

## Federal Reserve Collateral Guidelines

### Introduction

This guide provides an overview of the Federal Reserve's collateral program. Collateral pledged to Federal Reserve Banks can be used to secure discount window advances and may be used to offset risk associated with extensions of daylight credit or master account activity. For more information on the use of collateral under the Payments System Risk (PSR) policy, see PSR Guide at [http://www.federalreserve.gov/paymentsystems/psr\\_guide.htm](http://www.federalreserve.gov/paymentsystems/psr_guide.htm). This guide is designed to acquaint depository institutions with:

- (1) the various types of assets accepted as collateral
- (2) the available pledging arrangements and estimated processing times
- (3) the approach used to value and establish margins on assets pledged as collateral

The information contained in this guide is a summary. It does not supersede or replace any requirements contained in specific Federal Reserve agreements, policies or procedures, and may be periodically updated. Prior to pledging collateral to a Federal Reserve Bank, an institution should complete the required agreements located in the Federal Reserve's Lending Agreement, Operating Circular 10.

The pledging institution under the terms and condition of the Federal Reserve's Lending Agreement makes assignments of collateral. It should be noted that the Reserve Bank will normally require a perfected security interest in collateral pledged and will require a public filing when appropriate.

Please contact your Reserve Bank to discuss specific questions regarding collateral eligibility or pledging procedures. Toll-free phone numbers are listed on the Discount Window/Payment System Risk Website located at <http://www.frbdiscountwindow.org/map.cfm?hdrID=23&dtIID=>

### Securities

Reserve Banks accept a wide range of assets as collateral. General acceptance criteria for securities can be found below. Following the general acceptance criteria there is a detailed list of eligible asset types along with pledging instructions and valuation information.

#### Acceptance Criteria for Securities

- (1) The pledging institution must have rights in the securities that are sufficient to grant an enforceable security interest to the Reserve Bank. The Reserve Bank must be able to obtain a perfected, first priority security interest in the securities, free of the adverse claims of third parties, including the claims of an insolvency official or an affiliate of the pledging institution.
- (2) Securities should not be subject to any regulatory or other constraint(s) that impair their liquidation.

- (3) Securities may not be obligations of the pledging institution or an affiliate of the pledging institution, or otherwise correlated with the financial condition of the pledging institution.
- (4) Unless otherwise indicated, securities must be rated investment grade and in some cases must be rated "AAA" (where indicated). If more than one rating is available, the most conservative (lowest) rating will determine whether the requirement is met.
- (5) Intermediated securities must be transferred to the Reserve Bank's account at DTC, Euroclear or Clearstream or the pledging institution's U102 account in FSS. Certificated securities must be held at a custodian approved by the Reserve Bank or at the Reserve Bank.
- (6) Securities denominated in eligible foreign currencies are acceptable. Eligible foreign currencies are: Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona.

Asset Type	Eligibility	Pledging Process
U.S. Treasury Securities and Fully Guaranteed Agencies		FSS DTC (limited basis)
FDIC Temporary Liquidity Guarantee Program & NCUA Temporary Corporate Credit Union Liquidity Guarantee Program	Guarantee Program debt will be treated as a corporate bond after the Guarantee end date	DTC
Government Sponsored Enterprises – Securities	For structured notes, the principal balance may not be structured as a derivative	FSS DTC (limited basis)
Foreign Government Agencies	Includes securities backed by guarantees of export credit agencies  Foreign denominated securities are acceptable and must be AAA rated	Clearstream Euroclear
Foreign Government, Foreign Government Guaranteed, and Brady Bonds	Includes securities backed by guarantees of government export credit agencies  Foreign denominated securities are acceptable	FSS Clearstream Euroclear
Supranationals	Foreign denominated securities are acceptable and must be AAA rated	FSS
Corporate Bonds	Excludes convertible bonds  Includes subordinated debt  For structured notes, the principal balance may not be	DTC

