

**Federal Reserve Banks  
Operating Circular No. 9**

**FEDERAL TAX PAYMENTS AND TREASURY TAX AND LOAN DEPOSITARIES**

**Effective November 3, 2007**

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## 1.0 SCOPE

This Circular contains the provisions under which the Reserve Banks, as fiscal agents of the United States in accordance with 12 U.S.C. § 391 and applicable regulations, handle and process federal tax deposits (Paper Tax Deposits and Electronic Tax Deposits), and administer the United States Department of the Treasury (Treasury) Treasury Tax and Loan (TT&L) program. Each Reserve Bank has issued an Operating Circular 9 identical to this one.

## 2.0 GOVERNING LAW AND REGULATIONS

This Circular is issued in accordance with 12 U.S.C. § 391, 31 CFR Part 203, Payment of Federal Taxes and the Treasury Tax and Loan Program, and 31 CFR Part 380, Collateral Acceptability and Valuation. The processing of deposits of federal taxes and maintenance of TT&L Accounts pursuant to this Circular are subject to Parts 203 and 380 as well as any other applicable regulations issued by the Treasury. The *Treasury Financial Manual for Treasury Tax and Loan Depositaries* (TFM) supplements the regulations, and the Treasury may from time to time provide additional forms of guidance. Information pertaining to TT&L and collateral valuation can be found at the Treasury's Bureau of the Public Debt website ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)) and the Reserve Banks' financial services website ([www.frbsservices.org](http://www.frbsservices.org)). Title 31 CFR Part 203 incorporates by reference the terms of this Circular and provides that the terms of the Circular are binding on a financial institution electing to process tax deposits and/or maintain a TT&L Account, Treasury Investment Program (TIP) Main Account Balance, Special Direct Investment (SDI) Account Balance, or Term Investment Option Account Balance. The terms of this Circular supersede any inconsistent terms contained in Article 4A of the Uniform Commercial Code. It is an "operating circular" within the meaning of Article 4A, section 4A-107.

## 3.0 DEFINITIONS

The following definitions apply when used in this Circular. In addition, these definitions are supplemented by those contained in 31 CFR Part 203 and the TFM.

- 3.1 ADMINISTRATIVE RESERVE BANK (ARB)** is the Reserve Bank of the district in which the financial institution is located. A financial institution is deemed located in the same district in which it would be deemed located for purposes of Regulation D (12 CFR 204.3(b)(2)) (normally the district where its head office is located), even if the financial institution is not otherwise subject to Regulation D. Collateral pledged by a TT&L depository under the TT&L program is maintained on the books of the ARB, which acts as fiscal agent of the United States.
- 3.2 CAPACITY** for accepting direct investments is the difference between a depository's specified balance limit or collateral value (whichever is lower) and its actual TIP Main Account Balance. Capacity for SDIs is the difference between (a) the dollar amount of collateral (taken at the pledged value of the collateral) that the depository has pledged for SDIs under a Borrower-In-Custody (BIC) arrangement and (b) the amount of TT&L funds already being secured by the collateral pledged under the BIC arrangement.
- 3.3 COLLECTOR DEPOSITORY** is a TT&L depository that accepts electronic and/or paper tax payments from its corporate customers, but does not retain any such

deposits as tax investments and does not accept direct investments or SDIs. A Collector Depositary may accept Term Investments provided the requirements are met. The dollar value of Paper Tax Deposits collected by a Collector Depositary is withdrawn from the depositary's Reserve Account for deposit to the Treasury's account on the business day that the Federal Reserve Bank receives advice of credit information supporting the deposits. Because Paper Tax Deposits settle on the day after the depositary receives them, the depositary has overnight use of federal tax deposit funds.

- 3.4 ELECTRONIC TAX DEPOSITS** are federal tax deposits made via the Electronic Federal Tax Payment System (EFTPS) as defined and described in 31 CFR Part 203.
- 3.5 FEDERAL RESERVE ACCOUNT** means a Master Account as defined in Operating Circulars 1 and 6.
- 3.6 FEDERAL RESERVE ELECTRONIC TAX APPLICATION (FR-ETA)** is the Federal Reserve System application managed by the Federal Reserve Bank of Minneapolis that is used for same-day payment of federal taxes under the EFTPS. This application collects tax payment information from the Fedwire® Funds Service. The Federal Reserve Bank of Minneapolis acts on behalf of the United States as fiscal agent.
- 3.7 INVESTOR DEPOSITARY** is a TT&L depositary that accepts direct investments of Treasury funds in accordance with Paragraph 6.2 and may also retain tax deposits received through electronic and/or paper tax payments. These investments are added to the depositary's TIP Main Account Balance. An Investor Depositary may also elect to accept SDIs and Term Investments provided the requirements are met.
- 3.8 NATIONAL CUSTOMER SERVICE AREA (NCSA)** is the office at the Federal Reserve Bank of St. Louis (FRBSTL) that manages a depositary's TT&L Program participation, keeps a record (that is, an account) of a TT&L depositary's TIP Main or SDI Account Balance and Term Investment Option Account Balances, and monitors collateral pledged under Treasury programs. The FRBSTL acts on behalf of the United States as fiscal agent.
- 3.9 NON-TT&L FINANCIAL INSTITUTION** is a financial institution that may process electronic federal tax deposits, but is not a TT&L depositary and, therefore, may not process Paper Tax Deposits, maintain a TT&L Account, maintain a TIP Main or SDI Account Balance, maintain a Term Investment Option Account Balance, or accept Treasury investments.
- 3.10 PAPER TAX DEPOSITS** are federal tax deposits made using a federal tax deposit coupon (FTD) rather than through the EFTPS.
- 3.11 RETAINER DEPOSITARY** is a TT&L depositary that accepts electronic and/or paper tax payments from its corporate customers and retains some of the tax deposits as Treasury investments. The amount of investment to be retained depends upon a Retainer Depositary's TIP Main Account Balance, balance limit,

and collateral value. A Retainer Depositary may accept Term Investments provided the requirements are met.

- 3.12 SPECIAL DIRECT INVESTMENT (SDI) ACCOUNT BALANCE** is the current net dollar amount of an Investor Depositary's Treasury investments (that is, funds credited to the depositary's Federal Reserve Account) made under the SDI program. The depositary pays the Treasury interest on these funds and must qualify to hold collateral in a Borrower-In-Custody (BIC) arrangement. SDIs are withdrawn within 20 calendar days.
- 3.13 TERM DEPOSITARY** is a TT&L depositary that accepts Term Investments of Treasury funds in accordance with Paragraph 6.4. These investments are kept in a separate Term Investment Option Account Balance. A Term Depositary may maintain a TIP Main Account Balance.
- 3.14 TERM INVESTMENT** is an investment of excess Treasury funds that is placed for a specified period of time, up to 90 days. The rate of interest a Term Depositary pays for Term Investments is determined by an auction or otherwise. The details of bidding for Term Investments, such as the maximum and minimum bids and awards will be as stated in the TFM, auction announcements or other Treasury guidance. To the extent that there are any inconsistencies between this Agreement and the Term Investment option auction announcement, the Term Investment option auction announcement will govern.
- 3.15 TERM INVESTMENT OPTION ACCOUNT BALANCE** is the current dollar amount of a Term Depositary's Treasury Investment made under the Term Investment program. The depositary pays the Treasury interest on this amount at the end of the term and must collateralize this amount separately from its TIP Main Account Balance or SDI Account Balance. Each Term Depositary must establish a term account maximum balance limit.
- 3.16 TIP MAIN ACCOUNT BALANCE** is the current net dollar amount of a Retainer or Investor Depositary's current retained federal tax deposits plus any Treasury investments made under the direct investment program. The depositary pays the Treasury interest on these funds. Treasury investments are credited to the depositary's Federal Reserve Account.
- 3.17 TREASURY INVESTMENT PROGRAM (TIP)** is that portion of the TT&L program that involves placing investments of Treasury funds with Investor (Paragraph 3.7) and Retainer (Paragraph 3.11) Depositaries. These investments include retained tax deposits, direct investments, and SDIs. The investments are credited to the depositary's Federal Reserve Account or, if approved, that of its correspondent.
- 3.18 TREASURY TAX AND LOAN (TT&L) ACCOUNT** is a record of transactions on the books of a TT&L depositary reflecting Paper Tax Deposits received by the depositary. Settlement for TT&L transactions is made upon receipt of the advice of credit information by the NCSA through the depositary's Federal Reserve Account or, if approved, that of its designated correspondent.

## **4.0 DESIGNATION AS A TT&L DEPOSITARY, ESTABLISHMENT OF A TT&L ACCOUNT**

### **4.1 GENERAL**

A financial institution may process Electronic Tax Deposits without being designated a TT&L depository. To be eligible to process Paper Tax Deposits as well as Electronic Tax Deposits and participate in the TT&L program as a Collector, Retainer or Investor Depository, a financial institution must be designated by a Reserve Bank as a TT&L depository. All designations are made by the NCSA, which is the office that manages a depository's TT&L Program participation, keeps a record (that is, an account) of a TT&L depository's TIP Main Account Balance, SDI Account Balance and Term Investment Option Account Balance, and monitors collateral pledged under Treasury programs.

### **4.2 APPLICATION FOR DESIGNATION**

In order to qualify as a TT&L depository, a financial institution must:

- Meet the requirements set forth in 31 CFR Part 203;
- File FMS Form 458 (Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depository) (Appendix A) with the NCSA;
- File FMS Form 459 (Resolution Authorizing the Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depository) (Appendix B) with the NCSA;
- Submit to the NCSA a copy of the excerpts of its Board of Directors minutes that reflect the authorization to be a TT&L depository; and
- If electing to participate as a Retainer or Investor Depository, have the authority to maintain a TIP Main Account Balance which is payable to the Treasury on demand without previous notice of withdrawal.
- If electing to participate as a Term Depository, have the authority to maintain a Term Investment Option Account Balance.

### **4.3 NOTICE OF DESIGNATION AND CANCELLATION OF DESIGNATION**

#### **4.3.1 Notice of Designation.**

Upon approval of the application agreement by the NCSA, the NCSA will notify the applicant of its designation as a TT&L depository. Receipt of the notification completes the depository's qualification and creates an agreement between it and the Treasury under which the depository agrees to be bound by all the terms and provisions of 31 CFR Parts 203 and 380, the TFM, and this Circular.

#### **4.3.2 Cancellation of Designation**

A depository's designation as a TT&L depository may be canceled at any time by the NCSA. If a depository desires to terminate its participation in the TT&L program, it may request in writing that the NCSA cancel its designation as a TT&L depository. Cancellation normally is effective



within one business day after receipt of the notice by the NCSA. A depository that cancels its designation as a TT&L depository may continue to process Electronic Tax Deposits as a Non-TT&L Financial Institution but may not participate in the Treasury's investment program. If a Term Depository cancels its TT&L designation, the provisions of 6.4.4 will apply.

