



Treasury Financial Manual

Transmittal Letter No. 686

Volume I

To: Heads of Government Departments, Agencies, and Others Concerned

1. Purpose

This transmittal letter releases revised I TFM 6-9000: Securing Government Deposits in Federal Agency Accounts. This chapter describes Federal agency requirements for securing public money on deposit at depositories.

2. Page Changes

Remove

Table of Contents for Part 6 (T/L 680)

I TFM 6-9000 (T/L 596)

Insert

Table of Contents for Part 6

I TFM 6-9000

3. Effective Date

This transmittal letter is effective immediately.

4. Inquiries

Direct questions concerning this transmittal letter to:

Director, Bank Policy and Oversight Division
Federal Finance
Financial Management Service
Department of the Treasury
401 14th Street, SW., Room 316
Washington, DC 20227
Telephone: 202-874-7055

Date: June 20, 2012

David A. Lebryk
Commissioner

This page was intentionally left blank.

Part 6 – Chapter 9000

Securing Government Deposits in Federal Agency Accounts

This chapter describes Federal agency requirements for securing public money on deposit at depositories.

Section 9010—Applicability

When a Federal agency places funds on deposit with a financial institution, the financial institution must pledge collateral under conditions described in this chapter. The pledging of collateral by a financial institution is necessary to protect the Federal Government against risk of loss. State, local, and municipal deposits are not covered under this chapter.

Section 9015—Authority

See, *inter alia*, 12 U.S.C. 90, 265, 266, and 1789a; 31 U.S.C. 321 and 3303; and 31 CFR 202 and 380.

Section 9020—Definitions

Collateral Management System (CMS)—An application operated by the Federal Reserve Bank (FRB) that maintains a record of and values collateral pledged in Fedwire book-entry, non-Fedwire book-entry, or in definitive (physical) form for all Treasury collateral programs administered by the FRBs. FRBs process collateral transactions maintained and valued on this system.

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

Depository—A financial institution designated by Treasury to hold public

money and perform other services per 31 CFR 202. Agencies that have the requisite statutory authority to hold public funds outside of the Treasury must use depositories to hold those funds.

Federal Reserve Banks (FRBs)—Fiscal agents of the Federal Government that serve specific geographical areas and act as custodians of collateral pledged to Government agencies.

Financial Institution—A bank, savings and loan, credit union, or other such entity as defined under 31 CFR 202.

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

Official Custodian—A Government official that has plenary authority, including control of funds possessed 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.

Recognized Insurance Coverage—Insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund, administered by the National Credit Union Administration, and other qualified organizations recognized by Treasury under 31 CFR 202.

Security Account Reports—Two essential reports available in the

Treasury Collateral Management and Monitoring (TCMM) application. The FRB Security Account Holdings Report is available monthly. This report lists all securities pledged to an agency. Additionally, the Collateral Monitoring Recap Report is available monthly and provides agencies with a recap of security collateral values and the amount to be collateralized for their V accounts (see below) throughout the month.

Time and Savings Deposits—Deposits 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 Collateral Management and Monitoring (TCMM)—A centralized application operated by the Federal Reserve to monitor securities and other financial assets pledged as collateral to secure public funds.

Treasury Support Center (TSC)—An FRB unit providing centralized customer service for Treasury collateral programs for eligible securities, or other financial assets pledged to secure public monies.

V Account—A four-digit alphanumeric collateral account number (such as V000) assigned to a Federal agency to which collateral can be pledged by a depository. The V account number is established in CMS and NBES, and it is used in TCMM.

Section 9025—Responsibilities for Public Money

Treasury's Financial Management Service (FMS) promulgates rules and provides guidance for the security of public money on deposit in depositories. 31 CFR 202 and related collateral guidance in 31 CFR 380 are the rules outlining broad policy objectives with securing such funds. The TFM provides more detailed policy guidance and detailed procedures that agencies, depositories, and FRBs must follow to ensure the funds are secured. Each agency must remain informed of and compliant with the latest collateral regulations, rules, and procedures.

