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# Treasury Financial Manual

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Transmittal Letter No. 596

Volume I

To: Heads of Government Departments, Agencies and Others Concerned

## 1. Purpose

This transmittal letter releases I TFM 6-9000: Securing Government Deposits in Federal Agency Accounts. This chapter describes Federal agency requirements to secure public money on deposit at financial institutions. It does not include requirements for money deposited in Treasury General Accounts (V TFM 1-2000), Treasury Tax and Loan Accounts (IV TFM 1-2300), Treasury Lockbox (I TFM 5-4600) and Plastic Card Accounts (I TFM 5-4700). This chapter also includes the requirements for collateralizing all Treasury time balances placed for these accounts.

## 2. Page Changes

### Remove

I TFM 6-9000

### Insert

I TFM 6-9000

## 3. Effective Date

October 23, 2000.

## 4. Inquiries

Direct questions concerning this transmittal letter to:

Cash Management Policy and Planning Division  
Financial Management Service  
Department of the Treasury  
401 14th Street, SW.  
Liberty Center, Room 420  
Washington, DC 20227  
Telephone: 202-874-6590  
Internet website: [www.fms.treas.gov/collateral](http://www.fms.treas.gov/collateral)

Richard L. Gregg  
Commissioner

Date: September 23, 2000

## Part 6—Chapter 9000

# SECURING GOVERNMENT DEPOSITS IN FEDERAL AGENCY ACCOUNTS

This chapter describes Federal agency requirements to secure public money on deposit at financial institutions. It does not include requirements for money deposited in Treasury General Accounts (V TFM 1-2000), Treasury Tax and Loan Accounts (IV TFM 1-2300), Treasury Lockbox (I TFM 5-4600) and Plastic Card Accounts (I TFM 5-4700). This chapter also includes the requirements for collateralizing all Treasury time balances placed for these accounts.

### Section 9010—Introduction

Agencies must ensure the security of public money. Public money includes, but is not limited to, revenue and funds of the United States and any funds the deposit of which is subject to the control or regulation of the United States or any of its officers, agents or employees.

Financial institutions must pledge collateral as requested by agencies. Federal Reserve Banks (FRBs) or authorized third-party custodians must secure and monitor pledged collateral.

### Section 9015—Authority

The Department of the Treasury (Treasury) issues these procedures under 31 Code of Federal Regulations (CFR) Part 202 (Depositaries and Financial Agents of the Federal Government) and Part 380 (Collateral Acceptability and Valuation). Those regulations govern:

- The designation of financial institutions as depositaries and financial agents of the Federal Government.
- The deposit of public money.
- The acceptability and valuation of collateral pledged to secure public money.

Title 31 CFR 202 incorporates former Treasury Department Circular No. 176, issued October 15, 1979.

### Section 9020—Definition of Terms

**Definitive Safekeeping System**—FRBs employ this client-server application to store and maintain information about definitive securities and other collateral not considered in book-entry form.

**Demand Deposits**—Funds held by a financial institution that the owner can withdraw at any time without prior notice are called demand deposits. Checking accounts are the most common form of a demand deposit.

**Designated Depository**—Treasury designates financial institutions as depositaries and financial agents of the Federal Government. Agencies then use these depositaries to hold public funds.

**FRB of the District**—The FRB of the district serves specific geographical areas. As used here, the “FRB of the district” refers to the FRB or branch that serves the designated depository for an agency. Depositaries located in Puerto Rico and the Virgin Islands are served by the New York FRB district. Depositaries located in Guam and Saipan are served by the San Francisco FRB district.

**Financial Institution**—A financial institution is defined as any bank, savings bank, savings and loan association, credit union, or similar institution. Financial institutions may be designated as depositaries and financial agents of the Federal Government if:

- They are insured by the Federal Deposit Insurance Corporation (FDIC).
- They are insured by the National Credit Union Administration (NCUA).
- They operate under the law of any State as banks, savings banks, savings and loans, building and loans, homestead associations or credit unions and are insured by the State, an agency thereof, or a deposit insurance corporation chartered by the State.
- They possess, under their charter, general or specific authority to perform the services outlined in 31 CFR 202.3(b).
- They possess the authority to pledge collateral to secure public funds.

**Government Deposits**—Government deposits consist of public money including, but not limited to, revenue and funds of the United States and any funds the deposit of which is subject to

the control or regulation of the United States or any of its officers, agents or employees.

**Official Custodian**—This refers to a Government official with plenary authority, including control of funds owned by the public unit the custodian is appointed or elected to serve. Control of public funds includes possession and the authority to establish accounts for such funds in insured depositories and to make deposits, withdrawals, and disbursements of such funds.