#### **4.4 TT&L ACCOUNT AND INTERSTATE BRANCH BANKING**

##### **4.4.1 Single TT&L Account.**

Except as provided in Paragraph 4.4.2, a depository may have only one TT&L Account and, if applicable, a corresponding TIP Main Account Balance, SDI Account Balance, and Term Investment Option Account Balance.

##### **4.4.2 Temporary Secondary Accounts Following Expansion.**

Notwithstanding the preceding paragraph, if a TT&L depository is merged into another TT&L depository, the surviving depository may maintain the nonsurvivor's TT&L Account and/or TIP Main and SDI Account Balances for up to twelve months after the effective date of the merger but may not maintain the nonsurvivor's Term Investment Account Balance after the effective date of the merger. The survivor assumes all rights and obligations of the non-survivor. A temporary secondary account is subject to the same terms and conditions as a primary account except that 100 percent of the balances of the temporary secondary TT&L Account must be fully collateralized without regard to deposit insurance coverage.

### **5.0 TAX DEPOSITS AND RETAINER INVESTMENTS**

#### **5.1 AUTHORITY**

Any financial institution may process Electronic Tax Deposits at the direction of a taxpayer. In order to process Paper Tax Deposits (commonly referred to as FTDs), a financial institution must be designated a TT&L depository. A current listing of eligible federal taxes can be obtained from the NCSA or an IRS Service Center office. A Collector Depository does not retain tax deposits as Treasury investments. Retainer Depositories retain, and Investor Depositories may retain, tax deposits as Treasury investments. These investments are added to the depository's TIP Main Account Balance. Treasury investments may be withdrawn by the Treasury at any time.

#### **5.2 ELECTRONIC TAX DEPOSITS**

##### **5.2.1 Future-Day Payment Methods.**

Most business taxpayers are able to report tax liability information at least one day before the designated tax due date. The electronic reporting and payment mechanisms available to these taxpayers are referred to as future-day payment mechanisms. The payment mechanisms for future-

day transactions are ACH debit entries and ACH credit entries. Treasury Financial Agents (TFAs) designated by the Treasury process future-day deposits (receive ACH credits and initiate ACH debits). All deposits made using the ACH are governed by the National Automated Clearing House Association (NACHA) Rules, except to the extent such rules are inconsistent with the rules contained in this Circular or regulations of the Treasury.

#### **5.2.1.1 ACH Debit Entries.**

With an ACH debit entry, the taxpayer must report tax information directly to the TFA not later than the day before the designated tax due date. The TFA initiates the ACH debit entry one day before the tax due date. If a deposit is timely made, the Federal Reserve Account of the taxpayer's financial institution or approved correspondent is debited and the Treasury is credited on the tax due date. A tax deposit made by an ACH debit entry is subject to Operating Circular 4, Automated Clearing House Items, to the extent it is not inconsistent with 31 CFR Part 203 or this Circular.

#### **5.2.1.2 ACH Credit Entries.**

With an ACH credit entry, the taxpayer must request its financial institution to originate an ACH credit entry for payment of the taxpayer's business taxes. A taxpayer request must be made at least one day in advance of the designated tax due date to ensure settlement on the tax due date. The financial institution must originate the ACH credit entry no later than the applicable ACH processing deadline. (For more information regarding ACH deadlines and transaction processing, refer to Operating Circular 4).

#### **5.2.1.3 Tax Investments Under Future-Day Payment Methods.**

For a Retainer or Investor Depository with sufficient Capacity, a tax investment amount equal to the ACH transactions settling that day for federal taxes is credited to the depository's TIP Main Account Balance and its Federal Reserve Account (or that of its correspondent). The timing of tax investments for ACH entries should coincide with the posting time of the ACH transactions (see <http://www.federalreserve.gov/paymentsystems/psr/policy.pdf> for specific times). A Collector Depository or Non-TT&L Financial Institution does not receive a tax investment.

#### **5.2.1.4 Correspondent/Respondent Relationships Under Future-Day Payment Methods (ACH vs. TT&L.)**

If a Retainer or Investor Depository uses a different correspondent for its ACH transactions than for its TT&L

transactions, debits for its ACH transactions to pay for its customer's federal taxes are made to its ACH correspondent. Tax investment credits, which are equal to the depository's ACH transactions settling that day for federal taxes, are made to its TT&L correspondent. (See Paragraph 8.1 for general provisions regarding settlement for TT&L transactions and designation of a correspondent for settlement of TT&L transactions).

## **5.2.2 Same-Day Payment Methods**

Same-day payment methods are available to a taxpayer who is unable to report tax liability information at least one day before the designated tax due date. Same-day payments are processed through the FR-ETA. The payment method for same-day transactions is a Fedwire® Value transfer, which must be received by 5:00 p.m. eastern time (ET). Transactions received after this 5:00 p.m. ET cutoff time are returned to the sender. In addition, returned messages may result in the IRS assessing a penalty to the taxpayer. If the delay is caused by the financial institution, a late fee may be charged to the financial institution.

### **5.2.2.1 Fedwire® Value Transfer**

With a Fedwire® Value transfer, the financial institution initiates the tax payment transaction at the direction of the taxpayer. A Fedwire® Value transfer must be processed by a financial institution using a Fedwire® 1000 message subject to Subpart B of Regulation J (12 CFR Part 210) and Operating Circular 6, Funds Transfers Through the Fedwire® Funds Service. A Fedwire® Value transfer received by the FR-ETA is deemed received by the NCSA. For a Retainer or Investor Depository with sufficient Capacity, a tax investment amount equal to the Fedwire® Value transfers settling that day for federal taxes is credited to the depository's TIP Main Account Balance and its Federal Reserve Account (or that of its correspondent). A Collector Depository or Non-TT&L Financial Institution receives a debit to its Federal Reserve Account or that of its approved correspondent.

## **5.2.3 Reversal of Electronic Tax Deposits for Failure to Receive Final Funds.**

If a Reserve Bank does not receive actually and finally collected funds in settlement of tax deposits processed as ACH credit or debit transactions, it may reverse the transactions within five business days. The NCSA notifies the sending institution of the reversal. Same day deposits also are subject to cancellation and reversal in accordance with 31 CFR Part 203.

## **5.3 PAPER TAX DEPOSITS**

### **5.3.1 Tax Deposit Forms.**

A depository should accept a paper tax deposit only if the deposit is accompanied by the appropriate pre-inscribed tax deposit form ("FTD coupon") on which the amount of the deposit has been entered properly in the space provided. A depository should not accept from a taxpayer a paper tax deposit without an FTD coupon or a photocopied reproduction of an FTD coupon, or if the pre-inscribed taxpayer information on the FTD coupon belongs to one taxpayer and has been manually altered/corrected with another taxpayer's information. A depository should advise a taxpayer that does not have the required FTD coupons to obtain them from the local IRS District Office or the IRS Service Center where the taxpayer's return is filed. A financial institution must maintain adequate records of all deposits of federal taxes to enable it to identify and reconstruct all deposits. For this purpose, the depository must maintain a record for each deposit showing the date of deposit, the taxpayer name and identification number, the amount of the deposit, the type of tax deposited, and the tax-period ending date. At the request of the Internal Revenue Service or the NCSA, the depository must provide the NCSA with the pertinent information concerning the deposit within a reasonable period of time (normally not more than two weeks).

### **5.3.2 Forwarding Daily Deposits**

Each depository processing Paper Tax Deposits, including any branch of the depository, must forward the paper tax deposit data to the NCSA electronically. The date of the advice of credit (IRS Form No. 2284) (AOC) and the dates on the supporting taxpayer's deposit forms must be the same. AOC data must be received by the NCSA no later than 5:00 p.m. ET of the business day following the date inscribed on the AOC. The depository must forward the designated IRS copy of the AOC along with the taxpayers' FTD coupons to the Internal Revenue Service Center responsible for the area in which the depository is located.

### **5.3.3 Transmission of AOCs by Third Party**

A depository may appoint an agent to transmit its AOCs, make balance inquiries, and otherwise deal with its TT&L and/or TIP Main and SDI Account Balances on its behalf, by executing an Electronic TT&L Depository Agency Agreement (Appendix C).

## **6.0 DIRECT AND SPECIAL DIRECT AND TERM INVESTMENTS**

### **6.1 TREASURY INVESTMENT PROGRAM**

As described above in Part 5, a TT&L depository may retain tax deposits it collects as Treasury investments. In addition, Treasury regulation 31 CFR Part 203 provides a TT&L depository with the option to participate in the direct investment and SDI features of the Treasury's investment program (TIP) as well as in Term Investments. Under these programs, excess Treasury funds are directly invested with depositories that elect to participate as Investor

Depositories. Investments may be withdrawn by the Treasury at any time. A depository is required to establish a TIP Main Account Balance limit. A Retainer Depository's balance limit normally may not be less than \$25,000. An Investor Depository shall set a TIP Main Account Balance limit for direct investment purposes higher than the peak TT&L balance normally generated by the depository's tax deposit inflow, and normally not less than \$125,000 (\$25,000 for retained tax deposits and \$100,000 for direct investments). A depository may change its balance limit occasionally but is subject to sanctions if it frequently reduces its balance limit.

## **6.2 DIRECT INVESTMENTS**

A depository wishing to receive direct investments must submit a completed "TT&L Depository Offer to Receive Direct Investments" (Appendix D) to the NCSA. The NCSA notifies the depository of the effective date of its qualification. A depository that accepts direct investments is an Investor Depository. The NCSA adds direct investments to the depository's TIP Main Account Balance and credits its Federal Reserve Account or that of its approved correspondent. The difference between a depository's specified balance limit or collateral value (whichever is lower) and its actual TIP Main Account Balance equals its Capacity for accepting direct investments. Direct investments are distributed solely on the basis of Capacity and are distributed among depositories according to one of the following types of notification arrangements (as selected by the depository on its "TT&L Depository Offer to Receive Direct Investments" (Appendix D)).

### **6.2.1 One-Day Prior Notice**

Each Investor Depository participating under the one-day prior notice procedure receives notice of a direct investment one business day before receiving the credit to its TIP Main Account Balance. However, a depository electing this option is not eligible to receive funds distributed via the same-day notice procedure.

### **6.2.2 Same-Day Notice.**

Each Investor Depository participating under the same-day notice procedure is eligible to receive funds distributed under either option. Notice of an investment distributed under the same-day notice procedure is received on the same day and at the same approximate time as the funds are credited to its TIP Main Account Balance.

### **6.2.3 Dynamic Investments.**

Each Investor Depository participating under the same-day notice procedure also is eligible to receive funds distributed under the dynamic investment option. Dynamic investments are excess Treasury funds that may be placed with Investor Depositories on an hourly basis between noon and 5 p.m. ET. Notice of a dynamic investment is received on the same day and at the same approximate time as the funds are credited to the Investor Depository's TIP Main Account Balance. Investor Depositories electing to accept dynamic investments may establish their own cut off time before 5 p.m. ET.

