



FEDERAL RESERVE BANK  
OF DALLAS

HELEN E. HOLCOMB  
FIRST VICE PRESIDENT AND  
CHIEF OPERATING OFFICER

DALLAS, TEXAS  
75265-5906

June 1, 2001

**Notice 01-45**

**TO:** The Chief Operating Officer of each  
financial institution and others concerned  
in the Eleventh Federal Reserve District

**SUBJECT**

**Rescission of the Fedwire Third-Party Access Policy**

**DETAILS**

The Board recently determined that the Fedwire Third-Party Access Policy is no longer necessary and that any risks to specific institutions resulting from their use of a service provider to initiate Fedwire transactions are more appropriately addressed through the normal supervisory process. The rescission of the policy has no effect on the permissibility of the Fedwire third-party outsourcing arrangements. Third-party arrangements continue to be permissible and will be reviewed as appropriate during the normal supervisory process.

To reflect the Board's action, Operating Circular 6 (*Funds Transfers Through Fedwire*) and Operating Circular 7 (*Book-Entry Securities Account Maintenance and Transfer Services*) have been revised. Most of the provisions addressing third-party access arrangements in Appendix C of Operating Circular 6 have been removed. Instead, the Operating Circulars describe the legal relationship between a depository institution, a third-party service provider, and the Reserve Banks in a new section 18 to Operating Circular 6. The Operating Circulars also continue to require that a depository institution wishing to use a third-party service provider, as well as the service provider, execute an agreement acknowledging the existence of the third-party access arrangement and agreeing to the terms of the Operating Circular.

The revisions to the Operating Circulars were effective April 9, 2001, and have been posted to the financial services web site at the following Internet address:

<http://www.frbervices.org/OperatingCirculars/index.cfm>.

**ATTACHMENT**

Attached is a copy of the amendments to Operating Circulars 6 and 7. Please insert them in the appropriate section of your Operating Circulars binder.

**MORE INFORMATION**

For more information, please contact Sharon Lyerly at (214) 661-0022. For additional copies of this Bank's notice or for hard copies of the Board's notices, contact the Public Affairs Department at (214) 922-5254 or access District Notices on our web site at <http://www.dallasfed.org/banking/notices/index.html>.

Sincerely,

A handwritten signature in cursive script that reads "Helen C. Holcomb". The signature is written in black ink and is positioned below the word "Sincerely,".

## **Amendments to Operating Circulars 6 and 7**

In connection with the rescission by the Board of Governors of the Federal Reserve System of its Fedwire third-party access policy, Operating Circular 6 “Funds Transfers through Fedwire” and Operating Circular 7 “Book-Entry Securities Account Maintenance and Transfer Services” are amended, effective April 9, 2001, as follows:

- (1) Operating Circular 6 is amended by adding the following Paragraph:

### **18.0 THIRD PARTY SERVICE PROVIDERS**

- 18.1 A depository institution holding a Master Account may authorize another institution to act as its Service Provider (the depository institution's agent for initiating, transmitting, and receiving a Funds Transfer or a Securities Transfer to or from the depository institution's account) by executing the agreement in Appendix C. Any such Funds Transfer or Securities Transfer is a fully authorized and effective Funds Transfer or Securities Transfer as if it were initiated, transmitted, or received by the depository institution.
- 18.2 A Funds Transfer or Securities Transfer initiated, transmitted, or received by a Service Provider is subject to this Operating Circular or Operating Circular 7 as appropriate and any other relevant operating circular(s) of the Reserve Bank, as well as any policy or regulation of the Board of Governors of the Federal Reserve System with respect to the wire transfer of funds, book-entry securities, electronic access and payments system risk.
- 18.3 The provision of these services by a Service Provider to a depository institution shall in no way affect or diminish any obligation or duty of the depository institution. For example, the depository institution shall retain full responsibility for management of its Master Account with respect to both its intraday and overnight positions. Any overdraft incurred is a binding obligation of the depository institution to the Reserve Bank holding its Master Account.
- 18.4 The initiation, transmission or receipt of a Funds Transfer or Securities Transfer by a Service Provider constitutes the initiation, transmission or receipt of the Transfer by the depository institution for purposes of authorizing the Reserve Bank to debit or credit the Master Account or Securities Account, as the case may be.
- 18.5 The depository institution and the Service Provider shall defend, indemnify, and hold the Reserve Banks harmless against any claim, loss, cost or expense, including, but not limited to, attorneys' fees and expenses of litigation, resulting from the third party access arrangement or the acts or omissions of either the depository institution or the Service Provider or their agents except, however, for any claim, loss, cost or expense arising solely out of a Reserve Bank's failure to exercise ordinary care.
- 18.6 The Administrative Reserve Bank reserves the right, without prior notice, to terminate any third party access arrangement covered by this Paragraph. A depository institution or Service Provider may terminate a third party access arrangement by providing prior no-

tice to the depository institution's Administrative Reserve Bank. Such notice shall be effective on the date stated in the notice, but no earlier than the close of the funds transfer business day of the day notice is received by the Administrative Reserve Bank.

(2) Operating Circular 6 is amended by renumbering current paragraphs 18 and 19 as paragraphs 19 and 20 respectively.

(3) Operating Circular 6 is amended by replacing all of Appendix C (including exhibits 1 and 2) with the following:

Appendix C

Third Party Service Arrangement

Attention: Manager, Funds Transfer Department and/or Securities Transfer Department

In accordance with Paragraph 18 of Operating Circular 6, we designate \_\_\_\_\_ as our Service Provider for purposes of initiating, transmitting and receiving [wire transfers of funds and/or book-entry securities transfers] where we are the transferor or transferee.

Name of Depository Institution  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

We agree to the terms of your Operating Circular 6 and agree to act as a Service Provider for \_\_\_\_\_ (“Depository Institution”). We plan to provide these services from our offices located at \_\_\_\_\_.

Name of Service Provider  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

(4) Operating Circular 6, Appendix C, Exhibit 3 is renumbered Exhibit 1 and Footnote 1 of this Exhibit is revised to read: “This exhibit provides an example of a board of directors' approval. A participant is not required to submit a board of directors' resolution.”

(5) Operating Circular 7, paragraph 5.1, is amended to read as follows:

5.1 Each Participant is responsible for all access to, and all debits and credits to, its Securities Accounts and its Master Account. A Participant may use the services of a third-party service provider, as described in and subject to Paragraph 18 and Appendix C of Operating Circular 6 on Funds Transfers through Fed-wire.