



FEDERAL RESERVE BANK  
OF DALLAS

**HELEN E. HOLCOMB**  
FIRST VICE PRESIDENT AND  
CHIEF OPERATING OFFICER

DALLAS, TEXAS  
75265-5906

August 30, 2002

**Notice 02-46**

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

**SUBJECT**

**Revisions to Operating Circular 1  
(Account Relationships)**

**DETAILS**

The Federal Reserve Banks are amending the appendices or agreements to their Operating Circular 1, *Account Relationships*, effective September 1, 2002. Appendix 5, *Transaction Settlement Authorization*, and Appendix 6, *Service Fee Settlement Authorization*, have been combined into one Appendix 5 titled *Transaction and Service Fee Settlement Authorization*. The wording in Operating Circular 1 has been amended to reflect the change in sections 2.8, 3.1, 4.2 and Appendix 1.

The amendments, which do not include any changes to account procedures, should simplify the settlement arrangement agreements for transactions and service fees for account holders.

**ATTACHMENT**

Revised Operating Circular 1 is attached. Please print a copy for your files. All operating circulars can be found on our Financial Services web site at [www.frbervices.org/industry/operatingcirculars.cfm](http://www.frbervices.org/industry/operatingcirculars.cfm).

**MORE INFORMATION**

For more information, please contact Finlay Higgins, Discount and Credit Department, (214) 922-5335. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at <http://www.dallasfed.org/banking/notices/index.html>.

Sincerely,

*Helen E. Holcomb*

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# OPERATING CIRCULAR 1

Effective September 1, 2002

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## 1.0 INTRODUCTION

### 1.1 SCOPE

This operating circular and its appendices (“Circular”) set forth the terms for opening, maintaining, and terminating a master account with a Federal Reserve Bank (“Reserve Bank”). It also contains general provisions regarding Reserve Bank services applicable to an institution whether or not it maintains an account at a Reserve Bank. Each Reserve Bank has issued an operating circular identical to this one.

An account is subject to Federal Reserve regulations and policies, such as those on payments system risk, reserve balances, and clearing balances, as they may be revised from time to time. An institution also should be familiar with Operating Circular 10, Lending, and other Reserve Bank operating circulars governing specific services. These circulars may be found on the Internet at <http://www.frb services.org>, and copies may also be obtained from each Reserve Bank.

### 1.2 DEFINITIONS

a) **Master Account** or **Account** means the record of financial rights and obligations of an account holder and the Reserve Bank with respect to each other, where opening, intraday, and closing balances are determined.

b) **Subaccount** means an information record of a subset of transactions that affect the master account. A subaccount does not reflect balances but does contain totals of debit and credit activity.

c) **Correspondent** means an institution that has authorized a Reserve Bank to make debits and credits to its master account on behalf of one or more other (respondent) institutions. The term also includes an institution that maintains reserve balances in its master account on behalf of one or more other (respondent) institutions.

d) **Respondent** means an institution that settles the debits and credits for some or all of its Reserve Bank transactions (other than Fedwire®<sup>1</sup> transactions and Fed funds checks) in the master account of another (correspondent) institution. The term also includes a nonmember institution that maintains its required reserve

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<sup>1</sup> Fedwire is a registered service mark of the Federal Reserve Banks.

balances in the master account of another (correspondent) institution.

## **2.0 ACCOUNT RELATIONSHIPS**

### **2.1 MASTER ACCOUNT**

Except as provided below, a separately chartered institution may maintain a single master account with only the Reserve Bank in whose District the institution is located (“Administrative Reserve Bank” or “ARB”; see Section 2.2). The master account may be used to maintain required reserve balances and other funds or securities balances. Debits and credits arising from transactions conducted by the institution on its own behalf and/or on behalf of others with or through any Reserve Bank, regardless of location, are posted to the master account.

An institution may have only one master account, except that:

- it may retain, for a transitional period not to exceed 12 months, the master account of a nonsurviving institution with which it has merged or consolidated. The Administrative Reserve Bank may restrict the use of such an account as it deems necessary or appropriate, and may require that the institution execute a security agreement covering multiple master accounts;
- a U.S. branch or agency of a foreign bank, an Edge corporation, or an agreement corporation may maintain a single master account, or it may maintain a master account for each group of offices located in the same state and the same Federal Reserve District; and
- an Administrative Reserve Bank may, in its discretion, allow multiple master accounts in other situations.