#### **6.2.4 Interest Accrual & Call Procedures.**

Interest begins accruing on direct investments when the funds are added to the depositary's TIP Main Account Balance. Funds received by a depositary under direct investment procedures are not differentiated from any other part of the depositary's TIP Main Account Balance. Therefore, these funds are subject to withdrawal on the same basis as any other part of the depositary's TIP Main Account Balance under the call procedures applying to the depositary's class. Depositaries are classified according to annual credit flow and deposit liability, total assets, or balance limit. The classification scheme and call procedures are specified in the TFM.

### **6.3 SPECIAL DIRECT INVESTMENTS**

#### **6.3.1 Special Direct Investment (SDI) Program.**

A depositary must participate in the direct investment program in order to be eligible to receive SDIs. SDIs are similar to direct investments, except that a depositary must collateralize SDIs with collateral held in a Borrower-In-Custody (BIC) arrangement. The depositary must qualify to secure borrowings ("advances") from its ARB's discount window under the ARB's BIC procedures.

#### **6.3.2 Application to Participate in SDIs**

A depositary wishing to participate in SDIs must submit a completed Application Form for Special Direct Investments (Appendix E) and a completed Agreement to Secure Special Direct Investments (Appendix F) to the NCSA. The NCSA notifies a qualified depositary of acceptance in the SDI program. When terms of the arrangement are satisfied, the depositary will start receiving SDIs placed by Treasury.

#### **6.3.3 Placement of SDIs.**

SDIs are distributed on the basis of Capacity. Capacity for SDIs is defined as the difference between (a) the dollar amount of collateral (taken at the pledged value of the collateral) that the depositary has pledged under the BIC arrangement and (b) the amount of TT&L funds already secured by the collateral pledged under the BIC arrangement. As with direct investments, SDIs are distributed pursuant to either the one-day prior notice procedure or same-day notice procedure in accordance with the depositary's election. A depositary electing the one-day prior notice procedure is not eligible to receive funds distributed pursuant to the same-day notice procedure.

Announcements of SDIs and withdrawals of SDIs are made by the same call-notice practices used for withdrawals from and placement of funds in Class C category TIP Main Account Balances. (See the TFM for the classification scheme and call procedures). SDIs are added to a depositary's SDI Account Balance. Interest begins accruing on SDIs as of the date the investment is made and is calculated in the same manner as

all other interest on funds in the depository's TIP Main Account Balance. SDIs are withdrawn within twenty-one days after placement. When SDIs are withdrawn, the funds are specifically identified by placement date.

## **6.4 TERM INVESTMENTS**

### **6.4.1 Application to Invest in Term Investment Option.**

A depository wishing to receive Term Investments must submit a signed Term Investment Option Participant Agreement to the NCSA. The NCSA notifies the depository of the effective date of its participation as a Term Depository. The NCSA posts Term Investments to a Term Investment Option Account Balance for the depository and credits its Federal Reserve Account or that of its approved correspondent. Term Investments are distributed in accordance with the TFM and other Treasury guidance.

### **6.4.2 Auction Process.**

The interest rate will be set through a single price auction process. NCSA will notify all qualified Term Depositories of the amount of Treasury funds that it wishes to place as Term Investments by 11:00 a.m. ET on the announcement day. An auction will be held with bids submitted online through the TERMLink™ auction system and the bid-cut off time will be stated in the auction announcement. Awards will be confirmed on the auction day. Term Depositories must have acceptable collateral pledged to secure the amount of the Term Investment before the designated time on settlement day. Sufficient acceptable collateral means acceptable collateral sufficient to fully secure the Term Investment amount and any existing Term Investment Option Account Balances. The Term Investments will be posted to the Term Investment Option Account Balance by 1:00 p.m. ET on the settlement day. By 2:00 p.m. ET the funds will be credited to the Term Depository's reserve account or that of its approved correspondent. The Treasury reserves the right to cancel the auction, to adjust the settlement times, or not to award the full amount of the offering.

### **6.4.3 Interest Accrual.**

Interest begins accruing on each Term Investment on the date the funds are posted to the depository's Term Investment Option Account Balance. No interest is earned on the maturity date. Interest is paid upon withdrawal of the funds on the maturity date. Funds will be withdrawn from Term Investment Account Balance by noon ET on the maturity date. The Term Depository's reserve account will be debited by 2:00 p.m. ET.

### **6.4.4 Early Returns and Withdrawals.**

If all or part of a Term Investment is not placed after it is confirmed, or if a depository returns all or part of a Term Investment before maturity, the

Treasury may assess damages of up to the auction rate plus 100 basis points as set forth in the Instructions for Depositories Participating in the Term Investment Option ("TIO procedural instructions"). If the Treasury withdraws funds early, the Treasury may, as set forth in the TIO procedural instructions, reduce the interest rate on the funds for the time invested and may further compensate the depository by placing another Term Investment at a rate of interest that will allow the depository to earn up to the equivalent of 100 basis points above the initial auction rate.

## **7.0 COLLATERAL**

### **7.1 GENERAL**

#### **7.1.1 General Collateral Requirements.**

A designated TT&L depository must pledge to the United States acceptable collateral under the terms prescribed in 31 CFR Parts 203 and 380, the TFM and other Treasury guidance, this Circular, and Operating Circular 8, Collateral, for all amounts to be credited to its TT&L Account that are in excess of recognized insurance coverage and, if applicable, its TIP Main Account Balance and SDI Account Balance and Term Investment Option Account Balance. Information regarding the handling of book-entry securities is contained in Operating Circular 7, Book-Entry Securities Account Maintenance and Transfer Services.

#### **7.1.2 Acceptable Collateral.**

Except as provided below, collateral for TT&L and TIP Main and SDI Account Balance and Term Investment Option Account Balances may be of any type approved by the Treasury and identified on the Treasury's Bureau of the Public Debt web site ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)). The values applied to TT&L collateral shall be consistent with the Federal Reserve System guidelines for valuing the same types of securities when pledged at the discount window. Information pertaining to acceptable collateral and valuation of collateral may be found at the Treasury's Bureau of Public Debt website ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)) and the Federal Reserve Banks' financial services website ([www.frb services.org](http://www.frb services.org)).

#### **7.1.3 Custody of Collateral.**

Collateral is reflected on the books of the depository's ARB. It may be held in the custody of the ARB or may be deposited with an approved third- or fourth-party custodian pursuant to an appropriate custodial agreement or, with respect to definitive collateral, another Reserve Bank. Custodial agreements are available from the ARB. A listing of authorized third- and fourth- party custodians is available from the NCSA or the ARB. If the TT&L depository elects to have definitive collateral held by an authorized third- or fourth-party custodian, the related trust receipts must be sent directly to the ARB. SDI collateral is held by the depository in a BIC arrangement approved by the ARB.



## **7.2 COLLECTOR DEPOSITARIES**

### **7.2.1 Paper Tax Deposits.**

A Collector Depositary must fully collateralize all Paper Tax Deposits that are in excess of recognized insurance coverage on the date the taxes are received. Paper Tax Deposits settle on the day after receipt by the TT&L depositary, enabling the depositary to have overnight use of federal tax deposit funds.

### **7.2.2 Electronic Tax Deposits.**

Because a Collector Depositary does not have overnight use of funds collected via EFTPS, no collateral is required.

## **7.3 RETAINER & INVESTOR DEPOSITARIES**

### **7.3.1 Retainer Depositaries.**

A Retainer Depositary must establish a TIP Main Account Balance limit, normally not less than \$25,000. A depositary may change its balance limit occasionally, but is subject to sanctions if it frequently reduces its balance limit. A Retainer Depositary must fully collateralize its balance limit at all times. No investments will be added to a TIP Main Account Balance without adequate collateral. A Retainer Depositary also must collateralize all tax deposits in excess of recognized insurance coverage received that day (in-transit paper federal tax deposits). Tax dollars collected are credited to a Retainer Depositary's TIP Main Account Balance hourly and are included in the calculation of collateral requirements.

### **7.3.2 Investor Depositaries.**

An Investor Depositary may retain tax deposits in the same manner as a Retainer Depositary, but also receives direct investments and may elect to receive SDIs.

#### **7.3.2.1 *Direct Investments.***

An Investor Depositary must set a TIP Main Account Balance limit for direct investment purposes higher than the peak TT&L balance normally generated by the depositary's tax deposit inflow, and normally not less than \$125,000 (\$25,000 for retained tax deposits and \$100,000 for direct investments). A depositary may change its balance limit occasionally but is subject to sanctions if it frequently reduces its balance limit. An Investor Depositary normally is not required to pledge collateral in an amount equal to the pre-established balance limit. An Investor Depositary must stand ready to pledge, no later than the day before the direct investment is placed, additional collateral up to its specified balance limit to cover the total TIP Main Account Balance, including funds received through direct investment procedures. If an Investor

Depository has frequent collateral deficiencies, it may be required to reduce its level of participation in the investment program. (See Paragraph 9.1 for additional detail regarding sanctions and penalties).

#### **7.3.2.2 *Special Direct Investments (SDIs)***

Investor Depositories may elect to receive SDIs as well as direct investments. SDIs must be secured by eligible TT&L collateral that is held by the depository in a BIC arrangement approved by the depository's ARB and subject to the requirements of Appendix B to Operating Circular 10, Lending. The types of collateral eligible for BIC arrangements are identified on the Treasury's Bureau of the Public Debt web site ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)). Information pertaining to acceptable collateral and valuation of collateral may be found at the Treasury's Bureau of Public Debt website ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)) and the Federal Reserve Banks' financial services website ([www.frbservices.org](http://www.frbservices.org)). An Investor Depository must pledge a minimum of \$2.5 million in eligible collateral to participate in the SDI program. If it deems it necessary, the NCSA may at any time: (1) request that the ARB, on behalf of the Treasury, take possession of collateral pledged to secure SDIs, (2) require substitute collateral, (3) withdraw SDIs, (4) suspend the placement of SDIs with a depository, or (5) take such other actions as it deems necessary to protect the Treasury's interests.

#### **7.3.2.3 *Term Investments.***

Term Depositories must set a Term Investment Option Account Balance limit for Term Investments. Term Depositories must pledge acceptable collateral in an amount to cover Term Investments, including any existing Term Investment Option Account Balances, before the investments are placed on settlement day.

