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BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 11, 2019

*Re: Freedom of Information Act Request No. F-2019-00243*

This is in response to your e-mail dated and received by the Board's Information Disclosure Section on August 10, 2019. Pursuant to the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, you seek "the following Federal Reserve Administrative Manual Transmittals: 93, 91, 90, 85, 81, 77, 75, 74, 72, 71, and 70."

Staff searched Board records and located documents responsive to your request. The Board's Information Disclosure Section will provide you with a copy of the documents being made available to you under separate cover.<sup>1</sup> Your request for information, therefore, is granted in full.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michele Taylor Fennell".

Michele Taylor Fennell  
Assistant Secretary of the Board

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<sup>1</sup> If you have any questions regarding the processing of your request, you may contact the Board's FOIA Public Liaison, Ms. Candace Ambrose, at 202-452-3684 for assistance.



## Federal Reserve Administrative Manual



# Transmittal 70 October 2001

## Nature of Changes

### *Personnel*

The Board revised its policy on Reserve Bank relocation benefits and approved a model program that will be administered by a national relocation-service provider for Reserve Banks that choose to use it (S-2604 at [2-050](#)). The Board revised its policy on the mandatory retirement age, which generally requires presidents and first vice presidents to retire at age 65. Previously, the only exception to the policy was that a president or first vice president initially appointed after age 55 could, at the discretion of the board of directors, be permitted to serve until attaining ten years in office or age 70, whichever came first. The Board approved an additional exception to allow for service beyond the mandatory retirement age in unusual circumstances in order to meet Reserve Bank needs (S-2605 at 2-071).

### *Financial Services*

The Board revised its policy on Reserve Bank collection functions to allow for one three-year extension of a contract with a correspondent institution for collection of foreign items (S-2603 at [3-016.2](#)).

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Last update: July 1, 2015



## Federal Reserve Administrative Manual



# Transmittal 71 January 2002

## Nature of Changes

### *Introduction*

The introduction was revised to reflect changes in the Board's organization and functions.

### *Administration and Support*

The annotations at 1-081, 1-082, and 1-083 were corrected to reflect the current ceiling on authorized fees to outside counsel.

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## Federal Reserve Administrative Manual



# Transmittal 72 July 2002

## Nature of Changes

### *Administration and Support*

The Board adopted a policy statement (S-2607 at [1-008](#)) that codifies the Federal Reserve System's long-standing requirement that the external auditor maintain independence from the Reserve Banks and requires the Reserve Banks to safeguard the independence of the external auditor. The policy includes the following safeguards:

- A Reserve Bank must obtain the concurrence of the director of the Division of Reserve Bank Operations and Payment Systems (the director) before engaging the external auditor to perform services.
- A Reserve Bank may not employ in a management position any individual who had been a member of the external audit team during the preceding year unless it has first obtained a waiver from the director.
- A Reserve Bank must disclose services provided by the external auditor in its annual report and must report information regarding those services annually to the director.

Reserve Bank boards of directors share responsibility with the Board of Governors and Reserve Bank management to ensure that the independence of the external auditor is not diminished in fact or appearance. The Board encourages board-of-director attention to this matter.

The Board revised its policies and guidelines regarding Federal Reserve Bank discretionary expenditures (S-2606 at [1-017](#)). Substantive changes to the policy include the following:

- *Board of directors' responsibilities.* The policy permits a Bank's board of directors to delegate to senior management responsibility for maintaining and administering discretionary-expenditures policies, including the approval of periodic procedural changes. In addition, the policy allows

senior management to review and approve memberships, a responsibility previously assigned to directors.

- *Employee relations.* The policy provides clearer guidance concerning activities funded through a Bank's employees' club versus those funded directly by the Bank. The policy includes examples of activities that generally should be funded by an employees' club. In addition, for Banks that choose to directly fund such activities, the policy explicitly requires employees to fund at least 50 percent of the cost of each activity (consistent with funding arrangements required for employees' clubs).
- *Employee and director relations.* The policy specifically addresses requirements for handling memorial tributes upon the death of an employee or retiree. The new policy states that such tributes are acceptable for employees and retirees and requires the Bank to establish guidelines that include dollar limitations for these expenses. Consistent with the policy on direct financial donations, Bank-funded donations to charitable causes in lieu of other memorial tributes are unacceptable.
- *Financial and nonfinancial donations.* The policy includes provisions addressing the propriety of donating Bank property, such as office equipment or furniture, to not-for-profit organizations. Such donations are acceptable, provided the item to be donated is fully depreciated with minimal salvage value or is considered obsolete.
- *Travel policies.* The revised policy is somewhat less restrictive concerning travel reimbursements from a sponsoring organization. The policy now states that reimbursement should be made to the Reserve Bank "whenever possible" and that Banks should document senior management's or the financial control officer's review of permissible exceptions.

