO: All participants

CATEGORY: Settlement/Underwriting

FROM: Product Management

ATTENTION: Settlement Manager/Managing Director/Cashier

SUBJECT: New Automated Interface between FRS and DTCC

Effective immediately, DTC will activate a new automated interface that will allow participants to pledge and withdraw collateral securities to and from various accounts maintained by the Federal Reserve System ("FRS") and the U.S. Treasury. The automated interface will allow deposits and withdrawals processed through DTC's Collateral Loan function (COLL) option #2 (Federal Reserve Banks Part/Non-Pt Services) to flow directly into the FRS's collateral system. As a result, the process for moving DTC-eligible securities in and out of the FRS and U.S. Treasury's collateral accounts will become much more efficient with the following benefits realized:

- **Daily transaction volume is no longer subject to certain limits**
Depository institutions may pledge or withdraw as many DTC-eligible securities as necessary in a given business day.
- **Pre-notification to the local Reserve Bank of deposits and withdrawals into and out of the Discount Window, Payments System Risk or Treasury, Tax and Loan ("TT&L") accounts is no longer required. Notification will still be required for movement of DTC-eligible securities in and out of the U.S Treasury's 31 CFR Part 202 and Part 225 accounts.**
- **Depository institutions will have a more valuable collateral pledging resource for unforeseen contingency funding situations that may arise.**

The daily timetable for moving DTC-eligible securities to and from the FRS' and U.S Treasury's collateral accounts will not change. The Federal Reserve will continue to accept deposit and withdrawal requests from **8:00 A.M to 3:00 P.M ET**. However, as a result of the new interface, requests for deposits or withdrawals received outside of the designated processing times will be rejected by the FRS's collateral system and will need to be resubmitted during the next processing period. In the unlikely event that the FRS's collateral system is not available by 8:00 A.M. ET due to an unforeseen outage, transactions would be rejected by the FRS until the FRS's collateral application becomes available. Under this scenario, depository institutions would be asked to resubmit their DTC transactions once the FRS's collateral system becomes fully operational.

To facilitate this system enhancement, a change has been made to the purpose of pledge account number that DTC direct participants use for the TT&L Term Investment Option ("TIO"). Specifically, a new purpose of pledge code, "04", has been implemented for all TIO collateral. In the past, purpose code "02" was used for both the TT&L and TIO collateral. Going forward, collateral pledged to these two programs should be submitted under separate purpose of pledge codes:

- Purpose of pledge code "02" should be used for collateral pledged to the TT&L program; and,
- Purpose of pledge code "04" should be used for collateral pledged to the TIO program.

It is important to note that existing Term Investment collateral pledged under purpose code "02" will not be automatically reassigned to purpose code "04". Release requests for these securities should be submitted under purpose code "02".

For more information, please contact your local Federal Reserve Bank, or visit their Discount Window web site at www.frbdiscountwindow.org. In addition, you may contact the Depository Trust Company at (212) 855-5800 or visit our website at <https://login.dtcc.com/dtcorg/>.