### **7.4 DEPOSITS OF COLLATERAL WITH RESERVE BANKS**

By accepting the benefits of participation in the TT&L program and pledging collateral under the program, each TT&L depository agrees to the terms of this Circular and, with respect to definitive collateral, Operating Circular 8. Each depository warrants that, except as expressly described in writing to the ARB at or before the time it makes a pledge, the depository has the right to pledge collateral free and clear of any claim, encumbrance, or superior security interest of any kind and without the consent or approval of any regulatory or governmental authority. Each depository covenants: (a) not to transfer to, or grant, any third party any rights in or to the pledged collateral or create any other security interest in, mortgage, or otherwise encumber pledged collateral or permit it to be or become subject to any encumbrance of any kind, (b) to promptly provide all information, documents or other cooperation relating to the pledged collateral or the perfection of a security interest in the collateral, (c) to promptly notify the NCSA and the ARB of any change, of facts or otherwise, affecting any

warranty or covenant made by the depository in connection with the pledged collateral, and (d) to promptly notify the NCSA and the ARB of any claim or action of any type affecting pledged collateral and, at the NCSA's or ARB's request, appear and defend at the depository's expense any such claim or action. Upon the request of the ARB or the NCSA, the depository promptly will reimburse the ARB, NCSA, or the United States for any expense incurred with respect to any item of Collateral, including perfecting or maintaining perfection of the security interest, and assembling, transporting, safekeeping, managing, inspecting, or liquidating collateral, whether it is held by the ARB, a third-party custodian, or the depository. A depository further covenants that if any pledged collateral is in any manner converted by its issuer or maker into another type of property, all such property shall become part of the pledged collateral and promptly shall be delivered to its ARB. If any depository fails to perform any duty with respect to pledged collateral, the NCSA or its ARB may, but is not obligated to, perform such duty on behalf of the depository and any costs it incurs in doing so shall be reimbursed by the depository. If conflicting claims to pledged collateral arise, the NCSA or ARB may hold the collateral and retain any income therefrom pending resolution of the controversy. Nothing in this Circular limits pledgee's other statutory or contractual rights or remedies. If a financial institution has multiple obligations to the Treasury (for example, TT&L Account, TIP Main Account Balance, SDI Account Balance and Term Investment Option Account Balance, and any amounts subject to 31 C.F.R. Part 202) the NCSA, on behalf of the Treasury, may offset any loss arising from one of the obligations with any excess collateral pledged to the Treasury for any other account or obligation of the financial institution.

## **8.0 SETTLEMENT AND ADJUSTMENTS**

### **8.1 SETTLEMENT THROUGH A FEDERAL RESERVE ACCOUNT**

Settlement for TT&L transactions is made via charges to a Federal Reserve Account. A financial institution may designate a correspondent for settlement through the correspondent's Federal Reserve Account by submitting a Transaction Authorization Settlement Form (Appendix 5 to Operating Circular 1, Account Relationships) to its ARB. An institution that does not maintain its own Federal Reserve Account must arrange for settlement through a correspondent. By processing tax deposits, a Collector Depository or Non-TT&L Financial Institution authorizes the NCSA to initiate a charge to the appropriate Federal Reserve Account: (a) on the settlement date for an electronic payment; and (b) on the day that the AOC data is received by the NCSA for a paper tax deposit (which may not be processed by a Non-TT&L Financial Institution). Similarly, by participating in the TT&L program, a depository authorizes the NCSA to initiate a charge to the appropriate Federal Reserve Account for withdrawals ("calls") from its TIP Main or SDI Account Balance, withdrawals upon maturity from its Term Investment Option Account Balances, deposits that exceed collateral requirements, account balances that exceed balance limits or collateral values, and payments for interest, late charges, or penalties due to the Treasury.

### **8.2 ADJUSTMENTS**

### **8.2.1 Paper Tax Payments.**

An adjustment may be requested by a depository in writing or may be discovered and initiated by the IRS. The Internal Revenue Service Center notifies the NCSA of any adjustment to be made because of an error on an AOC for Paper Tax Deposits. Upon notification, the NCSA makes the appropriate adjustment to the depository's account balances and initiates any corresponding charges to the applicable Federal Reserve Account. The NCSA processes all adjustments for purposes of calculating interest and late charges.

### **8.2.2 Electronic Tax Payments.**

Correction of an ACH entry may be made in accordance with the NACHA rules. An adjustment for same day deposits may be made only at the discretion, and with the prior approval, of the IRS.

## **9.0 RESERVE BANK ADMINISTRATION OF THE TT&L PROGRAM**

### **9.1 MONITORING**

The FRBSTL/NCSA administers the TT&L program as fiscal agent of the United States. If the NCSA determines that a depository is in violation of its agreement with the Treasury (for example, concerning the timely remittance of Advices of Credit or collateral security requirements) it notifies the depository, indicating the terms of its agreement with the Treasury and any action that may be taken by or on behalf of the Treasury. The NCSA reviews each depository's collateral position against its existing balance daily and monthly. A depository is notified when a deficiency is detected. After giving the depository initial warning, the NCSA is authorized to impose collateral sanctions including, for example, requiring the depository to (a) collateralize, at a minimum, 125 percent of the average daily amount of funds-in-transit (more if 125 percent is not sufficient to prevent the deficiencies); (b) transfer funds to the NCSA on the same day they are received by the depository; or (c) transmit midday AOCs to the NCSA to be processed by the NCSA the same day. If a depository incurs deficiencies while on sanction, the NCSA may assess a charge at the direction of the Treasury. The TFM contains additional procedural details regarding collateral deficiency sanctions and penalties. A depository will be informed if a deposit does not comply with the provisions of this Circular, 31 CFR Parts 203 and 380, or the TFM. Failure to comply with these provisions may result in the termination of the agreement between the depository and the Treasury and, therefore, the disqualification of the financial institution as a depository, pursuant to 31 CFR Part 203.

#### **9.1.1 Term Investment Collateral Deficiencies.**

A Term Depository will be given until 4 p.m. ET on the day it is notified of a deficiency to cover collateral deficiencies in the term account. If sufficient excess collateral is available in the TIP Main Account, the Term

Depository will be given until 4:00 p.m. ET on the day following the day it is notified of a deficiency to cover a collateral deficiency in the term account. If a deficiency is not covered in time, the investment will be withdrawn to the amount appropriately collateralized at 4:00 p.m. ET. The Treasury may assess damages of up to the auction rate plus 100 basis points on the investment with the shortest term to maturity, on the withdrawn amount for the remaining term of that investment. Notwithstanding the above, if a Term Depository is collaterally deficient on the day that a new Term Investment is being placed with the depository, the depository has until the designated settlement time on that day to deposit sufficient acceptable collateral to secure the full amount of the Term Investment Option Account Balance and the new Term Investment. Deposited collateral will be first applied to the existing Term Investment Option Account Balance.

## **9.2 CHANGE OF OPTION**

A depository may change the options under which it participates in the TT&L program by submitting a TT&L Depository Election of Option form (Appendix G) not less than 1 business day before the change is to be effective.

# **10.0 MISCELLANEOUS**

## **10.1 EFFECT OF THIS CIRCULAR**

This Circular sets forth the conditions under which the Reserve Banks, as fiscal agents of the United States, process federal tax deposits and maintain Treasury Tax and Loan Accounts. By submitting tax deposits, acting as a depository or otherwise seeking the benefit of the TT&L program, a financial institution agrees to all the terms of this Circular, as amended from time to time. This Circular amends and supersedes all prior Reserve Bank operating circulars, including any appendices and supplements, relating to the TT&L program. Current signed agreements between a Reserve Bank and any financial institution pertaining to the TT&L program remain in effect and are supplemented by this Circular, the terms of which supersede any inconsistent terms in any such signed agreement.

## **10.2 RIGHT TO AMEND**

The Reserve Banks may amend this Circular at any time without prior notice.

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**APPENDIX A: FMS FORM NO. 458**  
**FINANCIAL INSTITUTION AGREEMENT AND APPLICATION**  
**FOR DESIGNATION AS A TREASURY TAX AND LOAN DEPOSITARY**

TO: The Federal Reserve Bank of St. Louis, as fiscal agent of the United States. The undersigned financial institution, \_\_\_\_\_, a

Name of Institution

\_\_\_\_\_ (Depository), hereby applies for designation

Type of Institution

as a Treasury Tax and Loan Depository in order to maintain and administer a separate account known as a Treasury Tax and Loan Account and/or, if applicable, to maintain a Treasury Investment Program balance. This application is made pursuant to 31 CFR Part 203, as amended from time to time, which is incorporated by reference herein, and is authorized by due action of its \_\_\_\_\_ as evidenced by

Type of Governing body

Resolutions of such body, submitted with this application.

To support its application, the Depository hereby certifies that it possesses under its charter and regulations issued by its chartering authority: (a) either general or specific authority to maintain a Treasury Tax and Loan Account and/or, if applicable, a Treasury Investment Program balance, from which the balances are payable on demand without previous notice of intended withdrawal; (b) either general or specific authority to pledge collateral, consistent with 31 CFR Part 380, to secure funds in the Treasury Tax and Loan Account and/or, if applicable, the Treasury Investment Program balances; and (c) it is otherwise eligible under 31 CFR Part 203, as amended from time to time.

The Depository hereby agrees as follows:

1. To perform Depository services for the United States Government in accordance with the provisions of 31 CFR Parts 203 and 380, as amended from time to time, and all instructions issued pursuant thereto.
2. To pledge securities as collateral security in the classes and amounts and under the terms and conditions as prescribed in 31 CFR Parts 203 and 380, as amended from time to time, and all instructions issued pursuant thereto.

The Depository represents and warrants that any securities it pledges hereunder are owned by it free and clear of all liens, charges and claims. If a Federal Reserve Bank, as fiscal agent of the United States, agrees that such pledged securities may be held by a third party custodian, or under an extended custody agreement, the Depository agrees to be bound by any provisions applicable to the Depository that are set forth in the agreement entered into by the Federal Reserve Bank and the approved custodian(s), as amended from time to time. The Depository further agrees that the Federal Reserve Bank's issuance of instructions to a custodian stating that the Federal Reserve Bank releases its interest in certain securities, will terminate the Federal Reserve Bank's responsibility with regard to such securities. The Depository indemnifies the Federal Reserve Bank and the United States Government from any claims with regard to such securities arising thereafter.

3. That if the Depositary fails to pay, when due, the whole or any part of the funds received by it for credit to its Treasury Tax and Loan Account, and/or if applicable, its Treasury Investment Program balances; or otherwise violates or fails to perform any of the terms of this agreement, or fails to pay when due amounts owed to the United States or the United States Treasury; or if the Depositary is closed for business by regulatory action or by proper corporate action, or in the event that a receiver, conservator, liquidator or any other officer is appointed; then the Secretary of the Treasury or his designee, with or without notice or demand, may redeem or sell, at either public or private sales, or otherwise collect the proceeds of all or part of the collateral, including additions and substitutions; and apply the proceeds, after deducting all necessary expenses of such redemptions or sales, to the payment of funds received by the Depositary, or other indebtedness of the Depositary to the United States by reason of the abovementioned authorization; or to satisfy any claims of the United States against the Depositary.

4. That the rights are in addition to any other rights provided by law, Treasury regulation, or agreement, which the Secretary of the Treasury may exercise, through such agents as the Secretary may designate.

