



NATIONAL COLLATERAL ADMINISTRATION SATISFACTION SURVEY

Federal Reserve System

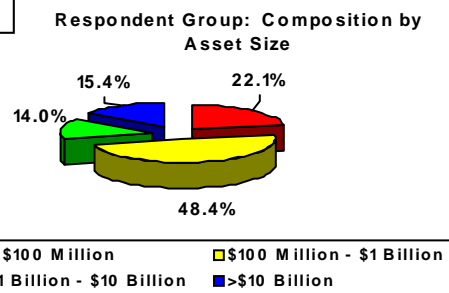
The Background

The Federal Reserve initiated the 2004 National Collateral Administration Satisfaction Survey (NCAS) as a formal means to gather input on the quality and effectiveness of the staff and processes supporting the pledge of collateral for the Discount Window. Conducted over a three month period (February 2004 to May 2004), the survey focused on four areas:

- ✓ Staff Service and Support
- ✓ Collateral Activities and Processes
- ✓ FRS Discount Window National Website
- ✓ Potential Process Enhancements Under Consideration

The survey results were statistically valid with findings subject to a 95% confidence interval (+/- 4.5%).

Chart 1



Survey Objectives

- ◇ Evaluate FRB performance in meeting constituent needs.
- ◇ Assess performance relative to other entities that conduct similar activities (where possible).
- ◇ Gain insights on certain proposed enhancements that are under consideration.
- ◇ Identify strengths and improvement opportunities.

The Respondent Group

A total of 285 institutions provided survey feedback via the web, paper or telephone. Comprised of a diverse mix of institutions by size (see chart), entity type, and FRS collateral pledge experience, the respondent group represented 43 percent of the randomly selected target survey population (institutions with Discount Window legal agreements as of December 31, 2003).

The Results

The NCAS survey results revealed favorable findings across all core areas of the survey. In addition, several improvement opportunities were identified. The following is a summary of the more significant survey results and findings.

Staff Service and Support - An impressive 80% of survey respondents rated their satisfaction with Federal Reserve collateral administration staff's overall service and support as being either very satisfied or satisfied. Survey results were likewise very favorable for sub-assessments of staff courtesy, responsiveness, and knowledge and expertise (See Chart 2, next page). Further analysis revealed comparable findings within each of the strata when considering results by respondent asset size. Larger institutions and foreign banking organizations, in particular, expressed higher satisfaction levels.

The Survey Results (continued)



Collateral Activities and Processes

Survey respondents rated the Discount Window's collateral support activities and processes as being very favorable (see Chart 3). Respondents reported especially high satisfaction levels with the standards and requirements for assets acceptable to pledge and the borrowing value assigned to pledged collateral.

In general, satisfaction levels tended to increase with the size of the respondent institution with the largest institutions reporting the highest relative satisfaction. Respondents rated the content and availability of collateral reports lowest of the survey areas suggesting an improvement opportunity (the satisfaction rating of 57.3 percent assigned management reports was the lowest among all survey areas). Survey feedback provided comments and suggestions regarding management reporting with several respondents identifying a desire for expanded electronic availability of management reports and offering other suggestions.

Survey results for the processes in place to support the pledge of assets acceptable to secure access to the Discount Window (namely, US Treasury and Agency securities; State, County, Municipal and Other securities; and Loans and Leases) revealed generally favorable results within and across each asset type. The pledge processes for US Treasury and Agency securities and Loans received the highest satisfac-