In addition to incorporating these changes in each Bank's policies, the Board's new policy requires Reserve Banks to develop guidelines for handling several issues, primarily related to meals, meetings, and travel. The Banks should carefully review this policy to ensure that their policies and guidelines appropriately address the Board's requirements.

#### *Personnel*

The Board has approved amendments to its policy governing the administration of Reserve Bank officers' salaries (S-2608 at [2-006](#)). The amendments authorize the chair of the Board's Committee on Federal Reserve Bank Affairs to approve, in certain limited situations, an adjustment to an officer's salary that exceeds the maximum for the officer's relevant grade or that exceeds that of the Reserve Bank's president.

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Last update: July 1, 2015



## Federal Reserve Administrative Manual



# Transmittal 74 April 2003

## Nature of Changes

### *Administration and Support*

The Board has amended its policy on external-auditor independence, taking into account guidance outlined in the Sarbanes-Oxley Act of 2002 and addressing questions that some Reserve Banks had raised (S-2612 at 1-008). The amended policy also describes the important role that Reserve Bank management, auditors, and directors should play in the selection and evaluation of the external auditor. Although not addressed in the policy, the Board intends to adhere to the spirit of Sarbanes-Oxley with regard to the rotation of audit partners. Board staff will coordinate with the external auditing firm to ensure the rotation of key audit partners in a manner consistent with the act.

### *Miscellaneous*

The Board increased the amount that each Reserve Bank is authorized to pay toward the expenses of the secretary's office of the Federal Advisory Council, from \$7,500 to \$10,000 annually (at 6-002.2).

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## Transmittal 75

### April 2003

#### Nature of Changes

##### *Administration and Support*

The Board updated its sponsorship policies and procedures for private-sector organizations to participate in national security/emergency preparedness telecommunications services (S-2613 at [1-023](#)). The Board amended its guide to conduct for directors of Reserve Banks and Branches (S-2614 at 1-070). The amendments affected principal number 3, pertaining to restrictions against ownership of bank and bank holding company stock by spouses and minor children of class C directors.

##### *Miscellaneous*

A correction has been made to the notice at [6-002.2](#) authorizing payments toward the expenses of the secretary's office of the Federal Advisory Council. Reserve Banks should notify the Board's Office of the Secretary of any action taken under that authorization.

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## Federal Reserve Administrative Manual



# Transmittal 77 October 2003

## Nature of Changes

### *Administration and Support*

The Board issued a revised policy on the clearance process for Federal Reserve Bank data collections, limiting Board-level review to collections that are subject to the Paperwork Reduction Act (S-2618 at [1-032](#) ). The Board revised its policies and guidelines on Federal Reserve Bank operations to reflect a material enhancement of the approval authority of Reserve Bank management and the director of the Division of Reserve Bank Operations and Payment Systems for capital expenditures. As a general matter, unless a proposed capital commitment has been designated as strategic or sensitive during the budget or applicable notification process, the commitment may be approved by Reserve Bank management. The revised policy also makes relatively minor changes to other provisions in the current policy (S-2619 at [1-049](#)).

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Last update: July 1, 2015



## Transmittal 81 July 2005

### Nature of Changes

#### *Administration and Support*

Z-8973 of August 1, 1991, (at 1-050) had been rescinded. It noted the Board's approval of the consolidation of the Reserve Banks' noncash collection functions and the Board's delegation to the director of the Division of Reserve Bank Operations and Payment Systems of authority to approve Reserve Banks' implementation of the consolidation, which has been completed.

#### *Personnel*

The Board approved a new policy for administering Reserve Bank presidents' salaries (at [2-012.3](#)). Effective May 1, 2005, salaries move in predetermined steps, beginning the third year from the date of appointment. The Board will continue to approve the salaries of new Bank presidents as part of the appointment process; thereafter, however, presidents' salary increases will not require Board approval if the salaries are consistent with the new salary-administration policy. Beginning in 2006, presidents' salary ranges will be adjusted annually on January 1, with appropriate adjustments to individual presidents' salaries, to maintain their positions in the ranges.