If an institution is allowed to have multiple master accounts, any reference in this Circular to “master account” or “account” should be read as “master accounts” or “accounts.”

### **2.2 ELIGIBLE ACCOUNT HOLDERS**

An institution may apply to open a master account with a Reserve Bank if the institution is located in the Reserve Bank’s District and is:

- a member bank, as defined in Section 1 of the Federal Reserve Act, 12 U.S.C. § 221;
- a depository institution, as defined in Section 19(b)(1)(A) of the Federal Reserve Act, 12 U.S.C. § 461(b)(1)(A). (Section 19(b)(1)(A) generally defines “depository institution” to include commercial banks, mutual savings banks, federal savings banks, savings and loan associations, and credit unions);
- a U.S. branch or agency of a foreign bank, as defined in Section 211.21(b) or (d) of Regulation K, 12 CFR § 211.21(b) or (d);
- an Edge or agreement corporation, as defined in Section 25A or 25 of the Federal Reserve Act, 12 U.S.C. §§ 611 *et seq.*, or §§ 601 *et seq.*, or
- any other entity authorized to apply to open a master account.

An institution is considered to be located in the Federal Reserve District specified in its charter or organizing certificate (or, if no such location is specified, in the District where its head office is located), unless it has been notified that the Board of Governors of the Federal Reserve System has determined otherwise (see Section 204.3(b)(2)(ii) of Regulation D).

## 2.3 ESTABLISHING AN ACCOUNT

To establish a master account with a Reserve Bank, an institution must execute a Master Account Agreement (Appendix 1). By opening or maintaining a master account, an institution agrees to be bound by all the provisions, as amended from time to time, of this Circular and of all other Reserve Bank operating circulars that cover services that it obtains from any Reserve Bank. Each master account is subject to Reserve Bank approval.

A foreign banking institution must execute the Foreign Banking Institution Account Agreement and exhibits instead of the Master Account Agreement. The Foreign Banking Institution Account Agreement is available on request.

## 2.4 SUBACCOUNTS

An institution may establish one or more subaccounts to accommodate its specific informational needs. To establish a subaccount, the Subaccount Designation (Appendix 2) must be

completed. If a new routing number (also known as an ABA number) is needed for a subaccount, refer to Section 2.7.

## 2.5 PASS-THROUGH RELATIONSHIPS

A pass-through relationship allows a nonmember respondent to hold its required reserve balances with another (correspondent) institution that maintains a master account with a Reserve Bank. A balance in the correspondent's master account is owed to the correspondent and is subject to its sole order.

To establish a pass-through relationship, both the correspondent and the respondent must complete the Pass-Through Agreement (Appendix 3). Each pass-through agreement is subject to Reserve Bank approval. A Reserve Bank may terminate any pass-through relationship in which the correspondent is deficient in its record keeping or other responsibilities. See Section 204.3(i) of Regulation D for pass-through rules.

For a respondent's options in settling for Reserve Bank services, see Section 3.

## 2.6 AUTHORIZED SIGNATURES

If an institution intends to draw checks against its master account (Fed funds checks), it must provide the Reserve Bank with a signature card (Appendix 4), which bears the signature of each individual who is authorized to sign such a check. A Reserve Bank is under no obligation to honor a check if it is not signed by an individual whose signature is on the signature card or if the account does not contain sufficient actually and finally collected funds to cover the debit and any other obligations the institution owes to any Reserve Bank. A Reserve Bank may pay a check drawn on the master account and signed by any individual whose signature is listed on the signature card, even if the check directs payment to the order of that person or to any other employee or agent of the account holder, and even if the proceeds may be used for the personal benefits of any such person. See also Section 3.

## 2.7 ACCOUNT NUMBERS

An institution's nine-digit routing number (also known as an ABA number) is used to identify its master account and to settle transactions processed at any Reserve Bank. Routing numbers are also used to identify respondents and subaccounts. A Reserve

Bank may, in its discretion, issue a customer identification number if an institution cannot obtain a routing number.