Treasury's Bureau of the Public Debt (BPD) determines the types of acceptable collateral depositories can use to secure deposits of public money. BPD also determines appropriate margins on pledged collateral.

The following subsections outline the distribution of responsibilities for securing deposits of public money.

9025.10—Agencies

Each agency must:

- Establish a TCMM account and V account by completing the TCMM Agency Access Form on the FMS Web site at <http://www.fms.treas.gov/collateral/index.html>.
- Provide the TSC with a timely annual update of contact information.
- Notify the TSC immediately when there are changes to authorized individuals. See the FMS Web site at <http://www.fms.treas.gov/collateral/index.html> to obtain the form to update contact information.
- Provide timely address changes to the TSC.
- 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.
- Ensure that TCMM has the most accurate and up-to-date amount on deposit to be collateralized. This allows the TSC to maintain sufficient collateral in excess of the recognized deposit insurance limit (generally \$250,000). See 12 CFR 330 (Deposit Insurance Coverage).
- Monitor agency collateral records by reviewing the monthly FRB Security Account Holdings Report and the Collateral Monitoring Recap Report. Both reports are available in the TCMM application.

9025.20—FRBs

All FRBs must secure pledged collateral to protect public funds.

9025.30—TSC

The TSC must:

- Ensure that pledged collateral is eligible and sufficient to secure deposits of public money.
- Maintain and distribute FMS 5902: Resolution Authorizing Execution of Depository, Financial Agency, and Collateral Agreement; and FMS 5903: Depository, Financial Agency, and Collateral Agreement. See the FMS Web site at <http://www.fms.treas.gov/collateral/index.html> to obtain these forms.
- Maintain a current list of collateral contacts.
- Make available the FRB Security Account Holdings Report and the Collateral Monitoring Recap Report to agencies on a monthly basis through TCMM.

- Make available the Collateral Monitoring Recap Report to depositories on a monthly basis through TCMM.
- Open collateral accounts in NBES, CMS, and TCMM.
- Value collateral.

9025.40—Depositories

Depositories must:

- Complete FMS 5902 and FMS 5903 (see the FMS Web site at <http://www.fms.treas.gov/collateral/index.html>) and submit these forms to the TSC to establish collateral security accounts.
- 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 pledge collateral.

9025.50—FMS

FMS must:

- Assign and maintain V account numbers and provide agency information to the FRB so that the FRB may establish accounts.
- Establish the collateral policy (except for acceptability and valuation).

9025.60—BPD

BPD must:

- Establish and maintain lists of acceptable collateral and assigned margins.
- Periodically update the criteria and guidance for acceptable collateral and applicable margins. See the BPD Web site at <http://www.treasurydirect.gov>.

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. The 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 FMS Web site at <http://www.fms.treas.gov/mbdp/index.html>.

Section 9035—Establishing a Federal Agency Collateral Account

To acquire a V account, agencies must fill out and submit the TCMM Agency Access Form (see the FMS Web site at <http://www.fms.treas.gov/collateral/index.html>). Each agency must use its V account number to establish an account at an authorized depository. Also, agencies use their V accounts in TCMM for managing their collateral requirements. FMS assigns agency account numbers.

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 \$250,000. Public money is considered sufficiently secured if:

- The total amount of an agency's deposits in a single depository is

less than the recognized deposit insurance limit.

OR

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

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 in a depository is separately insured for \$250,000 in the aggregate for "time and savings deposits" and \$250,000 in the aggregate for all "demand deposits." See 12 CFR 330.15(a). 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 \$250,000.

9040.20—Securing Deposits With Collateral

When an agency's deposits of public money exceed the recognized deposit insurance limit (generally \$250,000), 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 TSC 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 BPD Web site at <http://www.treasurydirect.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 spread among several branches.