Asset Type	Eligibility	Pledging Process
	structured as a derivative  Foreign denominated securities are acceptable and must be AAA rated	
Covered Bonds	Must be U.S. issued	DTC
German Jumbo Pfandbriefe	U.S. dollar and foreign denominated securities are acceptable and must be AAA rated	Clearstream Euroclear
Municipal Bonds	Municipal bonds without ratings may be acceptable; contact your Reserve Bank for additional details  Foreign denominated securities are acceptable and must be AAA rated	DTC
Asset Backed Securities		DTC
Collateralized Debt Obligations	Must be AAA rated	DTC
Commercial Mortgage Backed Securities	Must be AAA rated	DTC
Agency Backed Mortgages (Pass Throughs and CMOs)	-Excludes IO, PO, Z, inverse floater, and residual tranches	FSS DTC (limited basis)
Private Label Collateralized Mortgage Obligations	Must be AAA rated -Excludes IO, PO, Z, inverse floater, and residual tranches	DTC
Trust Preferred Securities	Dividend payments must not be suspended	DTC
Certificates of Deposit, Bankers' Acceptances, Commercial Paper, Asset Backed Commercial Paper		DTC

## Securities Valuation and Margins

In general, the Federal Reserve seeks to value all pledged collateral at an internal fair market value estimate. Margins are applied to the Federal Reserve's internal fair market value estimates and are based on risk characteristics of the pledged asset as well as the anticipated volatility of the internal fair market value estimate of the pledged asset over an estimated liquidation period. Securities are typically valued using prices supplied by external vendors. Eligible securities for which a vendor price cannot readily be obtained will be assigned an internally modeled price.

Margins for securities are estimated using a Value-At-Risk analysis, which develops margins from historical price volatility of assets within each collateral category. Securities margins are assigned based

on asset type and duration. Any security not assigned a price by an external vendor receives the lowest margin for that asset type.

See the Federal Reserve Discount Window Collateral Margins Table for more information

<http://www.frbdiscountwindow.org/discountmargins.cfm?hdrID=21&dtIID=83>

## Pledging Arrangements for Securities

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

### Fedwire® Securities Service (FSS) Pledging Process –

Hours of Operation:

Pledge: 8:30 a.m. ET – 7:00 p.m. ET or 30 minutes after the close of Fedwire

Withdrawal: 8:30 a.m. ET – 3:15 p.m. ET (1:30 p.m. ET for offline banks)

General Processing Times:

Note: Stated processing times are approximate and may vary based on volume and other constraints, and are not guaranteed.

Pledge: Effective upon the completion of the transaction

Withdrawals: Effective within minutes of the DI entering instructions via on-line access or providing instructions via off-line access for automated withdrawals. Withdrawals requiring manual intervention may take up to 30 minutes.

These securities are recorded in the Federal Reserve's Fedwire Securities Service (FSS). The FSS maintains all marketable U.S. Treasury securities in electronic form, as well as many federal government agencies, government sponsored enterprises (GSE) and certain supranational organizations' securities and provides safekeeping, transfer, and delivery-versus-payment settlement services. To pledge these securities to the Federal Reserve, the securities must be held in the pledging institution's Federal Reserve account (U102). Operating Circular No. 7, Fedwire Securities Account Maintenance and Transfer Services, contains specific information regarding FSS accounts. Additional information can be found at [www.frbervices.org](http://www.frbervices.org). A pledge or withdrawal request can be submitted online using FedLine® or offline by contacting Wholesale Operations staff by phone. It should be noted that principal and interest payments on pledged securities will continue to flow to the pledging institution; however, principal at maturity may be suspended if needed to collateralize an outstanding obligation.

A pledging institution with an existing FSS account should contact the appropriate Wholesale Operations Site to verify that the Federal Reserve (U102) restricted securities account has been activated. If the U102 account is not activated, the institution should instruct the Wholesale Operations Site to establish a U102 account. Pledging institutions without an existing FSS relationship should contact the appropriate Wholesale Operations Site to obtain the authorization forms necessary. Note: pledging institutions are not required to maintain a master account with a Federal Reserve Bank to establish a U102 account.

For PSR purposes only, certain institutions may use **in-transit collateral** to secure additional daylight overdraft capacity beyond their net debit cap in support of their max cap. In-transit securities are defined as book-entry securities transferred over FSS that have been purchased by a depository institution but not yet paid for and owned by the institution's customers. The pledging of securities in-transit requires institutions to record on its books in real time both the securities that are pledged to the Reserve Bank, and the cash allocated by the institution's customers to fund securities transactions. There are special instructions related to in-transit book-entry securities collateral that must be considered by the depository institution. Pledging institutions must provide a file to the Federal Reserve's Collateral Management System (CMS) each night containing CUSIP-level, minute-by-minute data on securities pledged and cash provided by the institution's customers to fund the securities purchases. Institutions will need to establish a connection for the data transmission, comply with deadlines for file submission, and conform to file formatting requirements. CMS will price and apply any necessary margin adjustments to these securities net of customer funding amounts to arrive at a value for in-transit collateral for each minute of the day.