S-2484 of December 20, 1984, (at 2-035) has been rescinded. It explained the rescission of an earlier S-letter on health insurance guidelines and noted that the Board's Personnel Operations Review Program would continue to pay attention to the cost-containment efforts of the Reserve Banks' health insurance plans. Reserve Bank health plans now are largely consolidated, and strategy is driven by the Committee on Employee Benefits, Office of Employee Benefits, and the Subcommittee on Human Resources.

#### *Financial Services*

S-2544 of July 24, 1991, (at 3-007), which required the Reserve Banks to submit to the Board proposed changes to operating circulars governing the handling of cash and noncash items, has been superseded by S-2619 (at 1-049). Paragraph 14.C. of S-2619 contains the broader requirement that the Reserve Banks provide to the director of the Division of Reserve Bank Operations and Payment Systems (or the director of the Monetary Affairs Division, in the case of a lending circular) any proposed operating circular or amendment to an operating circular. The Reserve Banks may issue or amend the circular if the division director does not raise an objection within 10 days of receipt of the proposal.

S-2434, S-2460, S-2491, S-2510, and S-2561 (at 3-055, 3-056, 3-100, 3-101, and 3-057) pertain to managing risks related to daylight overdrafts in Federal Reserve accounts and contain information that is either outdated or covered by the Board's Policy Statement on Payments System Risk. These letters are therefore superseded by that policy statement.

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## Federal Reserve Administrative Manual



# Transmittal 85 January 2007

## Nature of Changes

### *Financial Services*

The Board revised its policy on low-serial-number Federal Reserve notes (at [3-032](#)). The new policy will permit the Department of the Treasury to purchase Federal Reserve notes with low, distinctive, or special sets of serial numbers for official display purposes.

### *Banking Supervision and Regulation*

The director of the Division of Banking Supervision and Regulation and the Board's general counsel, acting under authority delegated by the Board, approved an addition to the System's policies to reflect the new post-employment restriction on certain examination personnel imposed by the Intelligence Reform and Terrorism Prevention Act of 2004 and the Board's implementing rule. The act and the rule restrict an examiner who served as the "senior examiner" for a depository institution or depository institution holding company for two or more months during the examiner's final 12 months of employment with a Reserve Bank from knowingly accepting compensation as an employee, officer, director, or consultant from that depository institution or holding company, or from certain related entities, for one year after terminating his or her employment with the Reserve Bank. The new policy is at [5-043](#); a similar addition will be made to the Reserve Banks' Code of Conduct.

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Last update: July 1, 2015



## Federal Reserve Administrative Manual



# Transmittal 90 October 2009

## Nature of Changes

The Board has issued S-2640 and S-2641 to rescind several of its policies related to Reserve Bank operations and other Reserve Bank activities. These policy rescissions, detailed below, either remove obsolete provisions or reflect the inclusion of some provisions in broader policy documents and other guidelines.

### *Administration and Support*

RECORDS—Management Representations Regarding Financial Examinations of Reserve Banks

At the time S-2659 (January 24, 1995) was issued, Board examiners from the Division of Reserve Bank Operations and Payment Systems audited the general ledger accounts and certain Reserve Bank annual financial statements. To support their audit work and opinion, Board examiners requested that Reserve Bank management provide a letter of representation to confirm that all records, accounts, and information material to the examination had been made available to the examiners; that transactions had been appropriately recorded; and that, among other things, no events had occurred since the balance-sheet date that would have required adjustment to, or disclosure in, the financial statements as of the balance-sheet date. The Board's examiners conducted these audits for 1995 and 1996 in coordination with an external public accounting firm, which audited the combined Reserve Bank financial statements for the same periods. The examiners discontinued opining on the Reserve Banks' financial statements for 1997 and thereafter because the external public accounting firm began auditing all Reserve Bank annual financial statements at that time. (In 1999, section 11B was added to the Federal Reserve Act to require an annual independent audit of the financial statements of each Reserve Bank and the Board.) Since then, the Federal Reserve System's external auditor has obtained each Reserve Bank's management representation letter during the normal course of auditing the Reserve Bank's annual financial statements. In addition, the position of Board examiner, as

referenced in this S-letter, was eliminated by the Division in 2000. For these reasons, S-2569 (formerly located at 1-093) is obsolete and has been removed.

