

GOV #:	GOV611-19
Date:	March 14, 2019
To:	Government Securities Division (“GSD”) Members
Category:	Service Update
Subject:	Federal Reserve Bank to Enhance the Automated Claim Adjustment Process (“ACAP”)

Background

The Fedwire Securities Service offers the capability to automate claims adjustment payments among participants through its Automated Claim Adjustment Process (“ACAP”).

Currently, the ACAP facilitates:

1. **Fail Tracking.** This is an automated process that takes place when the actual settlement date of a transaction is beyond the contract date. Fail Tracking only takes place if the securities transfer message (type code 20) is entered with a contract date: {98A:CNTR/yyyymmdd}. If there is an adjustment resulting from a Fail Tracking process, the adjustment will result in the payment of funds from the securities transfer message originator to the message receiver through the Federal Reserve’s National Settlement Service (NSS)
2. **Repo Tracking.** This is an automated process for tracking principal and interest on repurchase agreements. Repo Tracking only takes place if the securities tracking wires (type code 20) are entered with a repo-tracking indicator. On the record date, the repo balance is used to trigger payment date adjustments through the NSS.

The Federal Reserve Bank (Fed) has recently announced¹ its plan to enhance ACAP by providing additional tracking capabilities and aligning the timing of effectuating claim adjustments to the time at which principal and interest (P&I) payments are made to Fedwire Securities Service participants.

Under the Fed’s current project timeline, the ACAP enhancements will be made in October 2019.

Relevance to GSD Netting Members

One of the enhancements to the ACAP that is relevant to GSD Netting Members is that the ACAP will expand to include Treasury Securities and Agency debt. As a result, GSD Eligible Netting Securities will be included in the list of security types eligible for ACAP.

Impact to GSD Netting Members

GSD currently tracks and settles the coupon and redemption payments due to or owed by GSD Netting Members. However, once the ACAP enhancements are in place, if the security transfer message related to a transaction that is submitted to GSD for clearing and settlement is entered with either a contract date or a repo-tracking indicator, the coupon and redemption payments will be tracked and settled by **both** the Fed and the GSD. This will cause GSD Netting Members to have duplicate debits and credits related to these payments.

¹ http://images.frbcommunications.org/Web/FederalReserveBankofChicago/%7Be14f4598-b07b-486b-9b93-9b49775c07ae%7D_Enhancing_ACAP_Scheduled_for_10-2019_with_logo.pdf

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In order to avoid duplicative credits and payments, GSD Netting Members should **not** include either a repo tracking code or a contract date on their GSD related securities settlement instructions. GSD will continue to track and settle coupon and redemption payments on all GSD netting eligible DVP transactions. GSD's process of netting all coupon and redemption related payments into a single payment is incorporated into its Funds Settlement service and GSD will continue to provide this benefit to its members.

If you have any questions regarding this important notice, please contact your Relationship Manager.