## 2.8 TERMINATING AN ACCOUNT OR RELATIONSHIP

Any Master Account Agreement, Pass-Through Agreement, Transaction and Service Fee Settlement Authorization, or other agreement relating to an account and executed by an institution is binding on its successors and assigns, and continues in effect until amended or terminated as indicated below, unless otherwise provided in the agreement. An institution may terminate its master account by giving the Reserve Bank not less than five business days prior notice. The notice must indicate the closing date and provide instructions for the transfer of any remaining balance in the account. A Reserve Bank may terminate a Master Account Agreement, Pass-Through Agreement, or Transaction and Service Fee Settlement Authorization at any time by notice to the account holder and any other party, but will endeavor to give not less than five business days prior notice. Termination of a pass-through relationship usually is effective on the last day of a reserve maintenance period.

A respondent may terminate a Pass-Through Agreement or a Transaction and Service Fee Settlement Authorization by giving the Reserve Bank not less than five business days prior notice, unless a shorter period of notice is agreed to by the Reserve Bank.

A correspondent may terminate a Pass-Through Agreement or a Transaction and Service Fee Settlement Authorization by giving not less than one business day prior notice to the other parties, except as otherwise specifically provided as to check and ACH services in Reserve Bank operating circulars 3 and 4.

Termination of an agreement or authorization does not affect liability arising from transactions received before or on the effective date of the termination.

## 2.9 MAINTENANCE OF ACCOUNT AGREEMENT

An institution must maintain all account agreements continuously as official records of the institution. A copy of the Master Account Agreement, this Circular, any other account agreement, amendments thereto, and a copy of the relevant portions of the minutes of the meeting(s) at which the institution's governing body authorized execution of the account agreement(s), shall at all times be kept together in one place.

## 3.0 SETTLEMENT

### 3.1 SETTLEMENT

An institution's master account may be used to settle debits and credits arising from transactions it conducts with or through any Reserve Bank by executing a Master Account Agreement. Alternatively, an institution and its correspondent may provide the institution's Administrative Reserve Bank with an executed Appendix 5 instructing the ARB(s) of the institution and the correspondent to settle some or all of the institution's transactions in the correspondent's master account. However, Fed funds checks and Fedwire® funds and book-entry securities transfers must settle in an institution's own master account. Also, special transaction settlement authorizations for loans and net settlement transactions are found in operating circulars 10 and 12, respectively. A separate Transaction and Service Fee Settlement Authorization is necessary for each correspondent/respondent relationship.<sup>2</sup> Transactions recorded in a respondent's subaccount may not settle directly in a correspondent's master account.

The Transaction and Service Fee Settlement Authorization (Appendix 5) must be used to designate any separate settlement arrangements for particular transaction types. A respondent that maintains reserve balances with a correspondent in a pass-through relationship, but desires to settle directly for some or all Reserve Bank services may, with the approval of its ARB, open its own master account for that purpose.

A respondent remains responsible for settling for its transactions and associated fees if for any reason settlement through the master account of the institution or its correspondent fails. A Reserve Bank may also debit or credit a master account as provided by regulation, operating circular, agreement or applicable law.

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<sup>2</sup> An institution (and correspondent) need not execute Appendix 5 if it has already executed a settlement designation, unless it wishes to change that designation in some way. A designation executed prior to January 2, 1998, remains in effect until superseded, but is subject to the terms of this Circular.

## **4.0 STATEMENTS AND ACCOUNTING INFORMATION SERVICES**

### **4.1 STATEMENT OF ACCOUNT**

A Reserve Bank sends a daily Statement of Account to each institution that maintains a master account on the Reserve Bank's books. The account holder is responsible for verifying the information on each daily statement and promptly notifying the Reserve Bank of any error in the statement. If an institution fails to provide notice of an error within 30 calendar days of the date of the entry, it is deemed to have approved the entry. A Reserve Bank will investigate any notice of error and determine whether an error actually occurred.