Section 9045—Pledging Collateral

9045.10—Initial Deposits

When an agency deposits public money in a depository account for the first time and the balance exceeds the deposit insurance limit, the agency must request that the depository pledge collateral to the FRB using the agency's V account. This designated account number must be used on all collateral transactions.

When an agency anticipates its deposits will exceed the insurance limit, it must provide the TSC with information about the pledging depository, an authorized collateral contact, and the amount to be collateralized. The agency must await notification from the TSC that an account relationship has been set up in NBES and CMS for the agency, and that agency access to TCMM has been established. After access to TCMM has been established, the depository must pledge sufficient collateral, as shown in TCMM, to cover an agency's deposits at the depository.

9045.20—Requesting Additional Collateral

Using TCMM, the TSC monitors collateral balances to ensure that sufficient collateral has been pledged to cover an agency's deposits at the depository. When the agency requires additional collateral to secure these deposits, the agency requests the depository to pledge additional collateral. The agency must review the FRB Security Account Holdings Report and the Collateral Monitoring Recap Report available in TCMM to ensure that the amount to be collateralized is adequate. The agency must ensure that TCMM has the most accurate amount to be collateralized so that TSC can monitor

the collateral pledged for sufficient value. The TSC will contact the depository to request additional collateral, if necessary.

9045.30—Information Required by FMS

Initially, agencies must provide the TSC with a completed TCMM Agency Access Form (see the Web site at <http://www.fms.treas.gov/collateral/index.html>) and must annually recertify agency TCMM users and contacts.

Section 9050—Releasing Collateral

9050.10—TSC's Responsibilities

The TSC approves all releases of collateral. The TSC may release collateral as long as such action does not cause an account deficiency. If a depository requests the release of collateral that would cause a deficiency, the TSC instructs the agency to inform the depository of this potential deficiency situation and requests the depository to pledge replacement collateral. If there are questions regarding the amount to be collateralized, the TSC works with the depository to contact the agency to determine the exact amount to be collateralized. Updates for the amount to be collateralized are not processed without proper authorization from the agency.

In the case of a failed or insolvent depository, only FMS has the authority to instruct the TSC to release collateral (see subsection 9060.20).

9050.20—Agency Responsibilities

The TSC contacts agencies if it is determined that a deficiency would result from a collateral release. Agencies must confirm that the amount to be collateralized is sufficient. The agency may reduce the amount to be collateralized if applicable.

If an agency wants to close a V account, it must notify the TSC by telephone or in writing that the deposit 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 sets the amount to be collateralized to zero within TCMM, which eliminates the need for collateral, will the TSC release collateral.

When the TSC releases pledged collateral, an agency must:

- Update internal record keeping.
- Verify that all information regarding the release is correct upon receipt of the Collateral Monitoring Recap Report.
- Retain this report as part of its collateral records.

Section 9055—Monitoring Collateral Levels

The TSC ensures that collateral values equal or exceed the amount to be collateralized. Agencies must maintain adequate records to ensure that the amount to be collateralized on agency reports accurately reflects the amount on deposit over the applicable deposit insurance coverage. Agencies must document that deposits are protected at all times and must ensure that the TCMM has an accurate amount to be collateralized. TCMM provides reports and real-time inquiries to assist agency collateral management and record keeping.

9055.10—Verifying Collateral Amounts

Agencies must ensure that TCMM is reporting the most accurate and up-to-date amount on deposit to be collateralized. They must maintain individual subsidiary records that can independently verify each TCMM amount to be collateralized balance.

9055.20—Monthly Reconciliation Statements

On a monthly basis, the FRB Security Account Holdings Report and the Collateral Monitoring Recap Report are available in TCMM for each agency. Each agency must review these reports to ensure that the holdings are sufficient, and, most importantly, that the amount to be collateralized balance shown is correct and reflects the account balance (in excess of applicable insurance) on deposit at the depository. The agency must notify the TSC immediately if there is a discrepancy in the amount to be collateralized.