Institutions interested in pledging in-transit collateral for PSR purposes should contact their local Reserve Bank staff for detailed information and technical specifications. In addition, at least twice a year, the RB performs an audit of these DIs' processes and records.

### **Depository Trust Company (DTC) Pledging Process –**

#### Hours of Operation:

Pledge: 8:00 a.m. ET – 5:00 p.m. ET\*\*

Withdrawal: 8:00 a.m. ET – 5:00 p.m. ET \*\*

\*\* Note: Institutions may request an end of day extension through the local Reserve Bank. Extension requests must be submitted no later than 4:30 pm ET.

#### General Processing Times:

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

**Pledge:** The majority of eligible DTC securities receive straight-through processing within the Federal Reserve's Collateral Management System (CMS). Straight-through processing is effective within minutes of receiving message from DTC. Some DTC securities may require manual processing, which can take between 10 minutes and several hours after receiving message from DTC. If accepted by the Federal Reserve, collateral value is assigned within seconds; if rejected, DTC will reverse the pledge on its books within minutes. Note: For some securities, it may take several days to gather and evaluate information needed to make a final eligibility determination and provide collateral value. A Reserve Bank may either reject the pledge while completing its analysis or accept it and not assign a collateral value until after eligibility is determined.

**Withdrawal:** Effective within minutes after receiving message from DTC for automated withdrawals. Withdrawals requiring manual intervention may take up to 30 minutes.

DTC is a central securities depository for equity and fixed-income securities in the U.S. market. Each Reserve Bank has established a pledge account with DTC through which securities may be pledged to the Federal Reserve. All DTC bank participants are eligible to pledge securities via DTC. Non-DTC participants can pledge securities through a DTC bank participant. Participants can reposition collateral by logging directly into DTC's Participant Terminal System (PTS)/Participant Browser Service (PBS) and using DTC's "COLL" function. The DTC PTS/PBS system contains specific screens for repositioning assets to the Federal Reserve. Below is the list of Federal Reserve pledge accounts:

Boston	600		Chicago	608
New York	694		St. Louis	601
Philadelphia	603		Minneapolis	611
Cleveland	610		Kansas City	606
Richmond	602		Dallas	617
Atlanta	609		San Francisco	618

Securities should be pledged using Federal Reserve purpose code 01.

Pledges can be made by entering a separate pledge request for each security or by using a file feed option that allows the input of multiple pledges through a file upload feature. Repositioning instructions are communicated between DTC and the CMS via an automated connection; therefore, there is no requirement to contact the Federal Reserve prior to repositioning Federal Reserve collateral into or out of a Reserve Bank's pledge account. Questions regarding the use of DTC's PTS/PBS system should be directed to DTC. It should be noted that principal and interest payments on pledged securities will continue to flow to the pledging institution.

Institutions may request an end of day extension up to 6:00 pm ET to allow for late day pledging and withdrawing of securities. To request an extension, an institution should contact its local Reserve Bank no later than 4:30 pm ET on the day the extension is needed. At the time the extension is requested, the following information should be provided to the local Reserve Bank:

- Reason for extension
- The type and number of transactions (e.g. pledges, withdrawals)
- Estimated time needed to complete processing

Institutions should be aware that late-day pledges requiring manual review may not be processed if required information is not readily available prior to the end of the processing day.

### **Clearstream Pledging Process –**

Hours of Operation:

Pledge: The Federal Reserve receives a file from Clearstream once a day, no later than 1:30 p.m. ET

Withdrawal: For same day release, requests must be submitted to Clearstream prior to 12:00 p.m. ET

Clearstream is an international central securities depository based in Luxembourg and is a principal clearing and settlement agent for global and non-USD securities. Pledging collateral via Clearstream requires that the pledging institution and the Reserve Bank enter into a tri-party pledging arrangement. At this time, only the Federal Reserve Bank of New York has a pledging agreement in place with Clearstream. Any institution wishing to pledge collateral via Clearstream should contact its local Reserve Bank.