### **4.2 STATEMENT OF AND SETTLEMENT FOR SERVICE CHARGES**

A monthly Statement of Service Charges is provided by the seventh business day after the end of each month. Service fees are computed on a calendar month basis, and are charged on the 15<sup>th</sup> day of the following month (or the next business day), appearing on the daily Statement of Account as FRB Service Charges. Charges are debited from an institution's master account unless it and its correspondent designate the correspondent's master account by executing a Transaction and Service Fee Settlement Authorization (Appendix 5).<sup>3</sup> A Reserve Bank may accelerate the debiting of service charges.

An institution should notify the Reserve Bank as soon as possible if the institution believes there is an error on its Statement of Service Charges. If the institution fails to do so within two calendar months of the day it receives the statement, it is deemed to have approved the service charge.

### **4.3 ACCOUNTING INFORMATION SERVICES**

An institution may request certain accounting information services, such as on-line and multiple deliveries of statements and reports, and reports of respondent and subaccount activity. Operating Circular 5, "Electronic Access", applies to services accessed by electronic connection. Charges set forth in Reserve Bank fee schedules may apply to accounting information services. Accounting information provided by a Reserve Bank may not be timely as a result of Reserve Bank processing or transmission delays.

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<sup>3</sup> See footnote 2.

## **5.0 OVERDRAFTS**

### **5.1 OVERDRAFT POLICY**

An overdraft occurs when a master account has a negative balance at any time during the Reserve Bank's business day (daylight overdraft) or at the end of the Reserve Bank's business day (overnight overdraft). An account holder does not have a right to incur an overnight overdraft in its account. An account holder may incur daylight overdrafts in its account only to the extent permitted by its Administrative Reserve Bank.

### **5.2 COLLECTION OF OVERDRAFTS**

An overdraft is due and payable immediately, without the need for a demand by the Reserve Bank, at the earliest of the following times:

- at the end of the funds transfer business day for purposes of Fedwire® (see Operating Circular 6, "Funds Transfers Through Fedwire");
- at the time the Reserve Bank, in its sole discretion, deems itself insecure and gives notice to the account holder; or
- at the time the account holder suspends payments or is closed.

The account holder is responsible for having in its account, at the time the overdraft is due and payable, a balance of actually and finally collected funds sufficient to cover the aggregate amount of all its obligations to the Reserve Bank.

### **5.3 SECURITY INTEREST**

To secure any overdraft in the master account, as well as any other obligation, now existing or arising in the future, of the account holder to any Reserve Bank, the account holder grants to the Reserve Bank all the account holder's right, title, and interest in property, whether now owned or hereafter acquired, in the possession or control of, or maintained with, any Reserve Bank, including but not limited to the account holder's deposit account maintained with any Reserve Bank, items in the process of collection and their proceeds, and any investment property (including securities, security entitlements, and security accounts), but excluding any investment property which the account holder may not encumber under applicable law. This security interest is in addition to, and shall be construed to be consistent with, any other

security interest granted to the Reserve Bank by the account holder under regulation or agreement.

The Reserve Bank may take any action authorized by law to recover the amount of an overdraft that is due and payable, including, but not limited to, the exercise of setoff without demand or notice and even if the obligations are contingent or unmatured, the realization on any available collateral, and the exercise of any rights the Reserve Bank may have as a creditor under applicable law.

## **6.0 GENERAL**

### **6.1 DUTY OF CARE**

Unless otherwise specifically provided in another Reserve Bank operating circular, a Reserve Bank shall be liable to an institution only for actual damages incurred by the institution and proximately caused by the Reserve Bank's failure to exercise ordinary care. A Reserve Bank is not liable for lost profits, claims by third parties, or consequential or incidental damages, even if the Reserve Bank has been informed of the possibility of such damages.

### **6.2 RELIANCE ON AUTHORIZATIONS**

A Reserve Bank may rely on instructions and authorizations purporting to be issued by an officer of an institution, whether by written or electronic means, that the Reserve Bank reasonably believes to be authorized by the institution, and may continue to rely on such instructions and authorizations until they are revoked by the institution.

### **6.3 NONPUBLIC PERSONAL INFORMATION**

The Reserve Banks have implemented measures designed to protect the security and confidentiality of nonpublic personal information obtained by them, to protect against any anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use or reuse of such information that could result in substantial harm or inconvenience to an institution's customer.