5. To comply with all the requirements codified in 31 CFR Parts 203 and 380, as amended from time to time, and all instructions issued pursuant thereto. The Depositary agrees that upon execution by the Federal Reserve Bank of St. Louis acting as fiscal agent of the United States, this document shall evidence the agreement entered into between the Secretary of the Treasury and the Depositary. As part of this application, the Depositary makes the following initial election to participate as a Collector, Retainer or Investor Depositary, but it is recognized that this initial election is subject to change in accordance with 31 CFR Part 203, as amended from time to time.

- ☐ Investor – Depositary will retain tax deposits as Treasury investments and/or receive additional investments in obligations of the Depositary;
- ☐ Retainer – Depositary will retain tax deposits as Treasury investments but will not receive additional Treasury investments in obligations of the Depositary;
- ☐ Collector – Depositary will not retain tax deposits as investments or receive other Treasury investments. Funds equivalent to the amount of tax deposits credited by Depositary to its Treasury Tax and Loan Account will be withdrawn immediately upon notification to the Federal Reserve Bank of such deposits;

Signed on behalf of the corporate officer of the Depositary who certifies he/she is duly authorized to execute this document and to elect the option indicated as evidenced by the attached resolutions of the \_\_\_\_\_.

Governing Body

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City or Town, State

[SEAL]

\_\_\_\_\_  
Print or Type Name & Title of Authorized Officer

By: \_\_\_\_\_  
Signature & Title of Authorized Officer

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Date



## DESIGNATION

The undersigned, on behalf of the Federal Reserve Bank of St. Louis, acting as fiscal agent of the United States, hereby designates \_\_\_\_\_ as a Treasury Tax and Loan Depositary under the terms of this application commencing on the date indicated below.

Federal Reserve Bank of St. Louis  
as fiscal agent of the United States.

By: \_\_\_\_\_  
Name and Title of Official

Date: \_\_\_\_\_

**APPENDIX B: FMS FORM NO. 459**  
**RESOLUTION AUTHORIZING THE FINANCIAL INSTITUTION**  
**AGREEMENT AND APPLICATION FOR DESIGNATION AS A TREASURY TAX AND**  
**LOAN DEPOSITARY**

This is to certify, that at a meeting of the \_\_\_\_\_  
Board of Directors or other governing body  
undersigned financial institution, \_\_\_\_\_, a  
Name of Institution  
\_\_\_\_\_, which meeting was duly called and held on  
Type of Institution  
the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, a quorum being present, and that the following  
resolutions were duly adopted; and are reflected in the attached minutes of the meeting.

1. That, after review of the FMS Form 458, "Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depositary," in accordance with the provisions of 31 CFR Part 203, "Treasury Tax and Loan Depositories," as amended, this financial institution is authorized to apply for designation as a Treasury Tax and Loan Depositary in order to maintain and administer a separate account known as a Treasury Tax and Loan Account and/or, if applicable, a Treasury Investment Program balance.

2. That, \_\_\_\_\_ of the undersigned financial institution  
Name & Title of Official  
is hereby authorized and directed: to apply for designation as a Treasury Tax and Loan Depositary by execution of the FMS Form 458, "Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depositary;" to select the initial election of option called for in said agreement and application; and to submit said agreement and application to the Federal Reserve Bank of St. Louis.

3. Resolved, that the Officers of the undersigned financial institution whose name(s) are on file with its Administrative Reserve Bank (ARB) are hereby authorized from time to time to deposit collateral to secure Treasury Tax and Loan deposits with the ARB as fiscal agent of the United States, or with such agents of the ARB as the ARB may designate. The financial institution agrees to pledge securities, of the classes and amounts and under the terms and conditions prescribed in 31 CFR Parts 203 and 380, as amended from time to time, and any supplements or procedural instructions issued pursuant thereto, as collateral security in such amounts as may be required by the Secretary of the Treasury. The said officers are further authorized to withdraw any or all of the collateral so deposited, and further, to make substitutions and exchanges in the said collateral at such times as is deemed necessary as consistent with 31 CFR Parts 203 and 380, as amended from time to time.

4. That this resolution and attachment, and the corresponding Form 458, are official records of the institution and will be maintained continuously as such.

In witness whereof, I have hereunto signed my name and affixed the seal of this financial institution.

\_\_\_\_\_  
Name Financial Institution

\_\_\_\_\_  
Address

\_\_\_\_\_  
Name and Title of Certifying Officer

\*

\_\_\_\_\_  
Signature of Certifying Officer

[SEAL]

\* The officer certifying this resolution shall have such authority from the Board of Directors or other governing body and shall not be designated under numbered paragraphs 2 or 3 hereof.

## **APPENDIX C: ELECTRONIC TREASURY TAX AND LOAN DEPOSITARY AGENCY AGREEMENT ADVICES OF CREDIT**

The Agent identified below is authorized to transmit electronically to the Federal Reserve Bank of St. Louis (Reserve Bank) advices of credit regarding deposits to be credited to Principal's Treasury Tax and Loan Account, and to make balance inquiries and otherwise deal with Principal's TIP Main Account Balance in the same manner as Principal may deal with such account balances. Reserve Bank shall act on Agent's entries and instructions with respect to Principal's account activity until the Reserve Bank receives notice of termination as specified below. Principal is fully responsible for all actions of agent.

The Agency relationship created hereby shall be effective \_\_\_\_\_, but in no event less than 5 business days after receipt of this notice by Reserve Bank. The notice supersedes, and serves as cancellation notice of, any agency agreements previously executed by Principal and submitted to Reserve Bank. Either Principal or Agent may cancel this Authorization by providing written notice to Reserve Bank. Such cancellation will be effective within 5 days of receipt of such notice by Reserve Bank.

\_\_\_\_\_  
Name of Principal

\_\_\_\_\_  
Name of Agent

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Location

\_\_\_\_\_  
Location

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Print or Type Name and Title

\_\_\_\_\_  
Print or Type Name and Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## APPENDIX D: TREASURY TAX AND LOAN DEPOSITARY OFFER TO RECEIVE DIRECT INVESTMENTS

To: Federal Reserve Bank of St. Louis (Reserve Bank), as fiscal agent of the United States.

1. The undersigned financial institution, a Treasury Tax and Loan Depositary designated in accordance with 31 CFR Part 203 (Offeror) offers to receive from the Treasury Direct Investments, which shall be added to its TIP Main Account Balance in accordance with the terms contained in Federal Reserve Bank Operating Circular 9, the *Treasury Financial Manual for Treasury Tax and Loan Depositaries* (TFM) and in accordance with the notice arrangement specified in paragraph 2 below. Offeror agrees that, upon the addition of an amount of a Direct Investment to its TIP Main Account Balance such amount shall be subject to the provisions of 31 CFR Part 203 without regard to its origin as a Direct Investment.

2. Offeror offers to accept Direct Investments pursuant to the following notice arrangement. Both arrangements are available to all class of note option depositaries. Please check one.

- ☐ One-day prior notice only.
- ☐ Same-day notice (note: same-day notice participants may also receive investments under the one-day notice procedure).
- ☐ Dynamic investments in addition to investments on same-day notice basis.  
Dynamic investments may be placed hourly between noon and 5 p.m. ET.  
If an earlier cut off time for accepting dynamic investments is needed, specify it here: \_\_\_\_ 1p.m.ET \_\_\_\_ 2p.m.ET \_\_\_\_ 3p.m.ET \_\_\_\_ 4p.m.ET

3. The balance limit of Offeror's TIP Main Account Balance shall be \$ \_\_\_\_ .

4. Offeror further agrees that:

- A. Offeror may prospectively revoke its offer to receive Direct Investments by submitting written notice to that effect to the Reserve Bank. Such revocation is effective upon receipt by such Reserve Bank.
- B. An Offeror that is a class "C" depositary may not change its previously selected notice arrangement except by execution of a new Offer to Receive Direct Investments and delivery thereof to the Reserve Bank.
- C. Offeror may change the balance limit of its TIP Main Account Balance only under procedures established by the Reserve Bank for that purpose.
- D. Offeror shall pledge collateral as prescribed in 31 CFR Part 380, the TFM and the Federal Reserve Banks' Operating Circular 9.

5. Offeror shall accept, as additions to its TIP Main Account Balance, all amounts allocated to it in accordance with the allocation formula described in the TFM. Offeror expressly waives any right to decline to accept such amounts for so long as this offer remains in effect.

6. Any reference in this offer to 31 CFR Part 203 or 380 or the TFM includes any future changes in those documents, if and when such changes are made.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Address of Institution

By: \_\_\_\_\_  
Signature Date Type or Print Name and Title

The foregoing offer is accepted and Offeror is qualified to receive Direct Investments effective \_\_\_\_\_.

Federal Reserve Bank of St. Louis  
As fiscal agent of the United States.

By: \_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Print or Type Name and Title

## APPENDIX E: APPLICATION FORM FOR SPECIAL DIRECT INVESTMENTS

Offer to Receive Special Direct Investments Secured by Collateral Retained in Possession of the Treasury Tax and Loan Depositary and Application to Act as Borrower-In-Custody Custodian of Collateral Securing Special Direct Investments.

To: The Federal Reserve Bank of St. Louis (FRBSTL) and the Federal Reserve Bank of \_\_\_\_\_ (Administrative Reserve Bank or ARB), each acting as fiscal agent of the United States (Reserve Banks).

1. The undersigned financial institution, a Treasury Tax and Loan Depositary designated according to 31 CFR 203 (Offeror), (a) offers to receive from the U.S. Department of the Treasury Special Direct Investments in accordance with the terms contained in the Treasury Financial Manual for Treasury Tax and Loan Depositaries (TFM) and according to the notice arrangement specified in paragraph 6 below, and (b) makes application to qualify to act as an Borrower-In-Custody (BIC) Custodian of Collateral to secure funds made available as Special Direct Investments. As a BIC custodian, the Offeror applies to hold for the ARB the collateral enumerated in the TFM as collateral security for funds invested with the Offeror as Special Direct Investments.

2. The Offeror agrees that:

- (a) Upon the credit of a Special Direct Investment to its TIP SDI Account Balance, such amount will be subject to the provisions of 31 CFR Parts 203 and 380 and will be secured by collateral retained in the possession of the Offeror.
- (b) Special Direct Investments will be secured under the terms of the Agreement to Secure Special Direct Investments with Collateral Security Retained in the Possession of the Pledging Tax and Loan Depositary."
- (c) Funds made available to the Offeror as Special Direct Investments will be available for periods not to exceed 21 days at a time. Funds placed as Special Direct Investments may be withdrawn on demand without previous notice, just as are all funds in Tax and Loan Accounts.
- (d) The placement of funds as a Special Direct Investment causes the security interest in the collateral retained in the possession of the Offeror to attach. Such attachment will remain in effect until the withdrawal by the Treasury, through the FRBSTL, of the total amount of funds placed and identified as being a Special Direct Investment.
- (e) The Offeror may prospectively revoke its offer to receive Special Direct Investments by submitting a written notice to that effect to the FRBSTL. Such revocation is effective only upon receipt by the FRBSTL and only to the extent provided in the Security Agreement.