### **Euroclear Pledging Process –**

Hours of Operation:

Pledge: The Federal Reserve receives a file from Euroclear once a day, no later than 1:30 p.m. ET

Withdrawal: For same day release, requests must be submitted to the Reserve Bank prior to 9:00 a.m. ET

Euroclear is an international central securities depository based in Belgium and is a principal clearing and settlement agent for global and non-USD securities. Pledging collateral via Euroclear requires that the pledging institution and the Reserve Bank enter into a tri-party pledging arrangement. At this time, only the Federal Reserve Banks of Boston and New York have pledging agreements in place with Euroclear. Any institution wishing to pledge collateral via Euroclear should contact its local Reserve Bank.

## **Loans**

Reserve Banks accept a wide range of assets as collateral. General acceptance criteria for loan portfolios can be found below. Following the general acceptance criteria there is a detailed list of eligible asset types along with pledging instructions and valuation information.

### **Acceptance Criteria for Individual Loans**

- (1) The pledging institution must have rights in the loans that are sufficient to grant an enforceable security interest to the Reserve Bank. The Reserve Bank must be able to obtain a perfected, first priority security interest in the loans, free of the adverse claims of third parties, including the claims of an insolvency official or an affiliate of the pledging institution.

- (2) Loans should not be subject to any regulatory or other constraint(s) that impairs their liquidation, including but not limited to environmental law or other forms of lender liability.
- (3) Loans must be in readily negotiable, transferable or assignable form.
- (4) Loans must be payable to the pledging depository institution, unless an alternative arrangement is approved by the Reserve Bank.
- (5) Notes must be stored on the pledging depository institution's premises or at a Reserve Bank, unless an alternative arrangement is approved by the Reserve Bank.
- (6) Loans must be pledged at the note level (e.g. if a drawdown under a master note is pledged, the master note itself must also be pledged). The maturity dates and outstanding balances of all draw downs may not exceed the maturity date and current face amount of a pledged master note.
- (7) Loan participations must be clearly structured as purchase-sale transactions and must not contain any assignability restrictions. Participations in loans to the pledging institution's affiliates are not acceptable.
- (8) Loans with any of the following characteristics are not acceptable:
  - Loans classified as Other Assets Especially Mentioned, Substandard, Doubtful or Loss, or that are otherwise identified for management's special attention;
  - Loans to insiders, including loans to directors, officers or principal shareholders;
  - Loans to an affiliate of the pledging depository institution
- (9) Loans secured by the stock or credit of the pledging institution or an affiliate are only acceptable in limited circumstances and with the approval of the local Reserve Bank.
- (10) FRBs will review the pledging depository institution's internal risk rating policies to determine acceptable risk ratings for pledged loans.
- (11) Loans to foreign obligors are only acceptable in limited circumstances and with the approval of the local Reserve Bank.

#### **Loans to Foreign Obligors Pledged as Collateral:**

Out of concern for Reserve Banks' ability to perfect and enforce a security interest in loans to foreign obligors pledged as collateral, Reserve Banks will no longer accept such loans as collateral unless those loans meet criteria as described below.

Foreign obligor loans (FOL) are commercial loans or commercial real estate loans to entities that are incorporated outside of the U.S. or whose principal place of business or main office is outside of the U.S. For loans that rely on the strength of guarantors, the domicile of the guarantor determines the classification (e.g., loans to U.S. shell companies that are guaranteed by foreign parents are considered foreign). Because of the risk that a Reserve Bank may be unable to perfect or enforce its security interest in such collateral, the Federal Reserve restricts the eligibility of pledges of FOL collateral to include only:

- loans pledged by U.S. depository institutions or
- loans pledged by foreign depository institutions chartered in the same jurisdiction as the obligor.

To pledge eligible FOL collateral, a depository institution should contact its local Reserve Bank to learn more about how to seek a legal opinion from the relevant foreign jurisdiction. Foreign counsel will need

to interact closely with Reserve Bank counsel to ensure that the opinion addresses the Federal Reserve's concerns. The cost of the foreign counsel will be borne by the depository institution.

Depository institutions that participate in the Borrower-in Custody (BIC) Commercial Loan program will be required to report the amount and jurisdiction of all pledged FOL collateral on the annual BIC commercial loan certification. Any foreign obligor loan collateral discovered during a routine BIC inspection that has either not been reported or has not received an acceptable legal opinion will be given zero value or will be removed from the BIC. Violations of this policy could result in an institution being deemed ineligible for the BIC commercial loan program.

The following loan types may be pledged through processes described below: Borrower-in-Custody, Third Party Custodian, and Reserve Bank Custody arrangements. In addition, final eligibility is determined through review and approval by the local Reserve Bank.