### **6.4 GOVERNING LAW AND ACTIONS**

This Circular shall be governed by Federal law, and, to the extent not inconsistent with Federal law, by the laws of the State in which

the Reserve Bank's head office is located. Any action against a Reserve Bank for any act or omission relating to an account relationship or transaction must be brought within one calendar year from the date of the transaction in the United States District Court and Division where the head office of the Reserve Bank is located, and shall not claim trial by jury.

#### 6.5 RIGHT TO AMEND

The Reserve Banks reserve the right to amend this Circular at any time without prior notice.

# **Operating Circular 1 Account Relationships**

## **Appendices**

Revised:  
September 2002

To: Federal Reserve Bank of \_\_\_\_\_

# Appendix 1

\_\_\_\_\_ Office

Attention: \_\_\_\_\_ Department

## Master Account Agreement

The Institution named below agrees to the provisions of Operating Circular 1, Account Relationships, of the Federal Reserve Bank named above, and to the provisions of all operating circulars of each Federal Reserve Bank from which the Institution obtains services, as the Circulars may be amended from time to time. The transactions and fees for services obtained will be settled in the master account unless the Institution requests otherwise by submitting a Transaction and Service Fee Settlement Authorization (Operating Circular 1) or a Letter of Agreement for Obtaining Advances Through a Correspondent (Operating Circular 10).

For:

\_\_\_\_\_  
Official Signature

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

\_\_\_\_\_  
Printed Name and Title

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Routing (ABA) Number

Questions regarding the account should be directed to:

Alternate:

\_\_\_\_\_  
Printed Name and Title

\_\_\_\_\_  
Printed Name and Title

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

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

**FRB use only:**

Effective Date: \_\_\_\_\_ Date Received: \_\_\_\_\_ Processed by: \_\_\_\_\_

**Processing may take 5-7 business days.  
Please contact the Federal Reserve Bank to confirm the date that the master account will be established.**

To: Federal Reserve Bank of \_\_\_\_\_

## Appendix 2

\_\_\_\_\_ Office

Attention: \_\_\_\_\_ Department

### Subaccount Designations

We designate the following routing (ABA) number(s) to be a subaccount(s) of our master account. *(Attach additional sheets as needed.)*

_____	<b>By:</b> _____	_____
Name of Institution (Master Account)	Official Signature	Date
_____	_____	
Street Address	Printed Name and Title	
_____	_____	
City, State, Zip Code	Telephone Number	
_____	_____	
Routing (ABA) Number	Requested Effective Date	

Subaccount Routing Number	Used for Funds Transfers?	Subaccount Name <i>Please state the name of each subaccount and indicate whether you are adding, changing, or deleting it.</i>	Subaccount Address <i>Please print the address for each subaccount and indicate if this represents a change.</i>	Contacts for Questions about Subaccount Activity <i>Please print the name, title, and telephone number for each contact, and indicate if this represents a change.</i>
1.	Yes/No	<input type="checkbox"/> Add, <input type="checkbox"/> Change, <input type="checkbox"/> Delete?	<input type="checkbox"/> Change?	<input type="checkbox"/> Change?
2.	Yes/No	<input type="checkbox"/> Add, <input type="checkbox"/> Change, <input type="checkbox"/> Delete?	<input type="checkbox"/> Change?	<input type="checkbox"/> Change?
3.	Yes/No	<input type="checkbox"/> Add, <input type="checkbox"/> Change, <input type="checkbox"/> Delete?	<input type="checkbox"/> Change?	<input type="checkbox"/> Change?
4.	Yes/No	<input type="checkbox"/> Add, <input type="checkbox"/> Change, <input type="checkbox"/> Delete?	<input type="checkbox"/> Change?	<input type="checkbox"/> Change?
5.	Yes/No	<input type="checkbox"/> Add, <input type="checkbox"/> Change, <input type="checkbox"/> Delete?	<input type="checkbox"/> Change?	<input type="checkbox"/> Change?