- (f) The Offeror cannot change its previously selected notice arrangement (see paragraph 6) except by execution of another copy of this offer form delivered to the FRBSTL.
  - (g) The Offeror can change the amount of collateral pledged under this arrangement under procedures established by the Reserve Banks for that purpose. If any such change would reduce the amount of collateral pledged by the depositary to an amount less than the minimum amount required for eligibility as stated in the TFM, the contract evidenced by this document will be rescinded by mutual agreement.
  - (h) This Offer and Application may be accepted or denied solely at the discretion of the Reserve Banks. If accepted, the Reserve Banks will indicate their acceptance on a copy of this offer form, which will be returned to the Offeror.
  - (i) Any reference in the Offer to 31 CFR Part 203 or 380 or the TFM includes any future changes in those documents, as and when such changes are effective.
3. The Offeror expressly agrees to accept as additions to its TIP SDI account all amounts allocated to it according to the allocation formula described in the TFM. The Offeror expressly waives any right to decline to accept such amounts for so long as this offer remains in effect.
4. In support of this offer, the Offeror has attached two executed copies of the Security Agreement.
5. The Offeror has regular audits, the results of which are reported directly to its board of directors or trustees. Such audits include verification of collateral deposited with or held by the Offeror for various purposes.
6. The Offeror offers to accept Special Direct Investments under the following notice arrangements, which are both available to all classes of note option depositaries. Please check one:
- One-day prior notice or
  - Same-day notice (note: same-day notice participants may also receive investments under the one-day notice procedure).
7. The Offeror establishes the initial value of the collateral to be held under the Security Agreement, valued according to 31 CFR Parts 203 and 380 or according to the value assigned by the ARB to the same type of collateral when pledged to secure borrowings from the ARB under its off premises arrangements as \$\_\_\_\_\_.



IN WITNESS WHEREOF, the undersigned has caused this Offer and Application to be executed by the officer named below, who is duly authorized to make this Offer and Application.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Address of Institution

By: \_\_\_\_\_  
Signature Date Type or Print Name and Title

The foregoing Offer and Application is accepted and the Offeror is qualified to receive Special Direct Investments, effective upon completion of pledging requirements specified on the Security Agreement.

Federal Reserve Bank of St. Louis  
As fiscal agent of the United States.

Federal Reserve Bank of \_\_\_\_\_  
As fiscal agent of the United States.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Print or Type Name and Title

\_\_\_\_\_  
Print or Type Name and Title

## APPENDIX F: AGREEMENT TO SECURE SPECIAL DIRECT INVESTMENTS

Agreement made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between  
\_\_\_\_\_  
(Depository), \_\_\_\_\_,

Name of Depository

Address of Depository

a Treasury Tax and Loan Depository and the Federal Reserve Bank of St. Louis (FRBSTL) and the Federal Reserve Bank of \_\_\_\_\_ (Administrative Reserve Bank or ARB), each acting as fiscal agent of the United States (Reserve Banks).

**WHEREAS**, the United States Treasury, with the FRBSTL acting as fiscal agent, will from time to time make funds available to the Depository as Special Direct Investments (Investments) according to 31 CFR Parts 203 and 380; **WHEREAS**, the United States Treasury and the Reserve Banks, as fiscal agents of the United States, require that, in order to secure the Investments made available, together with interest accruing thereon, the Depository grants the United States, with the Reserve Banks acting as fiscal agents of the United States, a security interest in collateral security and further require that the security interest be perfected; and

**WHEREAS**, temporary retention of possession of such collateral security by the Depository is in the mutual interests of the Depository and the Reserve Banks;

**NOW THEREFORE**, the Depository and the Reserve Banks agree as follows:

1. The Depository shall pay to the United States the sum of Investments outstanding to the Depository from time to time, as shown on the books of the FRBSTL, according to the terms of 31 CFR 203 and the TFM, as amended from time to time.
2. As security for the repayment of any Investments, any interest accruing on such Investments, and any costs and expenses incurred by a Reserve Bank in the collection and enforcement of the Investments and other indebtedness of the Depository, the Depository grants to the United States and the Reserve Banks as fiscal agents of the United States, a security interest in and assigns and pledges to the United States and the ARB, the collateral now or hereafter owned by the Depository and described in advices of custody delivered to the ARB (and any proceeds of such collateral). The Depository also assigns and pledges to the ARB, and grants to the Reserve Banks a security interest in, all documents regarding the collateral, including without limitation promissory notes, bonds, mortgages, deed of trust, appraisals or opinions of value, title insurance policies and their proceeds, mortgage insurance policies (including Federal Housing Administration Insurance and Veterans Administration guarantees) and their proceeds, abstracts, advices of credit, repayment records, and credit agreements.

3. The Depository shall deliver to the ARB an advice of custody fully describing the collateral covered by this Agreement. A description of each item of collateral covered by this Security Agreement must include, at a minimum, (1) the name of the obligors, (2) the name in which the collateral is registered, (3) any CUSIP number or other account number identification, (4) the face value, and the current amount outstanding if different, (5) the issue date, (6) the maturity date, (7) the rate of interest, as appropriate, (8) the State and County where any real property securing the collateral is located, (9) the address of the Depository at which the collateral is held and (10) the purpose of the pledge; that is, to secure SDIs under the terms of 31 CFR Part 203 - for TT&L/SDI. Other descriptive information as specified from time to time by the Reserve Banks must also be provided.
4. A duly authorized officer of the Depository will manually sign or endorse each advice of custody covering collateral in which a security interest is granted by this Agreement. Each such advice of custody will be binding on the Depository and its successors and assigns.
5. The Depository warrants and covenants with respect to each item of collateral that:
  - (a) Except as disclosed in writing to the ARB at the time of the pledge, the Depository has full, fee simple title, free of any claim or lien that is superior to the security interest of the United States, with full right to deliver, pledge, assign, and transfer the interests of owners in the collateral;
  - (b) The Depository will not transfer, assign, or encumber the collateral without the prior written approval of the ARB;
  - (c) The collateral is of a kind described in 31 CFR Part 380 and the TFM;
  - (d) The Depository will neither perform any act that will impair the United States' security interest in the collateral nor fail to perform any act necessary to avoid impairment of the security interest in the collateral;
  - (e) The Depository will, at the Depository's cost and expense, defend any action that may affect the United States' security interest in, or the Depository's title to the collateral; and
  - (f) Each mortgage securing any mortgage note or bond included in the collateral has been recorded in the Depository's favor in proper form and in the proper place for recording the borrower's interest in the particular real property described in the mortgage.
6. The ARB may file or record any document that it deems necessary to perfect the security interest in any item of collateral. At the ARB's request, the Depository shall reimburse the Reserve Bank for any expense incurred by any Reserve Bank in perfecting the security interest in the collateral, including, but not limited to, the cost of recording assignments of mortgages, filing financing statements, and obtaining lien searches. At the ARB's request, the Depository

also shall reimburse the Reserve Banks for any expense incurred in assembling, transporting, safekeeping, or managing collateral pledged under this Agreement.

7. The Depositary shall exercise ordinary care with respect to each item of collateral in which a security interest is granted by the Agreement and will indemnify and hold the United States and the Reserve Banks harmless from any damages, liabilities, costs, expenses, or losses of any kind arising from any damages, liabilities, costs, expenses, or losses of any kind arising from Depositary's breach of any term of this Agreement.

8. Each item of collateral subject to a security interest granted by this Agreement is deemed to be in the possession of the ARB as if it had been deposited at the premises of the ARB, and the ARB may, at any time during normal business hours of the Depositary and without advance notice, inspect the collateral, the premises of the Depositary where the collateral is kept, and all data, records, or other information pertaining to the collateral.

9. The ARB will assign a collateral value to each item of collateral in which a security interest is granted by this Agreement according to 31 CFR Parts 203 and 380 or according to the value assigned by the ARB to the same type of collateral when pledged to secure borrowing from the ARB under its BIC arrangements.

10. Upon notice of acceptance by the FRBSTL of this Agreement, the Depositary will provide to the ARB advices of custody that cover each item of collateral in which a security interest is granted by this Agreement and that meet all the requirements of this Agreement. Periodically thereafter, as required by the ARB, but no less frequently than annually, the Depositary will provide the ARB (credit and discount function) with a certification of the Depositary's internal auditor that each item of collateral in which a security interest is granted by this Agreement meets each requirement of this Agreement.

11. A Reserve Bank may refuse to accept any collateral that the Reserve Bank, in its discretion, deems unacceptable.

12. The Depositary warrants with respect to each item of collateral that:

- (a) the collateral has not been classified by examiners at the most recent examination of the Depositary;
- (b) the collateral is not more than 60 days past due;
- (c) the collateral has not been commented on adversely by internal or external auditors in the course of an audit of the Depositary; and
- (d) the collateral has not been commented on adversely or placed in nonaccrual status by the Depositary's review procedure.

13. When the Depositary can no longer make a warranty required by paragraph 5 or 12 of this Agreement with respect to an item of collateral, the Depositary will immediately notify the

ARB of the fact and substitute for the item of collateral an item of collateral of at least equal value by which all required warranties can be made.

14. The Depositary shall conspicuously mark its records in a manner satisfactory to the ARB to indicate that each item of collateral in which a security interest is granted by this Agreement is subject to such a security interest. The Depositary will, at the request of the ARB, segregate each item of collateral in which a security interest is granted by this Agreement from other collateral security in the Depositary's possession. The Depositary will upon demand by the ARB and without advance notice, immediately surrender to the ARB, or its designee, all collateral that is subject to security interests granted by this Agreement.

15. The Depositary shall not, without the prior written approval of the FRBSTL, release or withdraw any collateral in which a security interest is granted by this Agreement.

16. The Depositary shall, at the request of the ARB and as otherwise agreed, promptly provide to the ARB statements of current balances and any other information pertaining to collateral in which security interests are granted by this Agreement.

17. If the Depositary fails to fully perform any of its obligations under this Agreement or if it fails to fully repay any Investments or any interest thereon on demand by the FRBSTL, the ARB or its assigns may sell each or any item of collateral subject to a security interest granted by the Agreement at public or private sale. The Depositary hereby appoints the ARB or its assigns as the Depositary's attorney-in-fact to conduct such sale and to execute any and all documents and to give all notices to third parties necessary to effectuate a legal conveyance of said collateral with full right, title, and authority to sign the name of the Depositary to any such document as attorney-in-fact. The ARB may, in its discretion, take all lawful steps to collect sums due upon or in connection with any or all collateral subject to a security interest granted by this Agreement, and in case of payment, may discharge and satisfy of record the collateral as fully as the Depositary could do if acting for itself. The powers of attorney herein granted are coupled with an interest and are irrevocable, and full power of substitution is granted to the assignee or holder. The Depositary hereby ratifies and confirms all that the said attorney or its assigns may lawfully do or cause to be done in the exercise of the power of attorney herein granted.