Asset Type	Eligibility
Agricultural Loans	Must not be more than 30 days past due
Commercial Loans and Leases	Must not be more than 30 days past due
U.S. Agency Guaranteed Loans	Only the guaranteed portion of the principal balance may be pledged as a guaranteed loan. The nonguaranteed portion must be pledged as a non-guaranteed loan  The guarantee must be fully transferable to the Reserve Bank, as determined by the Reserve Bank; generally, guarantees of the Small Business Administration, U.S. Department of Education, the Export Import Bank of the United States, and the Rural Housing Service are transferable
Commercial Real-Estate Loans	Must not be more than 30 days past due
Construction Real-Estate Loans	Must not be more than 30 days past due
Raw Land	Must not be more than 30 days past due
1-4 Family Mortgage Loans (first lien)	Must not be more than 60 days past due
1-4 Family Mortgage Loans (second lien, home equity)	Must not be more than 60 days past due
Private Banking Loans	Must not be more than 60 days past due

Asset Type	Eligibility
Consumer Loans – unsecured	Must not be more than 60 days past due
Consumer Loans and Leases (auto, boat, etc)	Must not be more than 60 days past due
Consumer Loans – Credit Cards (prime and sub-prime)	Must not be more than 60 days past due
Student Loans	Must not be more than 60 days past due

## Loan Valuation and Margins

In general, the Federal Reserve seeks to value all pledged collateral at an internal fair market value estimate. Margins are applied to the Federal Reserve's internal fair market value estimates and are based on risk characteristics of the pledged asset as well as the anticipated volatility of the fair market value of the pledged asset over an estimated liquidation period. To estimate the internal fair market value of a loan, the cash flow characteristics of the loan are modeled and the fair market value is calculated as the net present value of these cash flows. For group deposited loans, where less cash flow information is provided by pledging institutions, more conservative cash flow assumptions are used in estimating the fair market value of a loan pool.

Margins for individually deposited loans are assigned based on the type, coupon, and maturity of the loan. For group deposited loans, a single margin is assigned based on conservative assumptions about the characteristics of the pledged loan pools. The margin for group deposited loans is equal to or below the lowest margin applied to comparable loans pledged via individual deposit.

See the Federal Reserve Discount Window Collateral Margins Table for more information

<http://www.frbdiscounwindow.org/discountmargins.cfm?hdrID=21&dtIID=83>

## Pledging Arrangements for Loans

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

### Borrower-In-Custody Arrangements (BIC)

Hours of Operation:

Pledge: Local RB business hours

Withdrawal: Local RB business hours

General Processing Time:

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

Pledge: Within one business day after receipt of the cover letter and schedule of collateral for established BIC arrangements

Withdrawal: Within one business day after receipt of the withdrawal request  
Revaluation: Within one business day after receipt of the cover letter and schedule of collateral

BIC arrangements may be used when an institution would like to pledge a portfolio of its customer loans and prefers to maintain physical control of the loans either on its own premises or on the premise of an affiliate. An institution may qualify for a BIC arrangement at the discretion of its local Reserve Bank. An institution must maintain appropriate document-storage facilities and have an acceptable loan recordkeeping system capable of identifying the assets subject to the Reserve Bank's security interest. An institution must contact its Reserve Bank to request this pledging arrangement and receive instructions.

For commercial loan portfolios an institution must submit its internal risk rating policies to its local Reserve Bank. Reserve Bank analysts will conduct a review of the institution's internal rating system and loan-documentation practices. If acceptable, the Reserve Bank will rely upon the integrity of an institution's rating system and internal credit evaluation procedures to confirm the credit quality of loans pledged. The Reserve Bank will also use this information to determine which loans within a proposed portfolio will be eligible to be pledged and what collateral value and margin will be assigned.

Once an institution has met all the reporting requirements of its local Reserve Bank and the BIC arrangement has been approved, the institution must submit a cover letter and initial collateral schedule or equivalent documentation listing current outstanding amounts for the loans, along with other pertinent information.

Institutions are strongly encouraged to submit collateral schedules in an electronic form eligible for the automated loan deposit process (ALD). With the ALD process, each customer loan in a collateral schedule is recorded and valued individually, offering the potential for higher collateral value being granted to the pledging institution. Listings can be submitted in several electronic file formats, including Excel®, comma separated value (CSV), text and non-imaged portable document format (PDF). In addition, Reserve Banks also have a specified fixed-format text file that can be used.