### *Personnel*

#### REPORTS—Submission of Biographical Sketches

X-letter 9470 (January 29, 1936), S-letter 994 (October 14, 1947), and S-letter 1589 (April 12, 1956) require the Reserve Banks to submit biographical sketches for newly appointed officers and to report certain changes pertaining to existing officers to the Board's Committee on Federal Reserve Bank Activities. At the time these letters were issued, the Board had not delegated to the Reserve Banks substantial authority related to officer appointments and compensation, and all of the required submissions were in paper form. Since then, the Board has delegated such authority to the Reserve Banks. The Board also has implemented the Bank Officer Personnel System (BOPS), which is an automated database for gathering, storing, and reporting certain information pertaining to Reserve Bank officers. The Board's Division of Reserve Bank Operations and Payment Systems has determined that the information available in BOPS sufficiently addresses the Board's ongoing oversight needs related to Reserve Bank officer actions. For these reasons, letters X-9470, S-994, and S-1589 (formerly located at 2-055) are no longer needed and have been deleted.

### *Financial Services*

#### COLLECTION FUNCTIONS—Food Coupons

S-2209 (July 28, 1972) references the 1972 report of the Food Coupon Task Force and instructs the Reserve Banks to follow the standards in the report for the receiving, processing, and disposing of paper food coupons. No state government has issued paper food coupons since 2004, and all states now use electronic benefit transfer cards to distribute these government payments. A small number of residual paper coupons remain in circulation, however, and are processed by the Memphis office of the Federal Reserve Bank of St. Louis. The guidelines for processing paper food coupons have been consolidated into the broader Federal Reserve System Custody Control Principles and Standards document, rendering S-2209 (formerly located at 3-008) unnecessary and has been removed.

#### COLLECTION FUNCTIONS—Names of Regional Check-Processing Centers

S-2543 (July 24, 1991) was originally issued in 1973 to introduce uniformity among names for regional check-processing centers not located at a Reserve Bank head office or branch. Given the recent rapid conversion of paper checks to electronic

transmissions, however, the System is consolidating its check-processing infrastructure into only two check-processing sites (one for paper processing and one for electronic processing), both of which will be at Reserve Bank head offices by the end of 2009. Because all regional check-processing centers have been closed and because no such centers will open in the future, S-2543 (formerly located at 3-010) is obsolete and has been removed.

COLLECTION FUNCTIONS—Charges for Float Resulting from Holiday Schedules

S-letter 2482 (November 5, 1984) describes the Board's interim procedures to recover from originators of ACH transactions the value of debit float and to compensate originators for the value of credit float generated as a result of Reserve Bank holiday schedules and the observance of nonstandard holidays by depository institutions. When this guidance was issued, the ACH software being used by the Reserve Banks was unable to perform these float adjustments, and they had to be calculated manually. These technical procedures were considered temporary in anticipation of new ACH software becoming available. Updated ACH software capable of performing these adjustments automatically has been in use by the Reserve Banks for many years. In addition, Operating Circular 4, appendix B, contains specific instructions for debit and credit settlement of ACH transactions when the specified settlement date is not a banking day. For these reasons, letter S-2482 (formerly located at 3-016) is obsolete and has been deleted.

COLLECTION FUNCTIONS—High-Dollar Group-Sort (HDGS) Program

S-letter 2538 (July 24, 1991) describes the Board's criteria for including certain depository institutions in the HDGS program, which was designed to accelerate the collection of checks drawn on non-city institutions. Since this policy was adopted, the Retail Payments Office (RPO) has taken on greater management responsibility over most aspects of the Reserve Banks' check and ACH operations, including product pricing, technology, infrastructure, and policies and procedures. One of the policy documents under the RPO's purview, the "Check Price and Service Level Guidelines," was revised in March 2009 to include the Board's HDGS policy in its entirety. (See section III.G, "High-Dollar Endpoint Program (HDEP)" in the "Check Price and Service Level Guidelines.") The RPO distributes an updated version of these guidelines to the Reserve Banks annually. Therefore, S-2538 (formerly located at 3-016.4) is no longer needed and has been deleted.

CURRENCY AND COIN—Return of Empty Coin Bags to the Mint

S-450 (March 21, 1942), S-1078 (November 23, 1948), and S-1512 (September 15 and 29, 1953) request that the Reserve Banks



return empty coin bags to the U.S. Mint for re-use. The program was initiated in 1942 as part of the war effort, and the Board indicated at the time that the program should be continued because the canvas bags could be returned at a fraction of their replacement cost with substantial savings to the government. The Mint has since begun using one-time-use plastic coin bags and no longer uses the canvas coin bags that it wanted the Reserve Banks to return. Therefore, S-450, S-1078, and S-1512 (formerly located at 3-022) are obsolete and have been removed.