FRB use only:

Effective Date: \_\_\_\_\_ Date Received: \_\_\_\_\_ Processed by: \_\_\_\_\_

**Processing may take 5-7 business days. Please contact the Federal Reserve Bank to confirm the date that the above subaccount(s) will be established, changed or deleted.**

To: Federal Reserve Bank of \_\_\_\_\_

### Appendix 3

\_\_\_\_\_ Office

Attention: \_\_\_\_\_ Department

### Pass-Through Agreement

The Institutions named below agree to the provisions of Operating Circular 1, Account Relationships, of the Federal Reserve Bank named above, and the provisions of all operating circulars of each Federal Reserve Bank from which the Institutions obtain services, as the Circulars may be amended from time to time.

#### Respondent Agreement

We elect to maintain our required reserve balances on a pass-through basis with the correspondent named below.

#### Correspondent Agreement

We agree to serve as correspondent for the respondent named below. The required reserve balances for this respondent will be commingled in our master account at the Reserve Bank.

#### Respondent

#### Correspondent

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

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

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

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

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
City, State, Zip Code

By: \_\_\_\_\_  
Official Signature (Date)

By: \_\_\_\_\_  
Official Signature (Date)

\_\_\_\_\_  
Printed Name and Title

\_\_\_\_\_  
Printed Name and Title

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

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

\_\_\_\_\_  
Routing (ABA) Number

\_\_\_\_\_  
Routing (ABA) Number

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#### FRB use only:

Effective Date: \_\_\_\_\_ Date Received: \_\_\_\_\_ Processed by: \_\_\_\_\_

**Processing may take 5-7 business days. Please contact the Federal Reserve Bank to confirm the date that the above pass-through arrangement will be in effect.**

To: **Federal Reserve Bank of \_\_\_\_\_**  
 \_\_\_\_\_ **Office**  
 Attention: \_\_\_\_\_ **Department**

**Certificate and Official Signature Card for Fed Funds Checks**

I certify that the following is a true copy of a resolution adopted by the Board of Directors of \_\_\_\_\_  
 \_\_\_\_\_, at a meeting of the Board duly held on \_\_\_\_\_, at which a quorum was  
Institution Name of Date

present and acting throughout, and that such resolution is in conformity with the provisions of the charter and by-laws of the Institution, and that this resolution has not been modified and remains in effect.

Resolved, that any of the \_\_\_\_\_ officers listed below is authorized to sign checks ("Fed Funds Checks") drawn on  
Number of  
 the Institution's master account at the Federal Reserve Bank of \_\_\_\_\_.

Certified by:

**For:**

\_\_\_\_\_  
 Signature of Certifying Officer\*  
 \_\_\_\_\_  
 Name and Title  
 \_\_\_\_\_  
 Telephone Number  
 \_\_\_\_\_  
 Date  
 \_\_\_\_\_  
 Signature of Second Certifying Officer\*  
 \_\_\_\_\_  
 Name and Title  
 \_\_\_\_\_  
 Telephone Number  
 \_\_\_\_\_  
 Date

\_\_\_\_\_  
 Name of Institution  
 \_\_\_\_\_  
 Routing (ABA) Number  
 \_\_\_\_\_  
 Street Address  
 \_\_\_\_\_  
 City, State, Zip Code

*\* The certifying officer must be the cashier, comptroller, secretary, or other officer of similar or higher rank, must have the authority to certify the statements in this document, and may not be a person listed below. If the Institution has a limited number of officers, then this latter requirement will be waived if two officers of the Institution execute this Certificate.*

**Official Signatures**

**RULE OUT UNUSED SPACES**

**PLEASE TYPE NAMES IN THIS SPACE**

**PLEASE SIGN IN THIS SPACE**

_____ WILL SIGN	_____ TITLE _____
_____	_____
_____	_____
_____	_____

**FRB use only:**

Effective Date: \_\_\_\_\_ Date Received: \_\_\_\_\_ Processed by: \_\_\_\_\_

**Processing may take 5-7 business days. Please contact the Federal Reserve Bank to confirm the date that Fed Funds Checks may be drawn against the master account.**

# Appendix 5

To: Federal Reserve Bank of \_\_\_\_\_ Office \_\_\_\_\_  
 Attention: \_\_\_\_\_ Department \_\_\_\_\_

## TRANSACTION AND SERVICE FEE SETTLEMENT AUTHORIZATION

The Institutions named below agree to the provisions of Operating Circular 1, Account Relationships, of the Federal Reserve Bank named above and the provisions of all operating circulars of each Federal Reserve Bank from which the Institutions obtain services, as the Circulars may be amended from time to time.