Section 9060—Mergers and Insolvencies

9060.10—Depository Mergers

It is important that agency and TSC 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 \$250,000). 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—Depository 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, not just the amount placed on deposit by the agency.

Contacts

Direct questions regarding this chapter to:

Director, Bank Policy and Oversight Division
Federal Finance
Financial Management Service
Department of the Treasury
401 14th Street, SW., Room 316
Washington, DC 20227
Telephone: 202-874-7055

Contact the TSC at:

TCMM Treasury Support Center
Federal Reserve Bank of St. Louis
1421 Dr. Martin Luther King Drive
St. Louis, MO 63016-3716
Telephone: 888-568-7343
Fax: 866-707-6574

For information describing acceptable collateral and its valuation, see the BPD Web site at <http://www.treasurydirect.gov>.

For information on collateral policy, see the FMS Web site at <http://www.fms.treas.gov/collateral/index.html>.

This page was intentionally left blank.

PART 6 - OTHER FISCAL MATTERS

TABLE OF CONTENTS

Chapter	Section	Title
1000		INTRODUCTION
	1010	Scope and Applicability
	1015	Authority
	1020	Contacts Page
	1025	Forms
	1030	Distribution Contacts
2000		CASH ADVANCES UNDER FEDERAL GRANT AND OTHER PROGRAMS
	2010	Scope and Applicability
	2015	Authority
	2020	Definition of Terms
	2025	Limitation and Timing of Cash Advances
	2030	Direct Treasury Check Method
	2035	Letter of Credit
	2040	Letter-of-Credit Method
	2045	Forms Prescribed for Procedures in this Chapter
	2050	Preparation of Forms
	2055	Modified Letter-of-Credit Techniques
	2060	Accounting and Reporting Requirements for Letter-of-Credit Transactions
	2065	Instructions to Secondary Recipients
	2070	Termination of Advance Methods of Financing Grant and Other Programs
	2075	Responsibilities of Federal Program Agencies
	2080	Waivers
	2095	Inquiries
		Appendices
		1. Treasury Department Circular No. 1075
		2. FMS Form 5401: Payment Voucher on Letter of Credit
		3. FMS Form 6652: Statement of Differences - Disbursing Office Transactions Letters of Credit Payment Vouchers for Month of _____ 19 _____
		4. SF 210: Signature/Designation Card for Certifying Officer
		5. SF 1194: Authorized Signature Card for Payment Vouchers on Letter of Credit
		6. SF 1193: Letter of Credit Explanation of Certain Information to be Included on the SF 1193, Letter of Credit

Chapter	Section	Title
3000		PAYMENTS OF UNCLAIMED MONEYS AND REFUND OF MONEYS ERRONEOUSLY RECEIVED AND COVERED
	3010	Authority
	3015	Responsibility of Agencies To Dispose of Unclaimed Moneys
	3020	Review of Agency Unclaimed Money Accounts
	3025	Procedures for Transferring Unclaimed Moneys
	3030	Reporting of Transfers
	3035	Settlement Action
	3040	Payments Made from Account 20X6133, "Payment of Unclaimed Moneys"
	3045	Procedures for Using Account 20X1807, "Refund of Moneys Erroneously Received and Covered"
	3050	Payments from Account 20X1807
	3055	Internal Audit by Agencies
	3060	Maintenance of Records
	3065	Special Reporting Contacts
3100		CERTIFYING PAYMENTS AND RECORDING CORRESPONDING INTRAGOVERNMENTAL RECEIVABLES IN THE FEDERAL GOVERNMENT'S JUDGMENT FUND
	3110	Scope and Applicability
	3115	Authority
	3120	The Financial Management Service's (FMS's) Role in Certifying Payments From the Judgment Fund
	3125	General Guidance for Certification of Payments
	3130	Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism
	3135	Agencies' Reimbursement Obligations
	3140	Accounting Requirements for Judgment Fund Payments and Reimbursements Contacts
		Appendices
		1. FMS Form 194: Judgment Fund Transmittal
		2. FMS Form 196: Judgment Fund Award Data Sheet
		3. FMS Forms 197 I: Instructions for FMS Form 197: Voucher for Payment FMS Form 197: Judgment Fund Voucher for Payment
3200		POLICY FOR PROVIDING DEPOSITARY AND OTHER FINANCIAL SERVICES TO FEDERAL AGENCIES
	3210	Background
	3215	Authority
	3220	Legally Required Services
	3225	Legally Authorized Services
	3230	Existing and Best-Suited FMS Collections and Payment Mechanisms
	3235	Criteria for Determining Whether a Financial Service Will Be Provided on a Reimbursable or Nonreimbursable Basis
	3240	Economy Act Considerations Contacts