CURRENCY AND COIN—Claims for Shortages in Currency Shipments to Navy Disbursing Officers

S-720 (December 18, 1943) provides procedures for the Reserve Banks to follow when they receive claims for shortages in currency shipments to Navy disbursing officers. The Reserve Banks no longer provide currency to the Navy or any other government agency. (Procedures for resolving differences detected by depository institutions or foreign central banks in new or fit currency are covered by Operating Circular 2.) S-720 (formerly located at 3-023) is therefore obsolete and has been removed.

CURRENCY AND COIN—Disclosure of Information

S-1981 (January 21, 1966) authorizes the Reserve Banks to disclose the dates of issue of Federal Reserve notes upon receiving a specific request for such information; Board approval was previously required for each instance of such disclosure. When this policy was implemented, the Reserve Banks had been receiving such requests with a sufficient degree of frequency to warrant facilitating replies to future requests without formal Board approval. This authorization, however, is now codified in 12 C.F.R. 261, which renders this policy unnecessary. S-1981 (formerly located at 3-024.1) is therefore obsolete and has been removed.

CURRENCY AND COIN—Handling and Disposing of Misstruck Coin

S-letter 2210 (July 28, 1972) and B-letter 2546 (June 22, 1973) provide guidance to the Reserve Banks for the handling and disposing of misstruck coin. Although adopted as Board policy, these provisions in fact reflect the requirements of the U.S. Mint and are subject to changes in Mint policy. Each year, the Cash Product Office (CPO) at the Federal Reserve Bank of San Francisco distributes to the Reserve Banks the Mint's procedures for redeeming uncurrent and mutilated coins. With the concurrence of the Mint, the CPO issued in September 2009 revised procedures that included guidance for the handling and disposing of misstruck coin. Because the entirety of the policy contained in letters S-2210 and B-2546 (with some technical changes to update administrative procedures) has been consolidated into the annual notice sent to the Reserve Banks, these letters (formerly located at 3-027) are no

longer needed and have been deleted.

#### CURRENCY AND COIN—Currency-Weighing Procedures

This policy, which was issued on November 11, 1975, authorizes the Reserve Banks to verify certain denominations of both fit and unfit currency using the stipulated currency-weighing methodology. When this policy was adopted, few Reserve Bank offices used high-speed equipment to process incoming currency and relied on the weighing process to verify the amount of currency received. Those Reserve Bank offices that used high-speed processing equipment were asked to consider whether weigh-verifying currency was still cost beneficial, or even necessary. Because all Reserve Bank offices are now required by the Treasury Currency Operations Manual to process incoming currency on high-speed equipment, the provision for manual currency-weighing procedures (formerly located at 3-028, no S-letter) is obsolete and has been removed.

#### CURRENCY AND COIN—Use of Brandt Currency-Processing Equipment

This policy contains the procedures for using Brandt equipment to process currency received from circulation. These machines, which were tabletop devices installed in the mid-1970s, were the first automated currency-processing equipment used by the Reserve Banks. This equipment was replaced in the early 1990s with high-speed Banknote Processing System machines and is no longer authorized for Reserve Bank use. The provisions (formerly located at 3-029, no S-letter) are therefore obsolete and have been removed.

#### CURRENCY AND COIN—Uniform Cash Service Standards

S-2472 (February 21, 1984) and S-2507 (May 19, 1987) provide standards for the Reserve Banks' provision of currency and coin services to depository institutions. When these provisions were first implemented in 1984, standards for cash services varied materially from Reserve Bank to Reserve Bank, and these policies were implemented to address some of the differences. Since the mid-1990s, however, the Division of Reserve Bank Operations and Payment Systems has worked closely with the Reserve Banks to achieve more uniformity in these services. The original standards and the subsequent changes (for example, to remove references to "priced" cash services, which no longer exist) adopted to achieve greater consistency among the Reserve Banks are now contained in Operating Circular 2. FRAM (at [1-049](#)) requires that any proposed new operating circular or amendment to Operating Circular 2 be provided to the director of the Division of Reserve Bank Operations and Payment Systems for review. This requirement ensures that the Board will be involved in any future changes to the standards. Because these provisions have been

consolidated into a broader policy that covers other related guidelines, S-2472 and S-2507 (formerly located at 3-031) are no longer necessary and have been removed.