**National Book Entry System (NBES)**—This centralized FRB system facilitates the transfer of book-entry securities. This system also stores and maintains relevant information about those securities.

**National Customer Service Area (NCSA)**—The St. Louis FRB houses NCSA, which monitors collateral pledged to secure public monies.

**Pledgee Collateral Holdings Report (Holdings Report)**—The FRB uses this monthly report to document collateral pledged for agencies as security for public funds in depositories.

**Recognized Insurance Coverage**—The FDIC, the National Credit Union Share Insurance Fund and other qualified organizations recognized by Treasury under 31 CFR 202 provide recognized insurance coverage.

**Security Account Collateral Monitoring Recap Report (Recap Report)**—The NCSA provides the monthly Recap Report to agencies summarizing balance and collateral values throughout the month.

**Time and Savings Deposits**—These deposits are subject to an interest penalty if withdrawn before a specific maturity date. Financial institutions may require advance notice of intent to withdraw savings deposits.

**Treasury Investment Program (TIP)**—The FRB uses this centralized computer system to receive information on tax collections, invest funds and monitor

collateral pledged to secure public money on behalf of Treasury.

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### Section 9025—Responsibilities for Public Money

Treasury's Financial Management Service (FMS) promulgates rules and provides guidance for the security of deposited public money. Title 31 CFR 202 and its associated collateral releases offer broad policy guidance. In the TFM, FMS publishes policy guidance and detailed procedures for agencies and FRBs. Each agency must maintain all collateral releases and related materials. They should use this material to assure the security of deposited public money.

Treasury's Bureau of the Public Debt (BPD) determines the types of collateral depositories can use to secure deposits of public money. That agency also determines collateral value.

Each agency must:

- Ensure that funds under its control are handled in accordance with 31 CFR 202.
- Ensure it has statutory authority to hold public money outside Treasury's cash account (I TFM 6-8000) before placing it in a designated depository account.
- Follow the depository guidelines (I TFM 6-8030.20) for determining when deposits must be made.
- Ensure that the financial institution holding public money has been designated a "Depository and Financial Agent of the Government," pursuant to 31 CFR 202.2 (Designations).
- Establish a collateral account with the NCSA through FMS by providing FMS with a list of collateral contacts using the Federal Agency Collateral Contact Information form. See Appendix 1.

- Provide FMS with a timely annual update of contact information.
- Notify FMS immediately when there are changes to authorized individuals or the certifying official (see Section 9045.30). Agencies should submit this form electronically whenever possible. See the website at [www.fms.treas.gov/collateral](http://www.fms.treas.gov/collateral).
- Provide timely address changes to FMS.
- Notify FMS in writing when canceling a "V" account. The agency must state that it no longer has collateral holdings and no longer needs the "V" account.
- Develop and maintain internal operating procedures to ensure the security of public money. FMS may request a copy of agency procedures.
- Provide NCSA with current information on collateralized amounts. This allows NCSA to maintain sufficient collateral in excess of the recognized deposit insurance limit (generally \$100,000). See 12 CFR 330 (Deposit Insurance Coverage).
- Maintain and monitor agency collateral records by reviewing monthly FRB Recap and Holdings Reports.

All FRBs must:

- Secure pledged collateral to protect public funds.
- Open collateral accounts in NBES.
- Value collateral.

The NCSA at the St. Louis FRB must:

- Ensure that pledged collateral is eligible and sufficient to secure deposits of public money.
- Maintain and distribute form FMS 5902: Resolution Authorizing Execution of

Depository, Financial Agency, and Collateral Agreement, and form FMS 5903: Depository, Financial Agency, and Collateral Agreement.

- Maintain a current list of collateral contacts.
- Provide each agency with a monthly Recap Report.
- Provide each depository with a Pledgor Collateral Recap Report.
- Notify depositories when they are ineligible to increase participation in this program.

The Richmond FRB must:

- Provide each agency with a monthly Holdings Report.

Financial institutions must:

- Complete FMS 5902 and 5903 (available from NCSA) and submit them to NCSA.
- Pledge sufficient eligible collateral security as required by the Secretary of the Treasury.
- Provide agencies and FRBs with requested information.
- Advise agencies when the depository is not able or willing to increase participation in the program.

FMS must:

- Assign collateral account numbers (referred to as “V” accounts) and provide agency information to the FRB so it may establish accounts.
- Send annual release notices to agencies reminding them to update their Federal Agency Collateral Contact Information form.
- Establish collateral policy (except acceptability and valuation).
- Provide FRBs with authorization and contact information.

- Provide FRBs with timely address changes.
- Maintain “V” account numbers.