Chapter	Section	Title
4000		INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM
	4010	Authority
	4015	Introduction
	4020	Definitions
	4025	Originating Intragovernmental/IPAC Transactions
	4030	Recording and Reporting Automated Interagency Transactions
	4035	Adjustments of Erroneous Charges
	4040	Restrictions
		Contacts
5100		RECOVERING UNCLAIMED FEDERAL FINANCIAL ASSETS
	5110	Authority
	5115	Background
	5120	Designating Agency Asset Recovery Contact
	5125	General Guidelines for Agency Procedures
	5130	Using Finders
		Contacts
		Appendix: Unclaimed Property Offices
7000		REPORTING INTEGRATED FUNDING TRANSACTIONS OF FEDERAL ASSISTANCE PROGRAMS
	7010	Scope and Applicability
	7015	Authority
	7030	Definitions
	7040	Reporting Requirements
	7050	Operating Requirements
	7095	Inquiries
		Appendix: SF 224 (Illustration)
8000		CASH MANAGEMENT
	8010	Scope and Applicability
	8015	Authority
	8020	Definition of Terms
	8025	Billings and Collections
	8030	Deposits
	8040	Disbursements
	8050	Cash Advances
	8060	Cash Held Outside Treasury
	8065	Restrictions on Financial Transactions with Foreign Countries and International Organizations
	8070	Foreign Currency
	8075	Review, Monitoring, and Reporting of Agency Cash Management
	8080	Noncompliance with Collection, Deposit or Disbursement Improvements

Chapter	Section	Title
	8085	Cash Management Improvements Fund (CMIF)
	8090	Waivers, Exemptions, and Other Applicable Regulations Contacts
8500		CASH FORECASTING REQUIREMENTS
	8510	Scope and Applicability
	8515	Authority
	8520	Background and Concepts
	8525	Definitions
	8530	General Large Dollar Notification Reporting Requirements for Deposits and Disbursements
	8535	Reporting Requirements for Daily Disbursements
	8540	Reporting Requirements for Defense Department EFT Vendor Payments
	8545	Reporting Requirements for U.S. Military EFT Payroll
	8550	Other Reporting Requirements for Cash Forecasting
		Contacts
		Appendices
		1. Examples of Large Deposits and Disbursements for Which Agencies Must Report LDNs to FMS's Cash Forecasting Division
		2. FMS Form 187: Agency Report for Treasury Cash Forecasting Advance Notice of Large Deposits or Disbursements of \$50 Million or More
9000		SECURING GOVERNMENT DEPOSITS IN FEDERAL AGENCY ACCOUNTS
	9010	Applicability
	9015	Authority
	9020	Definitions
	9025	Responsibilities for Public Money
	9030	Selection of a Depository
	9035	Establishing a Federal Agency Collateral Account
	9040	Securing Agency Accounts
	9045	Pledging Collateral
	9050	Releasing Collateral
	9055	Monitoring Collateral Levels
	9060	Mergers and Insolvencies
		Contacts