FISCAL AGENCY—For Government Officers and Agencies, Federal Intermediate Credit Banks and Federal Land Banks, and Federal Farm Loan Registrars

X-3788 (July 20, 1923), X-4743 (December 9, 1926), and X-4773 (January 14, 1927) describe the various instances in which Reserve Banks are authorized to receive various deposits of funds and securities. Such guidance may have been necessary when these letters were adopted during the mid-1920s because of uncertainty about the Federal Reserve's statutory authority to act as fiscal agent for certain government departments or agencies. Subsequent legislation, however, has clarified this authority. Specifically, the third paragraph of section 15 of the Federal Reserve Act, as amended in 1971, provides authority for Reserve Banks to act as depositaries for and fiscal agents of any federal land bank, federal intermediate credit bank, bank for cooperatives, or other institutions of the Farm Credit System. This law, along with other statutes authorizing the role of the Reserve Banks as fiscal agents, renders X-3788, X-4743, and X-4773 (formerly located at 3-035) unnecessary and have been removed.

FISCAL AGENCY—Requests to Absorb Expenses

At the time S-1059 (November 8, 1948) was issued, the Treasury Department and other government agencies did not receive permanent, indefinite appropriations from the Congress to reimburse the Reserve Banks for fiscal agency expenses. In addition, the Reserve Banks' means for requesting reimbursement from these agencies and the amount of the reimbursements received varied substantially from Reserve Bank to Reserve Bank. This S-letter provides guidance to the Reserve Banks in handling any potential requests to absorb fiscal agency expenses that have been generally regarded as reimbursable. In 1997, however, the Congress enacted full statutory appropriation for the reimbursement of the Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such Reserve Banks on behalf of the Treasury or other federal agencies. In addition, the Reserve Banks now have a more rigorous and standardized process for accounting for and claiming reimbursements. This vehicle, known as the Government Entity Accounting and Reporting System, is driven by the Reserve Banks' cost-accounting system and ensures that all fiscal agency expenses are submitted to the appropriate government agency or other fiscal principal for reimbursement. [Occasionally, some reimbursable costs are not fully reimbursed by a few of the entities, and these unreimbursed costs, which are typically minimal, are reported by the Reserve Banks in the "Cost of

Unreimbursed Treasury Services" capital account in accordance with the Board's Financial Accounting Manual for Federal Reserve Banks (FAM).] Because of the statutory authorization for the reimbursement of the Reserve Banks' fiscal agency expenses and FAM's guidance regarding the appropriate accounting treatment for any unreimbursed expenses related to fiscal agency services to the Treasury, S-1059 (formerly located at 3-037) is no longer necessary and has been removed.

### *Miscellaneous*

#### OPERATING CIRCULARS—Distribution to Board

S-2443 (February 24, 1981) requests that the director of the Division of Federal Reserve Bank Operations be included on the distribution list for changes to the Reserve Banks' operating circulars so that the Division's set of operating circulars can be kept current. When this provision was last updated in 1981, the content of operating circulars varied from Reserve Bank to Reserve Bank and was available in paper form only. Operating circulars are now uniform among all Reserve Banks and are readily available in electronic form on the Federal Reserve Financial Services' public website, rendering manual distribution and retention of the circulars unnecessary. In addition, FRAM (at 1-049) requires that any proposed operating circular or amendment to an operating circular be provided to the director of the Division of Reserve Bank Operations and Payment Systems (or, in the case of the lending circular, to the director of the Division of Monetary Affairs) for review. This requirement ensures that the Board will be involved in any future changes or additions to the operating circulars. S-2443 (formerly located at 6-025) is therefore obsolete and has been removed.

### *Banking Supervision and Regulation*

The director of the Division of Banking Supervision and Regulation, acting under authority delegated by the Board, has revised the FRAM section Examination Personnel—Obtaining Credentials and Commissions; Policies and Procedures, V. Issuance of Credentials (at 5-040), to allow the Director of the Division of Community Affairs to sign the examiner certificates for newly appointed consumer compliance examiners.

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## Federal Reserve Administrative Manual



# Transmittal 91 January 2010

## Nature of Changes

The Board has issued S-2642 that revises its policy on Directors' Eligibility, Qualifications, and Rotation. These policy revisions are described below.