BPD must:

- Establish and maintain lists of acceptable collateral and valuations. BPD periodically distributes criteria for acceptable collateral and its valuation. See the website at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov) or the FRB’s Financial Services website at [www.frb services.org](http://www.frb services.org).

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### Section 9030—Selection of a Depository

An agency with statutory authority to hold public money outside of Treasury’s cash account must deposit funds in a financial institution meeting the requirements of 31 CFR 202. Agencies are encouraged, but not required, to use minority financial institutions as depositories whenever these institutions can provide required banking services without an appreciable increase in cost or risk to the Government. Treasury’s Minority Bank Deposit Program (MBDP) is a voluntary program to encourage agencies, State and local governments, and the private sector to use participants as depositories and financial agents. FMS annually certifies qualified minority institutions and maintains a roster of MBDP participants. See the website at [www.fms.treas.gov/mbdp](http://www.fms.treas.gov/mbdp).

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### Section 9035—Establishing a Federal Agency Account

Every agency must use the FMS assigned 4-digit alphanumeric agency account number (such as V000) to pledge collateral. Each agency must use its account number to establish an account at an authorized depository. It also must use this number every time it

requests an increase or decrease in collateral. FMS assigns agency account numbers.

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### Section 9040—Securing Agency Accounts

All public money deposited in a depository must be fully secured at all times. The current Federal deposit insurance limit per insured account is \$100,000. Public money is considered sufficiently secured if:

- The total amount of agency deposits in a single depository is less than the recognized deposit insurance limit.

OR

- The depository pledges eligible collateral before an agency deposit exceeding the recognized deposit insurance limit.

The total value of Treasury time balances, placed by FMS for depository services, must be 100 percent collateralized at all times.

#### 9040.10—FDIC Regulations

Under FDIC regulations:

- Agency deposit accounts maintained at different branches or offices of the same insured depository are not separately insured.
- Each official custodian of public money, however, is insured up to \$100,000 for the aggregate of all time and savings deposits and up to \$100,000 for the aggregate of all demand deposits. See 12 CFR 330.15(a).

#### 9040.20—Securing Deposits with Collateral

When an agency deposits public money exceeding the recognized deposit

insurance limit (generally \$100,000), the agency must request that the depository pledge eligible collateral to secure the uninsured amount. The depository must pledge collateral with an FRB or an authorized third-party custodian approved by the FRB. If a third-party custodian is used, the depository must notify the FRB by a trust receipt.

The NCSA must ensure the depository pledges collateral according to the list of “Acceptable Collateral for Pledging to Federal Agencies” under 31 CFR 202 and 380. See the website at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov).

This collateral requirement applies to total agency deposits at a depository that exceed the applicable insurance limit, regardless of how many accounts and whether or not the deposits are disbursed among several branches.

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## **Section 9045—Pledging Collateral**

### **9045.10—Initial Deposits**

When an agency deposits public money in a designated depository account, the agency must contact the depository. If the balance exceeds the deposit insurance limit, the agency must request that the depository pledge collateral to the FRB using the agency’s designated “V” account number (such as V000). This designated account number must be used on all collateral transactions.

FDIC regulations provide that each “official custodian” of public money in a depository is separately insured for \$100,000 in the aggregate for “time and savings deposits” and \$100,000 in the aggregate for all “demand deposits.” The FDIC regulations do not limit the number of official custodians an agency may have. Therefore, if an agency has three official custodians, each with a “time and savings deposit” account and “demand

deposit” account, each account is insured for \$100,000.

When an agency anticipates its deposits will exceed the insurance limit, an authorized collateral contact individual must inform the NCSA of the amount to be collateralized and the name of the pledging financial institution.

### **9045.20—Requesting Additional Collateral**

The NCSA ensures that sufficient collateral has been pledged to cover an agency’s deposits at the designated depository. When the NCSA requires additional collateral to secure these accounts, the NCSA will request the depository pledge additional collateral. The agency must review the Recap Report from the Richmond FRB and the Holdings Report from the NCSA to ensure that the amount to be collateralized is adequate. The agency must notify NCSA of changes to the amount to be collateralized. NCSA will contact the depository to request additional collateral.

### **9045.30—Information Required by FMS**

Agencies must provide FMS an electronic or the original Federal Agency Collateral Contact Information form (see Appendix 1). This form replaces the Federal Agency Authorization to Release Collateral form, the information sheet and the signature form. Each agency must update this new form annually as of January 1, or whenever it changes contact information or certifying officials. The agency should send each form to FMS, which will forward a final list to NCSA.

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## **Section 9050—Releasing Collateral**

### **9050.10—NCSA’s Responsibilities**

The NCSA approves the release of collateral. If a depository requests the release of collateral causing a deficiency, the NCSA will contact an authorized name on the Federal Agency Collateral Contact Information form to determine the exact amount to be collateralized. If the collateral release does not cause a deficiency, the NCSA may release it.