The Federal Reserve Bank is authorized to make debits and credits to the account of the correspondent named below to settle financial transactions and service charges for the respondent named below for the selected service categories. (Select all that apply by checking the appropriate boxes in the table below.) The Federal Reserve Bank's preferred method of settlement for the Billing service areas listed below is to match, where applicable, the service charge settlement with the financial transaction settlement. A separate settlement authorization is required for each correspondent used.

- Financial transactions related to Funds Transfers, Book-Entry Securities Transfers, and Fed Funds Checks may not be settled through a correspondent.
- If you are an account holder, financial transactions and fees (service charges) for the services listed below will automatically settle in your own account unless you have indicated on this form that you want them to settle in the correspondent's account.
- Transaction settlement authorization for *Loans* requires submission of Exhibit 1 to Appendix C of Operating Circular 10 ("Letter of Agreement for Obtaining Advances through a Correspondent").

NOTE: The transaction category is the first two digits of the transaction code shown on your Statement of Account. Billing Service Areas are listed on your Statement of Service Charges.

Financial Transaction Service Categories and Associated Service Charges, if Any	Transaction Category	Billing Service Area	Other Service Charge Categories	Billing Service Area
All Financial Transaction Categories below	All below		All Billing Service Charges	All
ACH	57	5701	Accounting Information Services	8401
Account Charges (other than service charges)	84		Book-Entry Securities	2001
Capital Stock	66		Other Check Services:	
Check Collection:			Check Float	1508
Forward Checks (other than Fed Funds Checks)	15	1501	Check Transportation	1507
Return Checks	30	3001	Electronic Enhanced Checks	1503
Collection & Definitive Safekeeping	40	4001	Payor Bank Services	1505
Currency and Coin	63	6301	Electronic Access	1201
Redemption or Interest on Govt. or Agency Securities	20 or 27		Funds Transfer	1001
Savings Bonds	70		Net Settlement	1002
Treasury Investment Program & Paper Tax System	59		Purchase and Sales of Securities	2003
Other Treasury or Government Agency Service	08			

Check this box if you want to discontinue all previous settlement arrangements and have the financial transactions and service charges listed on the table above to settle in your own account. (Only the Respondent section below needs to be completed for this request.)

Unless the Federal Reserve Bank is specifically notified to the contrary, the correspondent named below authorizes the use of its earnings credits to offset the service charges selected for the respondent named below. (Respondent earnings credits may not be used to offset service charges settling through a correspondent.)

Check this box if this Agreement does not authorize the use of the correspondent's earnings credits to offset the respondent's service charges.

Other Information: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

It is requested that the above settlement authorizations begin on \_\_\_\_\_ for financial transactions and on \_\_\_\_\_ (billing month and year)\* for service charges. On the date that such settlements begin, this authorization will supersede any previously executed authorization by the named respondent for each service category selected above.

**Respondent:**

\_\_\_\_\_  
 Name of Institution  
 \_\_\_\_\_  
 Street Address  
 \_\_\_\_\_  
 City, State, Zip Code  
 \_\_\_\_\_  
 Official Signature (Date)  
 \_\_\_\_\_  
 Printed Name and Title  
 \_\_\_\_\_  
 Telephone Number  
 \_\_\_\_\_  
 Routing (ABA) Number

**Correspondent:**

\_\_\_\_\_  
 Name of Institution  
 \_\_\_\_\_  
 Street Address  
 \_\_\_\_\_  
 City, State, Zip Code  
 \_\_\_\_\_  
 Official Signature (Date)  
 \_\_\_\_\_  
 Printed Name and Title  
 \_\_\_\_\_  
 Telephone Number  
 \_\_\_\_\_  
 Routing (ABA) Number

FRB use only: Effective Date \_\_\_\_\_ Date Received: \_\_\_\_\_ Processed by: \_\_\_\_\_

\*This notice must be received by the Reserve Bank by the last business day of the requested month for settlement of service charges. Processing may take 5-7 business days. Please contact the Federal Reserve Bank to confirm the date that this settlement authorization will go into effect.