### *Administration and Support*

#### DIRECTORS—Eligibility, Qualifications, and Rotation

The Board has approved revisions to its Directors' Eligibility, Qualifications, and Rotation Policy (i.e., Eligibility Policy), at [1-061](#). Under these revisions, a class B or class C director who has an affiliation (i.e., serves as an officer, director, or employee) with a company that becomes a bank holding company or other impermissible affiliation during the director's term must either resign from the affiliation or resign from the Reserve Bank's board within 60 days of the earlier of the date the director becomes aware of the impermissible affiliation or the date that the Board informs the Reserve Bank of the change in character of the company. A class C director who owns stock in a company that becomes a bank holding company or other impermissible holding during the director's term must either divest the stock or resign from the Reserve Bank board within 60 days of the earlier of the date the director becomes aware of the impermissible stockholding or the date that the Board informs the Reserve Bank of the change in character of the company. In both cases, the director should advise the Reserve Bank of his or her intentions within 30 days of notification, and must recuse himself or herself until the affiliation is severed or the stock is divested. The Board may approve a request from a Reserve Bank for a waiver to the Eligibility Policy in rare and exigent circumstances only and upon a vote of the Reserve Bank board on whether to submit a request to the Board. The revisions also clarify the rules regarding a class C director's indirect stock ownership.

In order to ensure compliance with the affiliation and stockholding rules, Board staff in the Office of the Secretary

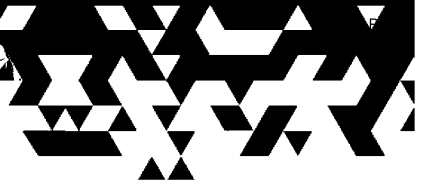
will be responsible for providing each Reserve Bank corporate secretary, on a monthly basis, with a list of all companies that have changed their status as a result of Board action such that affiliations or stockholdings by directors would be impermissible. Each Reserve Bank corporate secretary will be responsible for immediately disseminating the list to the Reserve Bank's sitting and proposed class B and class C directors and advising the directors to inform the Reserve Bank of an impermissible affiliation or stockholding, as appropriate. Each Reserve Bank corporate secretary will also be responsible for requesting that the class B and class C directors certify, on an annual basis, that they do not have any impermissible affiliations or stockholdings.

DELEGATION OF AUTHORITY—Telegrams Regarding Operations Under Delegated Authority

S-2031 (formerly at 1-037) described procedures for Reserve Banks' telegrams regarding operations under delegated authority. On April 4, 1988, that S-letter was superseded by S-2514, which was not published in the *Federal Reserve Administrative Manual*. The Board now uses the Applications Management and Processing System (AMPS) to compile the weekly H.2 report of applications and notices received by the Federal Reserve System; therefore, S-2514 is obsolete and has been rescinded.

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## Transmittal 93

### September 2010

#### Nature of Changes

The Board has issued five Federal Reserve System letters (or S-Letters) that either revise or rescind several System policies.

##### *Personnel*

The Board has issued **S-2644**, which revises the System policy on total compensation (2-006) primarily by expanding the definition of total compensation and establishing compensation limits in a partial year of employment; revising variable pay limits and documentation requirements; establishing retention pay limits and eligibility, and revising retention pay frequency and duration, and providing other revisions that ease administrative burden, streamline the policy, and update the policy to reflect current practices.

The Board has issued **S-2645**, which revises the System policy on relocation for new hires and existing Reserve Bank employees (2-050) to require that the administration of relocation benefits be consistent with Section 409A of the Internal Revenue Code; to clarify the timing of agreements to repayment terms, and to confer responsibility and authority to the Subcommittee on Human Resources for the model relocation program (which will be reflected as a standard operating procedure).

##### *Administration and Support*

The Board has issued **S-2646**, which revises the System policy on discretionary expenditures by Federal Reserve Banks (1-017) to update certain provisions related to off-site events and foreign travel and to ensure consistency with other System policies.

The Board has issued **S-2648**, which rescinds FRAM 1-102 (REPORTS—Retention of Examination Reports). S-2648 explains that this policy grants each Reserve Bank the discretion to determine the appropriate retention period for

reports issued in connection with the Board's annual financial examination of that Reserve Bank. The Board's Division of Reserve Bank Operations and Payment Systems (RBOPS) no longer conducts annual financial examinations, which have been replaced by the annual external audit of the Reserve Banks' financial statements. Although RBOPS continues to issue annual examination reports that cover a broad range of oversight activities, it retains these reports according to Board guidelines and has no specific requirement for their retention by the Reserve Banks. For these reasons, this policy is no longer needed.