Neither NCSA nor agencies can release collateral held by an insolvent depository. Only FMS has that authority (see Section 9060.20).

### **9050.20—Agency Responsibilities**

NCSA will contact agencies when it determines a collateral deficiency would result from a collateral release. Agencies must confirm the amount to be collateralized. If an agency wishes to close an account, it must notify NCSA either by telephone or in writing that the account balance is zero and collateral is no longer needed. The agency also must notify FMS in writing that the agency no longer needs the “V” account.

Only after an agency account is debited, which eliminates the need for collateral, will NCSA release collateral.

When NCSA releases pledged collateral, an agency must:

- Make the appropriate accounting debits to the agency internal records.
- Verify that all information regarding the release is correct upon receipt of the Recap Report.
- Retain this report as part of its collateral records.

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**Section 9055—Monitoring Collateral Levels**

NCSA ensures that agency deposits always are protected. Agencies must maintain adequate records to ensure that the amount to be collateralized on agency reports accurately reflects the amount on deposit. Agencies must document that deposits are protected at all times and ensure NCSA has accurate account balance information.

**9055.10—Verifying Collateral Amounts**

Agencies must verify that the Recap and Holdings Reports accurately reflect amounts to be collateralized. Agencies must maintain individual collateral balances independently of the Holdings Report balance.

**9055.20—Monthly Reconciliation Statements**

The Richmond FRB provides a monthly Holdings Report to each agency. The NCSA provides a monthly Recap Report to each agency. Each agency must review the statements to ensure that the amount to be collateralized accurately reflects the account balance on deposit at the designated depository. The agency will notify the NCSA immediately if there is a discrepancy on either report.

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**Section 9060—Mergers and Insolvencies**
**9060.10—Mergers**

It is important that agency and NCSA collateral records correctly reflect the outcome of depository mergers. This

ensures that collateral deficiencies do not develop. When an agency maintains accounts with two depositories, each account is separately insured by recognized deposit insurance (generally \$100,000). If two depositories serving the same agency merge, the surviving depository may need to pledge additional collateral to replace the insurance coverage lost because of the merger.

**9060.20—Insolvencies**

If an agency maintains public funds in an account at a depository that becomes insolvent, the agency must immediately contact FMS (see the Contacts page). FMS will guide agencies in the disposition of the collateral on deposit with the depository. The proceeds of collateral on deposit with a depository will be applied to satisfy any claim of the United States against the depository.

## **CONTACTS**

***Direct inquiries concerning this chapter (except for acceptability and valuation issues as noted below) to:***

Cash Management Policy and Planning Division  
Financial Management Service  
Department of the Treasury  
401 14th Street, SW.  
Liberty Center, Room 420  
Washington, DC 20227  
Telephone: 202-874-6590

***Direct inquiries concerning acceptable collateral and collateral valuation to:***

Government Securities Regulations Staff  
Bureau of the Public Debt  
Department of the Treasury  
999 E Street, NW., Room 315  
Washington, DC 20235  
Telephone: 202-691-3632

For information describing acceptable collateral and its valuation, see BPD's website at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov) and the Federal Reserve's Financial Services website at [www.frbservices.org](http://www.frbservices.org).

For information on collateral policy, see FMS' website at [www.fms.treas.gov/collateral](http://www.fms.treas.gov/collateral).

### Federal Agency Collateral Contact Information

**Instructions:** Provide the names and titles of collateral contacts for your agency. Have this form signed and certified by an authorized agency official. Mail this **original** to the Financial Management Service. This form must be updated annually or whenever there is a change in collateral contacts. The individuals listed below are collateral contacts to secure Federal Government deposits held in safekeeping by Federal Reserve Banks under the terms of Title 31 CFR Part 202.

Agency account number V \_\_\_\_\_

\_\_\_\_\_  
Name of Agency (Type or Print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State ZIP Code

\_\_\_\_\_  
Name and title of authorized collateral contact (Type or Print) (Area code) Telephone number

\_\_\_\_\_  
Name and title of authorized collateral contact (Type or Print) (Area code) Telephone number

\_\_\_\_\_  
Name and title of authorized collateral contact (Type or Print) (Area code) Telephone number

\_\_\_\_\_  
Name and title of authorized collateral contact (Type or Print) (Area code) Telephone number

I hereby certify that the above named official(s) are collateral contacts:

\_\_\_\_\_  
Signature Date

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

\_\_\_\_\_  
Telephone Facsimile Email

Send original to:  
Financial Management Service  
Financial Services Division  
401 14th Street, SW., Room 318A  
Washington, DC 20227

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