Chart 2 Assessments of Staff Service and Support

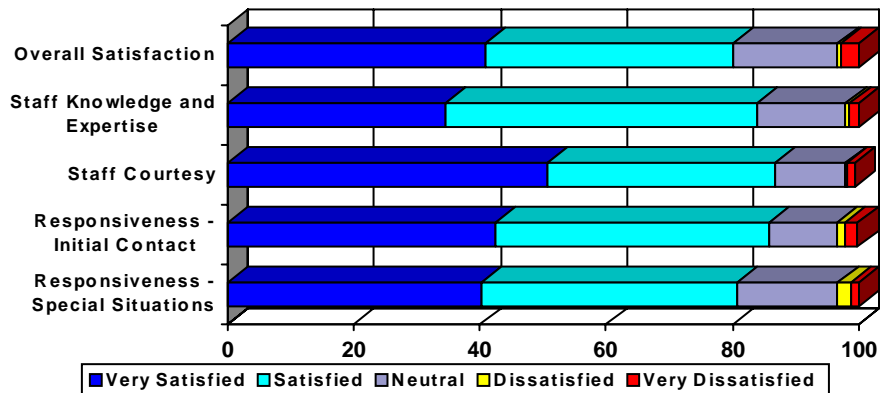
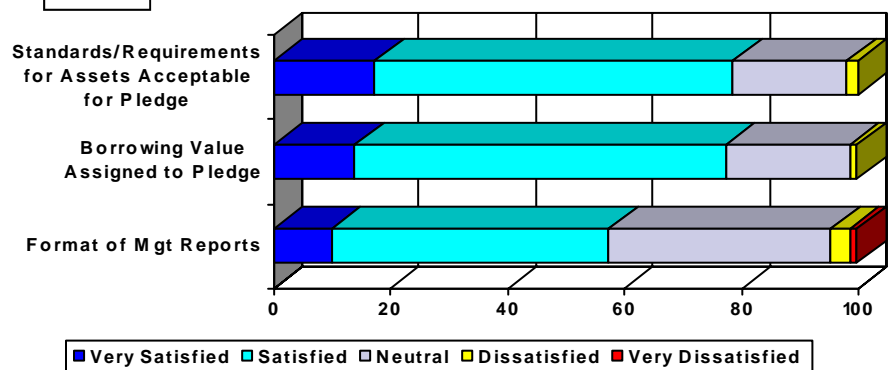


Chart 3 Collateral Activities and Processes



tion assessments. Pledge processes for securities held through the Depository Trust Company (including, state, county and municipal obligations, corporate bonds, and asset-backed securities) received relatively lower satisfaction levels.

Quality and Effectiveness of FRS National Website - The survey also sought feedback regarding the national Discount Window website (www.frbdiscountwindow.org). The survey results revealed that a majority of responding institutions (over 60 percent) have never visited the national website. These results suggest a lack of awareness of the site and the available collateral-related content that can be found there. For those institutions that indicated a familiarity with the site, respondents rated the site as being easy to navigate and the content suitable to their needs.

Future Direction - The final area of the survey solicited financial insti-



The Survey Results (continued)

tutions' views regarding three potential enhancements that are presently under consideration, namely:

- Greater online pledge capability
- Expanding the types of assets eligible for pledge to the Discount Window
- Availability of additional asset pledge approaches

Of the three enhancements under consideration, greater online pledge capability generated the strongest interest, especially among larger institutions. This item also generated the largest number of written comments with the respondents expressing interest in a full range of collateral-related online capabilities, including online capabilities to pledge and withdraw assets and for on demand, electronic access to collateral holdings information. The other two enhancement items that were surveyed did not generate a significant interest level.

Other - The survey also requested respondents to assess the service and performance of the collateral functions of any third party institutions with whom they may have a pledged collateral relationship for the purpose of securing funding availability. These questions were designed to facilitate a comparative assessment of the Federal Reserve's collateral services and practices with that of other collateral holders.

A review of the assessments of these parties indicates the Federal Reserve is on par for three of four survey areas (specifically, overall service and support, standards and requirements of assets acceptable for pledge, and borrowing value assigned to pledge assets). In the fourth area, quality of management reports, the performance of third party institutions was found to be rated more favorably when compared to the Federal Reserve.

Improvement Opportunities

While the survey disclosed generally favorable results across all of the survey areas, several improvement opportunities were identified. Among the more notable items are:

- ✓ Refine the content and availability of management reports
- ✓ Improve the DTC-securities pledge processes
- ✓ Enhance online pledge capabilities
- ✓ Increase website awareness

See page four, Next Steps, for further information regarding plans for addressing the survey results and findings.

Next Steps

National Collateral Administration Satisfaction Survey

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The 2004 NCAS survey results have provided valuable feedback to help the Federal Reserve better understand the quality and effectiveness of our service and performance. The open and candid information that has been provided will be instrumental to our ongoing efforts to ensure a high quality and responsive collateral administration service and support function. Discussions with survey respondents confirm that the survey was well received, particularly as it serves to help us to identify areas where we are performing well and to focus our attention where improvement is possible.

The Federal Reserve continues to evaluate survey results and develop plans that address the feedback that has been received. Improvement opportunities have been identified in several areas, from relatively simple enhancements that can be easily addressed to more complex improvement opportunities that will require careful planning. With the information gained through this survey, the Federal Reserve is well positioned to ensure its collateral staff and support processes and technologies are client-focused, efficient, and effective.

Questions or Comments?

If you have any questions regarding the 2004 Federal Reserve National Collateral Administration Satisfaction Survey or would like to talk further regarding the national survey results or your institution's survey response, please contact either of the Project Chairs:

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