Collateral schedules that cannot be processed using ALD are referred to as group deposits. With a group deposit, each loan pledge is recorded and valued as one aggregate amount.

After the initial deposit, an institution must submit a periodic collateral schedule that identifies assets held under the BIC arrangement. An institution should contact its Reserve Bank to learn what specific information to include on the collateral schedule and how frequently the schedule should be submitted. Some types of BIC collateral may be subject to more- or less-frequent updates.

### Third-Party Custodian Arrangements

#### Hours of Operation:

Pledge: Local RB business hours

Withdrawal: Local RB business hours

#### General Processing Time:

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

Pledge: Within one business day after receipt of the cover letter and schedule of collateral (assuming arrangement has been approved by the local Reserve Bank)

Withdrawal: Within one business day after receipt of the withdrawal request

Revaluation: Within one business day after receipt of the cover letter and schedule of collateral

An institution may designate a third party custodian to provide custody services for collateral pledged to a Federal Reserve Bank. Third party custody arrangements involve an institution (borrower), another institution that holds the assets to be pledged (custodian) and the Reserve Bank (lender). A third party custodian must not be affiliated with a pledging institution and must be approved by the Reserve Bank prior to any pledge of collateral. Custodians that are affiliated with the pledging institution or loan documentation held at a records and information and management firm (RIM), (e.g. Iron Mountain) will be considered under the Borrower-in-Custody pledging arrangement. In some cases, an acceptable custodian may be an entity other than a financial institution. In all cases, however, the custodian must be in sound financial condition and have acceptable custody controls for the assets in its possession. An institution must contact its Reserve Bank to request this pledging arrangement and receive instructions. The custodian and the institution will be required to complete an additional agreement found in Appendix 5 of Operating Circular 10.

Loan collateral held by a third-party custodian will be subject to many of the same review requirements as loans pledged under a BIC arrangement. In addition to the custodian maintaining appropriate document-storage facilities, the recordkeeping system must be capable of identifying the assets subject to the Reserve Bank's security interest and an institution's internal risk rating policies will be assessed to determine that its internal risk-rating system accurately reflects the credit quality of its loan portfolio.

After the initial deposit, an institution or custodian must submit a periodic collateral schedule that identifies assets held under a Third Party Custody arrangement. An institution should contact its Reserve Bank to learn what specific information to include on the collateral schedule and how frequently to submit the schedule. Some types of collateral may be subject to more- or less-frequent updates.

## Reserve Bank Custody

### Hours of Operation:

Pledge: Local RB business hours

Withdrawal: Local RB business hours

### General Processing Time:

Note: Stated processing times for all pledging processes are approximate and may vary based on volume and other constraints, and are not guaranteed.

Pledge: Within one business day after receipt of the cover letter and schedule of collateral (assuming arrangement has been approved by the local Reserve Bank)

Withdrawal: Within one business day after receipt of the withdrawal request

Revaluation: Within one business day after receipt of the cover letter and schedule of collateral

Reserve Bank custody of collateral is available for custody of tangible assets such as promissory notes. Customer obligations (i.e. consumer and commercial loans) physically delivered to a Reserve Bank must be in a form such that the assets may be liquidated without further action by the institution (endorsement of pledged notes or power of attorney may be required). As with the borrower-in-custody program a cover letter and detailed collateral schedule/listing must be provided at the time of deposit and on a periodic basis. Upon delivery, the Reserve Bank will confirm that the assets have been received and accepted as collateral. An institution should contact its Reserve Bank for additional information regarding pledging requirements.

After the initial deposit, an institution must submit a periodic collateral schedule (in electronic or hard-copy form) that identifies assets held under Reserve Bank custody. An institution should contact its Reserve Bank to learn what specific information to include on the collateral schedule and how frequently to submit the schedule. Some types of collateral may be subject to more- or less-frequent updates.

## Access to Collateral Information

### Intra-day Collateral Balances

*(Effective March 24, 2011)*

Institutions can view intra-day collateral balances and activity in the Account Management Information application (AMI) which is updated throughout the day with real-time collateral information. AMI users at institutions that have access to real-time balance and risk attribute information will also have access to collateral information.