18. The rights, remedies, power, security interests, and liens of the Reserve Banks arising under this Agreement or under law or regulation shall continue unimpaired, and the Depositary shall be and will remain obligated in accordance with the terms of this Agreement, notwithstanding the partial exercise by a Reserve Bank of any right, remedy or substitution or addition of parties, compromise, or other indulgence granted by the Reserve Bank or the assignee of the Reserve Bank hereunder, and the Depositary hereby waives all notice of any delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consents to be bound thereby as fully and effectively as if the Depositary had expressly agreed thereto in advance.

19. This Agreement is binding upon the successors and assignees of the Depositary, including any receiver appointed under Federal or State law, and will inure to the benefit of the Reserve Banks, their successors, and assignees.

20. Each security interest in an item of collateral granted by the Depositary under this Agreement secures, and the Depositary will pay upon demand by a Reserve Bank, all expenses (including, but not limited to, attorney's fees for legal services of every kind) of, or incidental to, the custody, preservation, care, use, sale or collection of, or realization upon, any items of collateral in which a security interest is granted by this Agreement, or in any way relating to enforcement or protection of the Reserve Banks' rights under this Agreement or law or regulation.
21. The Depositary shall promptly notify the Reserve Banks of each and every exception to a representation previously made by the Depositary regarding an item of collateral subject to a security interest granted by this Agreement, without regard to the manner of discovery of the exception.
22. The Depositary shall, at the request of the ARB, take any and all action including, but not limited to, assignment or endorsement of an item of collateral subject to a security interest granted by this Agreement, required from time to time by the Reserve Bank to better assign, transfer, validate, and perfect the security interest in an item of collateral subject to the security interest granted by this Agreement.
23. The terms of this Agreement as interpreted in any written instructions issued by the Reserve Banks, will prevail in the event of any inconsistency between its terms and the terms of any advice of custody or other notice issued by the Depositary.
24. The Depositary does not assign to the United States or the Reserve Banks any of its obligations under any item of collateral subject to a security interest granted by this Agreement.
25. This Agreement continues in full force and effect, and is binding on the Depositary, its legal representatives, successors and assigns, until all obligations of the Depositary to the United States arising from this Agreement, whether now existing or hereafter arising, have been fully satisfied and discharged. If at any time all obligations of the Depositary to the United States under this Agreement have been satisfied, this Agreement will be equally applicable to any new obligations of the Depositary thereafter arising under this Agreement until written notice of revocation of the Agreement shall be actually received by the Reserve Banks. No such written notice of revocation will release the Depositary or affect in any manner the rights, remedies, powers, security interests, and liens of the United States with respect to the collateral in which security interests are granted by this Agreement and have arisen before actual receipt by the Reserve Banks of such written notice of revocation and full satisfaction and discharge of all obligations of the Depositary. Before any such revocation, the Depositary will deliver to the ARB each item of collateral subject to a security interest under this Agreement, if any obligation secured by the collateral would be due and owing to the United States as of the close of the Depositary's banking day on the date of termination.
26. The FRBSTL may terminate this Agreement at any time without advance notice.
27. This Agreement is effective on the last date it is signed by the Reserve Banks.

IN WITNESS WHEREOF, the undersigned has caused this Offer and Application to be executed by the officer named below, who is duly authorized to make this Offer and Application.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Address of Institution

By: \_\_\_\_\_  
Signature Date Type or Print Name and Title

The Agreement is accepted and the Depository is qualified to receive Special Direct Investments according to the terms specified herein.

Federal Reserve Bank of St. Louis  
As fiscal agent of the United States.

Federal Reserve Bank of \_\_\_\_\_  
As fiscal agent of the United States.

By: \_\_\_\_\_  
Signature Date

By: \_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Type or Print Name and Title

\_\_\_\_\_  
Type or Print Name and Title

## **APPENDIX G: TT&L DEPOSITARY ELECTION OF OPTION FORM**

To: The Federal Reserve Bank of St. Louis, acting as fiscal agent of the United States.

The undersigned financial institution, a Treasury Tax and Loan depositary designated in accordance with 31 CFR Part 203, elects, pursuant to 31 CFR Part 203 and as of the effective date of the Treasury Tax and Loan Investment Program, to administer a Treasury Tax and Loan Account under the option checked below, or elects to have its designation revoked. !

- ☐ Investor - Depositary will retain tax deposits as Treasury investments and/or receive additional investments in obligations of the Depositary;
- ☐ Retainer - Depositary will retain tax deposits as Treasury investments but will not receive additional Treasury investments in obligations of the Depositary;
- ☐ Collector - Depositary will not retain tax deposits as investments or receive other Treasury investments. Funds equivalent to the amount of tax deposits credited by Depositary to its Treasury Tax and Loan Account will be withdrawn by the Federal Reserve Bank immediately upon notification to the Federal Reserve Bank of such deposits;
- ☐ Revocation of designation as TT&L Depositary

In addition, by the signature affixed below, the undersigned financial institution expressly agrees to function its Treasury Tax and Loan Account in accord with the provisions of 31 CFR Parts 203 and 380, the provisions of any instructions or supplements issued thereunder, and with any amendments hereafter made to such regulations, instructions or supplements.



IN WITNESS WHEREOF the undersigned has caused the signature of the officer below-named and the corporate seal, duly attested, to be affixed hereto this \_\_\_\_\_ day of, \_\_\_\_\_, 20\_\_, intending to be legally bound hereby.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Address of Institution

By: \_\_\_\_\_ \* \_\_\_\_\_  
Signature Date Type or Print Name and Title

ATTESTATION: I hereby attest that \_\_\_\_\_, the \_\_\_\_\_  
Typed Name of Officer Signing Above Title of Same  
of \_\_\_\_\_, has full authority to execute this form and  
Name of Financial Institution  
fully to bind the said \_\_\_\_\_.  
Name of Financial Institution

\_\_\_\_\_  
Name of Financial Institution

By: \_\_\_\_\_  
Signature of Other Authorized Officer Date

\_\_\_\_\_  
Type or Print Name and Title of Attesting Officer

\*The officer signing here shall not be the officer signing the attestation.

## **APPENDIX H: TERM INVESTMENT OPTION PARTICIPANT AGREEMENT**

To: The Federal Reserve Bank of St. Louis (FRB St. Louis), acting as fiscal agent of the United States.

1. The undersigned financial institution (Depository or you), a Treasury Tax and Loan depository designated in accordance with 31 CFR Part 203, elects, pursuant to 31 CFR Part 203, to participate in the Term Investment Option of the Treasury Tax and Loan Investment Program.
2. Depository certifies that it possesses under its charter and regulations issued by its chartering authority either general or specific authority to maintain a Treasury Tax and Loan Term Account Balance.
3. Depository hereby establishes a maximum Term Investment Option Account Balance limit of \_\_\_\_\_ (fill in amount). This maximum balance limit may be changed by e-mail notification to the National Customer Service Area (NCSA).
4. By the signature affixed below, Depository expressly agrees that its participation in the Term Investment Option is governed by this Agreement, 31 CFR parts 203 and 380, the provisions of any instructions or supplements issued thereunder, the terms of the Federal Reserve's Operating Circular 9 and the Term Investment Option Addendum attached hereto and incorporated in this Agreement (or if such addendum is superceded, the terms of Operating Circular 9), the Federal Reserve's Operating Circular 5, and any amendments hereafter made to such regulations, instructions, supplements or this Agreement.
5. Depository agrees that it will permit access to our TERMLink™ auction system only to those individuals that it will identify to FRB St. Louis on a Local Security Administrator Authorization form (LSA form) in the manner that FRB St. Louis requires.
6. Depository certifies that, if any of the individuals listed on an LSA form change, it will notify FRB St. Louis immediately and submit a replacement LSA form for that individual, which must be signed by an "Approving Officer" or one of the Approving Officer's Designees.
7. Depository certifies that it will comply with electronic access standards and requirements as outlined on the LSA form.

8. The presentment of electronic authentication credentials (such as logon IDs and passwords) by those individuals identified on the Depository's LSA form will serve as that individual's electronic signature for all transactions submitted to us while that individual uses those credentials to access our electronic systems. Any transaction conducted electronically is the equivalent of a written transaction.

9. The Depository is responsible for all transactions that occur in our electronic systems by any individual identified on an LSA form, whether or not it authorized such transactions.

10. FRB St. Louis reserves the right to limit, condition, suspend or terminate the rights and privileges of any or all individuals identified on an LSA form. FRB St. Louis reserves the right to accept, reject or refuse to accept any and all bids.

*Signed on behalf of the corporate officer of the Depository who certifies that he/she is duly authorized to execute this document and to elect to participate in the Term Investment Option.*

\_\_\_\_\_  
*(Name of Financial Institution)*

\_\_\_\_\_  
*(Street Address)*

\_\_\_\_\_  
*(City or Town, State)*

By: \_\_\_\_\_  
*(Name and Title of Authorized Officer)*

\_\_\_\_\_  
*(Signature of Authorized Officer)*

\_\_\_\_\_  
*(Date)*

## APPENDIX I: AGREEMENT TO SECURE TERM INVESTMENTS

Agreement made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between  
\_\_\_\_\_  
(the Depository), \_\_\_\_\_,

Name of Depository

Address of Depository

a Treasury Tax and Loan Depository and the Federal Reserve Bank of St. Louis (FRBSTL) and the Federal Reserve Bank of \_\_\_\_\_ (Administrative Reserve Bank or ARB), both acting as fiscal agents of the United States (the Reserve Banks)

**WHEREAS**, the United States Department of the Treasury (Treasury), with FRBSTL acting as fiscal agent, will from time to time place funds with the Depository as Term Investments (Investments) according to 31 CFR Parts 203 and 380, the Term Investment Option Participant Agreement and applicable instructions

**WHEREAS**, the Treasury and its fiscal agents the Reserve Banks require that, in order to secure the Investments made available, together with interest accruing thereon and other costs incurred in connection with this Agreement, the Depository pledge acceptable collateral as described in 31 CFR Parts 203 and 380. Acceptable collateral pledged to secure the Investments may include collateral retained in the Depository's possession (collateral security). To secure the Investments, the Depository grants the United States, with the Reserve Banks acting as its fiscal agents, a security interest in the collateral security and further require that the security interest be perfected; and

**WHEREAS**, temporary retention of possession of such collateral security by the Depository is in the mutual interests of the Depository and the United States and its fiscal agents the Reserve Banks;

**NOW THEREFORE**, the Depository and the Reserve Banks, as fiscal agent of the United States agree as follows:

1. The Depository shall pay to the United States Investments outstanding to the Depository, as shown on the books of the FRBSTL at maturity, according to the terms of 31 CFR 203 and applicable instructions, as amended from time to time.
2. As security for the repayment of any Investments, any interest accruing on such Investments, and any costs and expenses incurred in the collection and enforcement of the Investments and other indebtedness of the Depository, the Depository grants to the United States and the Reserve Banks as fiscal agents of the United States a security interest in and assigns and pledges to the United States and the ARB as fiscal agent, the collateral security now or hereafter owned by the Depository and described in advices of custody delivered to the ARB (and any proceeds of such collateral security). The Depository also assigns and pledges to the ARB as fiscal agent of the United States, and grants to the Reserve Banks as fiscal agents of the United States, a security interest in, all documents regarding the collateral security, including without limitation, promissory notes, bonds, mortgages, deed of trust, appraisals or opinions of value, title insurance policies and their proceeds, mortgage insurance policies (including Federal Housing Administration Insurance and Veterans Administration guarantees) and their proceeds, abstracts, advices of credit, repayment records, and credit agreements.

