January 26, 2001
Clearing Memo #219

TO: Memorandum to Institutions Maintaining Direct Wire Facilities with the National Book-Entry System ("NBES")

FROM: Gail Armendinger, Electronic Payments Officer
       Electronic Payments Department

SUBJECT: Expansion of Services for the National Book-Entry System – Fail Tracking

In our ongoing efforts to improve the service level of the securities transfer system and meet our customers’ needs, we plan to implement an operational enhancement referred to as “Fail Tracking,” which may result in a “Claim Adjustment.” We will make this service available for customer testing on July 16, 2001, and implement production on September 10, 2001.

A “fail” occurs when a Contract Date, indicated on a securities transfer message, is prior to the Settlement Date. A Claim Adjustment will be made when the following condition is met: when one or more Beneficiary Dates fall between the Contract Date and the Settlement Date. A Claim Adjustment will result in a transfer of funds from the message originator to the message receiver. It should be noted that Claim Adjustments associated with Fail Tracking will not apply to repurchase transfer messages. (For further information on repurchase transfer messages, refer to Clearing Memo #221.)

The Federal Reserve is not changing its current principal and interest processing or making changes to the transfer component of the Computer Interface Protocol Specifications ("CIPS"). The enhancement described in this clearing memo is in addition to our existing services. This enhancement will be activated at a securities product level, e.g., FMPC, FNMS. Initially, this feature will be used for all mortgage-backed securities on the Fedwire® securities transfer system. Prior to implementation, we will publish a list of the securities products eligible for this feature.

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