Balances can be may view for collateral pledged for Federal Reserve and Treasury purposes on the "View Collateral Balances" screen in AMI under "Collateral Totals." Collateral pledged to the Federal

Reserve is used for discount window and payment system risk purposes. Collateral pledged to the Treasury reflects the aggregate amount of the collateral pledged to all Treasury collateral programs.

Summary and detailed collateral activity can also be viewed intra-day. This information is available on the “View Collateral Balances” screen under “Collateral for FR Purposes: Summary of Activity.”

Summary activity displays increases and decreases to an institution’s collateral pledged to the Federal Reserve and rolled up by asset type (Securities and Loans). Increases may include deposits and revaluations, and decreases may include withdrawals and revaluations. The “Detailed Activity” screen displays institutions’ collateral activity chronologically as of the current day. Transactions displayed include account transfers, deposits, and withdrawals, as well as certain changes to collateral values initiated by the Reserve Banks, such as market value updates

Finally, the aggregate value of collateral available for daylight overdraft purposes can be found on the “View Balances” screen, with other related information, such as daylight overdraft balance, collateralized daylight overdrafts, and uncollateralized daylight overdrafts. This information is updated throughout the day as values change.

If intra-day collateral information is unavailable through AMI, institutions should contact their local Reserve Banks for collateral balances. More information on accessing collateral information through AMI can be found in the Account Management Guide on the Federal Reserve Bank Services website <http://www.frbservices.org/accountservices/index.html>

### **Ex-post Collateral Information**

Information on pledged collateral and collateral transactions is available through AMI and secure e-mail. Institutions may download the following collateral reports from AMI:

- Statement of Collateral Holdings
- Summary Transaction Listing

AMI creates two sets of collateral reports each day per institution. After approximately 5:30 p.m. ET, institutions may access a preliminary version of their holdings statement and transaction report. When all collateral activities have completed for the day, which is generally well after the closes of business, a final version of the reports are available the following morning. Institutions will also have access to the final holdings statement and transaction report for the previous 5 business days.

Collateral reports can also be received through secure e-mail in a portable document format (pdf) at intervals requested by the institution such as daily, weekly, or monthly. (Monthly paper reports can be mailed to an institution) The following collateral reports are available:

- Statement of Collateral Holdings
- Statement of Trust Receipts

- Summary Transaction Listing
- Notification of Collateral Revaluations
- Notification of Maturing Collateral

A **Statement of Collateral Holdings** is generated at the end of the business day. This report lists an institution's collateral holdings at the CUSIP level as of the end of the current business day.

A **Statement of Trust Receipts** is generated on-request. This report is intended for institutions that act as custodians and lists securities held by the custodian bank. This report is usually produced in association with mergers for those depositors involved in a merger.

A **Summary Transaction Listing** is generated at the end of each business day. The report summarizes all transactions processed (deposits, revaluations, and withdrawals) for the day.

A **Notification of Collateral Revaluations** is generated on request. This report lists all securities or loan portfolios that require a revaluation within a specified number of days.

A **Notification of Maturing Collateral** is generated on request. The report lists all holdings that will be maturing within a specified timeframe (i.e. 1 month).

For delivery by secure e-mail, institutions may designate multiple recipients and report delivery can be customized based upon individual needs. For example, recipients can receive reports on a daily, weekly, or monthly basis. The reports can be set up to include all collateral programs or just specific collateral programs (i.e., Federal Reserve and Treasury Tax and Loan). Reports can also depict all collateral holdings or have FSS holdings in a separate report.

As noted above, the e-mail delivery of the collateral reports will be through Federal Reserve's secure e-mail services provided by ZixCorp, Inc. If the recipient is a ZixCorp customer, they will receive an email in their native mail box from [FRS-CMS-Mailer@frb.org](mailto:FRS-CMS-Mailer@frb.org) with the collateral reports attached. If the recipient is not a ZixCorp customer, they will receive an e-mail from [FRS-CMS-Mailer@frb.org](mailto:FRS-CMS-Mailer@frb.org) stating that they have a message from the FRSecure message center. The recipient must click on the link in the e-mail to go the FRSecure message center secure e-mail site to pick up the e-mail and access the reports. At the FRSecure message center secure e-mail site, they will be prompted for a login ID and password. If the recipient has never logged into the FRSecure Message Center before they will need to create a login ID and strong password. Please note that the message on the FRSecure message center secure e-mail site will expire 21 days after the e-mail delivery date.

An institution should contact its local Reserve Bank to request e-mail delivery of reports.