3. The Depositary shall deliver to the ARB an advice of custody fully describing the collateral security covered by this Agreement. A description of each item of collateral security covered by this Agreement must include, at a minimum, (1) the name of the obligors, (2) the name in which the collateral security is registered, (3) any CUSIP number or other account number identification, (4) the face value, and the current amount outstanding if different, (5) the issue date, (6) the maturity date, (7) the rate of interest, as appropriate, (8) the State and County where any real property securing the collateral security is located, (9) the address of the Depositary at which the collateral security is held, and (10) the purpose of the pledge; that is, to secure Term Investments under the terms of 31 CFR Part 203. Other descriptive information as specified from time to time by the Reserve Banks must also be provided.

4. A duly authorized officer of the Depositary will manually sign or endorse each advice of custody covering collateral security in which a security interest is granted by this Agreement. Each such advice of custody will be binding on the Depositary and its successors and assigns.

5. The Depositary warrants and covenants with respect to each item of collateral security that:

- (a) the Depositary has full, fee simple title, free of any claim or lien that is superior to the security interest granted under this Agreement, with full right to deliver, pledge, assign, and transfer the interests of owners in the collateral security;
- (b) the Depositary will not transfer, assign, or encumber the collateral security without the prior written approval of the ARB;
- (c) the collateral security is of a kind described in 31 CFR Part 380, the Bureau of Public Debt's web site at [www. publicdebt.treas.gov](http://www.publicdebt.treas.gov). and the Term Investment Option Auction Announcement governing the Term Investment being secured;
- (d) the Depositary will neither perform any act that will impair the security interest granted under this Agreement in the collateral security nor fail to perform any act necessary to avoid impairment of the security interest granted under this Agreement in the collateral security;
- (e) the Depositary will, at the Depositary's cost and expense, defend any action that may affect the security interest granted under this Agreement in, or the Depositary's title to the collateral security; and
- (f) each mortgage securing any mortgage note or bond included in the collateral security has been recorded in the depositary's favor in proper form and in the proper place for recording the borrower's interest in the particular real property described in the mortgage.

6. The ARB as fiscal agent of the United States may file or record any document that it deems necessary to perfect the security interest in any item of collateral security. At the ARB's

request, the Depositary shall reimburse the Reserve Bank for any expense incurred in perfecting the security interest in the collateral security, including, but not limited to, the cost of recording assignments of mortgages, filing financing statements, and obtaining lien searches. At the ARB's request, the Depositary also shall reimburse the Reserve Bank for any expense incurred in assembling, transporting, safekeeping, or managing collateral security pledged under this Agreement.

7. The Depositary will exercise ordinary care with respect to each item of collateral security in which a security interest is granted by this Agreement and will indemnify and hold the the States and its fiscal agent, the Reserve Banks, harmless from any damages, liabilities, costs, expenses, or losses of any kind arising from any damages, liabilities, costs, expenses, or losses of any kind arising from Depositary's breach of any term of this Agreement.

8. The Depositary agrees that each item of collateral security subject to a security interest granted by this Agreement will be deemed to be in the possession of the ARB as if it had been deposited at the premises of the ARB and that the ARB may, at any time during normal business hours of the Depositary and without advance notice, inspect the collateral security, the premises of the Depositary where the collateral security is kept, and all data, records, or other information pertaining to the collateral security.

9. The ARB will assign a collateral value to each item of collateral security in which a security interest is granted by this Agreement according to 31 CFR Parts 203 and 380 or according to the value assigned by the ARB to the same type of collateral security when pledged to secure borrowing from the ARB under its off-premises arrangements.

10. Upon notice of acceptance by the FRBSTL of this Agreement, the Depositary will provide to the ARB advices of custody that cover each item of collateral security in which a security interest is granted by this Agreement and that meet all the requirements of this Agreement. Periodically thereafter, as required by the ARB, but no less frequently than annually, the Depositary will provide the ARB's credit and discount function with a certification of the Depositary's internal auditor that each item of collateral in which a security interest is granted by this Agreement meets each requirement of this Agreement.

11. A Reserve Bank may refuse to accept a collateral security interest in any collateral that the Reserve Bank, in its discretion, deems unacceptable.

12. The Depositary warrants with respect to each item of collateral security that:

- (a) the collateral security has not been classified by examiners at the most recent examination of the Depositary;
- (b) the collateral security is not more than 60 days past due;
- (c) the collateral security has not been commented on adversely by internal or external auditors in the course of an audit of the Depositary; and

- (d) the collateral security has not been commented on adversely or placed in nonaccrual status by the Depositary's review procedure.

13. When the Depositary can no longer make a warranty required by paragraph 5 or 12 of this Agreement with respect to an item of collateral security, the Depositary will immediately notify the ARB of the fact and substitute for the item of collateral security an item of collateral security of at least equal value by which all required warranties can be made.

14. The Depositary will conspicuously mark its records in a manner satisfactory to the ARB to indicate that each item of collateral security in which a security interest is granted by this Agreement is subject to such a security interest. The Depositary will, at the request of the ARB, segregate each item of collateral security in which a security interest is granted by this Agreement from other collateral in the Depositary's possession. The Depositary will upon demand by the ARB and without advance notice, immediately surrender to the ARB, or its designee, all collateral security that is subject to security interests granted by this Agreement.

15. The Depositary will not, without the prior written approval of the FRBSTL, release or withdraw any collateral security in which a security interest is granted by this Agreement.

16. The Depositary will, at the request of the ARB and as otherwise agreed, promptly provide to the ARB statements of current balances and any other information pertaining to collateral security in which security interests are granted by this Agreement.

17. If the Depositary fails to fully perform any of its obligations under this Agreement or if it fails to fully repay any Investments or any interest thereon when due or on demand by the FRBSTL on behalf of the United States, or fails to pay when due amounts owed to the United States or the United States Treasury, the ARB or its assigns may sell each or any item of collateral security subject to a security interest granted by this Agreement at public or private sale. The Depositary acknowledges that, pursuant to 31 C.F.R. §203.21(e), by pledging acceptable securities which are not negotiable without the depositary's endorsement or assignment, it is appointing the ARB or its assigns as the Depositary's attorney-in-fact. The Depositary hereby ratifies and confirms all that the said attorney or its assigns may lawfully do or cause to be done in the exercise of the power of attorney herein granted.

18. The rights, remedies, power, security interests, and liens of the United States, and its fiscal agents the Reserve Banks, arising under this Agreement or under law or regulation shall continue unimpaired, and the Depositary shall be and will remain obligated in accordance with the terms of this Agreement, notwithstanding the partial exercise by a Reserve Bank of any right, remedy or substitution or addition of parties, compromise, or other indulgence granted by the Reserve Bank or the assignee of the United States or a Reserve Bank hereunder, and the Depositary hereby waives all notice of any delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consents to be bound thereby as fully and effectively as if the Depositary had expressly agreed thereto in advance.

19. This Agreement is binding upon the successors and assignees of the Depositary, including any receiver appointed under Federal or State law, and will inure to the benefit of the United States, the Reserve Banks, their successors, and assignees.

20. Each security interest in an item of collateral security granted by the Depositary under this Agreement secures, and the Depositary will pay upon demand by a Reserve Bank, all expenses (including, but not limited to, attorney's fees for legal services of every kind) of, or incidental to, the custody, preservation, care, use, sale or collection of, or realization upon, any items of collateral security in which a security interest is granted by this Agreement, or in any way relating to enforcement or protection of the United States or its fiscal agents', rights under this Agreement or law or regulation.

21. The Depositary will promptly notify the Reserve Banks of each and every exception to a representation previously made by the Depositary regarding an item of collateral security subject to a security interest granted by this Agreement, without regard to the manner of discovery of the exception.

22. The Depositary will, at the request of the ARB, take any and all action including, but not limited to, assignment or endorsement of an item of collateral security subject to a security interest granted by this Agreement, required from time to time by the Reserve Bank to better assign, transfer, validate, and perfect the security interest in an item of collateral security subject to the security interest granted by this Agreement.

23. The terms of this Agreement as interpreted in any written instructions issued by the Reserve Banks, will prevail in the event of any inconsistency between its terms and the terms of any advice of custody or other notice issued by the Depositary.

24. The Depositary does not assign to the United States or the Reserve Banks any of its obligations under any item of collateral security subject to a security interest granted by this Agreement.

25. This Agreement continues in full force and effect, and is binding on the Depositary, its legal representatives, successors and assigns, until all obligations of the Depositary arising from this Agreement, whether now existing or hereafter arising, have been fully satisfied and discharged. If at any time all obligations of the Depositary under this Agreement have been satisfied, this Agreement will be equally applicable to any new obligations of the Depositary thereafter arising under this Agreement until written notice of revocation of this Agreement shall be actually received by the Reserve Banks. No such written notice of revocation will release the Depositary or affect in any manner the rights, remedies, powers, security interests, and liens of the United States with respect to the collateral security in which security interests are granted by this Agreement and have arisen before actual receipt by the Reserve Banks of such written notice of revocation and full satisfaction and discharge of all obligations of the Depositary. Before any such revocation, the Depositary will deliver to the ARB each item of collateral subject to a security interest under this Agreement, if any obligation secured by the collateral security would be due and owing to the United States or the Reserve Banks acting as fiscal agent as of the close of the Depositary's banking day on the date of termination.



26. The FRBSTL may terminate this Agreement at any time without advance notice.

27. This Agreement is effective on the last date it is signed by the Reserve Banks.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed by the officer named below, who is duly authorized to enter into this Agreement.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Routing Transit Number

\_\_\_\_\_  
Address of Institution

By: \_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Type or Print Name and Title

This Agreement is hereby accepted and the Depositary is designated as a custodian of the collateral security in accordance with the terms specified herein.

Federal Reserve Bank of St. Louis  
As fiscal agent of the United States.

Federal Reserve Bank of \_\_\_\_\_  
As fiscal agent of the United States.

By: \_\_\_\_\_  
Signature Date

By: \_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Type or Print Name and Title

\_\_\_\_\_  
Type or Print Name and Title