### *Financial Services*

The Board has issued **S-2647**, which revises the System policy on float reduction (3-013) to remove certain provisions now contained in other System guidelines. Specifically removed are the requirements pertaining to float monitoring and review procedures, all of which are contained in the Retail Product Office's standard operating procedure 3. **S-2648** (noted earlier) also includes five other policies rescissions that either remove obsolete provisions or reflect the inclusion of some provisions in broader policy documents or other guidelines.

- S-2542/FRAM 3-012 (COLLECTION FUNCTIONS—Debit Availability on Check Deposits). S-2648 explains that S-2542 (July 24, 1991) requires that the Board approve cases in which the availability on check deposits by government agencies differs from either the published commercial schedules or a one-day deferred policy. All Reserve Banks follow the published commercial schedules for both paper and electronic government agency deposits, and Board staff is unaware of any request to deviate from these availability guidelines. In April 2009, the Retail Payments Office and the Federal Reserve Bank of Cleveland instructed all government agency depositors to send their paper deposits directly to Cleveland. The letter sent to these depositors indicated that the availability of these deposits will follow the published commercial schedules. (Electronic check deposits from government agencies are also governed by the published commercial schedules.) In addition, because of the consolidation of government agency paper check processing to the Federal Reserve Bank of Cleveland, many government agencies are migrating from depositing with the Federal Reserve to depositing with a local commercial bank. The provisions of S-2542 are therefore obsolete.
- S-2591/FRAM 3-015 (COLLECTION FUNCTIONS—Payor-Bank Services Trial Period). S-2648 explains that S-2591 permits a two-month trial period without charge to depository institutions for certain Reserve Bank legacy “payor-bank” services to allow customers to determine the compatibility of



their systems with these services. Effective January 1, 2009, the Reserve Banks no longer offer the legacy payor-bank services referenced in 3-015, as these services have been fully replaced by next-generation Check 21 services. In addition, because the Reserve Banks now require each customer to complete an extensive testing process before using or being charged for any Check 21 services, the trial period associated with the legacy payor-bank services is not necessary for the Check 21 services. S-2591 is therefore obsolete.

- FRAM 3-030 (CURRENCY AND COIN—Recording Serial Numbers of New Currency Shipped to Commercial Banks). S-2648 explains that in June 2009, the Custody Control Principles and Procedures (CCPS) manual was revised to include, among other items, the Board's policy related to recording serial numbers of new currency shipped to commercial banks. Although the provision added to the CCPS manual includes significantly streamlined technical detail and explanatory material, the core requirement remains unchanged. In addition, Board policy states that any changes to the CCPS manual are subject to concurrency by the director of the Division of Reserve Bank Operations and Payment Systems; this mechanism ensures that CCPS requirements will remain appropriate over time. For these reasons, FRAM 3-030 is no longer needed.
- X-9584/FRAM 3-036 (FISCAL AGENCY—Necessity of Request from Secretary of Treasury). S-2648 explains that when X-9584 (May 13, 1936) was issued, the statutory authority for the Banks to act as fiscal agents was not clear in all instances, and this guidance provided assurance that fiscal agency requests would be appropriately authorized. Over the years, several government agencies have received specific independent statutory authority to direct the Reserve Banks to act as fiscal agents; they are also authorized by the Federal Reserve Act (section 15, part 1) to act as fiscal agents when required by the Secretary of the Treasury (or, by subsequent authorization, the Secretary's delegee). The Banks now have established processes to ensure that any new fiscal agency requests are made pursuant to an independent authority or through the Treasury. Most, if not all, new requests for fiscal agency services originate within the Treasury, typically with the commissioners either of the Bureau of the Public Debt or of the Financial Management Service; both of these commissioners have been authorized to make such requests on behalf of the Secretary of the Treasury. For these reasons, the guidance provided in X-9584 is outdated and no longer needed.
- S-2464/FRAM 3-061 (SECURITIES SERVICES—Scope of Permissible Reserve Bank Safekeeping Activities). S-2648 explains that S-2464 (May 28, 1982) defines the scope of

permissible Reserve Bank safekeeping activities for definitive securities. This policy was originally adopted at the request of several Reserve Banks who had received requests to receive and hold securities in safekeeping. The Reserve Banks' priced definitive securities safekeeping service was discontinued in 1993, however, because the Reserve Banks now maintain all Fedwire-eligible securities in the National Book-Entry System and because other securities are now centrally maintained by the Depository Trust Company. In addition, the Reserve Banks accept physical custody of securities only as collateral, and guidance related to this service is already provided in the Reserve Banks' Operating Circular 8 and operating Circular 9 and in the Treasury Financial Manual. S-2464 is therefore obsolete.

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