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# Treasury Financial Manual

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## Chapter 9000

### SECURING GOVERNMENT DEPOSITS IN FEDERAL ENTITY ACCOUNTS

This chapter prescribes federal entity requirements for securing public money on deposit at depositories.

#### Section 9010—Applicability

When a federal entity places funds on deposit with a financial institution, the financial institution must pledge collateral under conditions prescribed 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 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 the Department of the Treasury (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. Federal entities 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 federal entities.

**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 a federal entity. Additionally, the Collateral Monitoring Recap Report is available monthly and provides federal entities and financial institutions 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.

**TCMM Operations Team**— 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 entity 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**

The Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) promulgates rules and provides guidance for the security of public money on deposit in depositories. The rules outlining broad policy objectives with securing such funds are included in 31 CFR 202 and related collateral

guidance in 31 CFR 380. The Treasury Financial Manual provides more detailed policy guidance and detailed procedures that federal entities, depositaries, and Federal Reserve Banks (FRB) must follow to ensure the funds are secured. Each federal entity must remain informed of and compliant with the latest collateral regulations, rules, and procedures.

Fiscal Service determines the types of acceptable collateral depositaries can use to secure deposits of public money. Fiscal Service also determines appropriate margins on pledged collateral.

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

### **9025.10—Federal Entities**

Each federal entity must:

- Establish a Treasury Collateral Management and Monitoring (TCMM) account and V account by completing the [TCMM Agency Access Authorization Form](#).
- Provide the TCMM Operations Team with a timely annual update of contact information.
- Notify the TCMM Operations Team immediately when there are changes to authorized individuals. See the [Treasury Collateral Management and Monitoring](#) website to obtain the [form](#) to update contact information.
- Provide timely address changes to the TCMM Operations Team.
- Notify Fiscal Service, in writing, when canceling a V account. The federal entity 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. Fiscal Service may request a copy of federal entity procedures.
- Ensure that TCMM has the most accurate and up-to-date amount on deposit to be collateralized. This allows the TCMM Operations Team to maintain sufficient collateral in excess of the recognized deposit insurance limit (generally \$250,000). See 12 CFR 330 (Deposit Insurance Coverage).
- Monitor federal entity collateral records by reviewing the monthly FRB Security Account Holdings Report and the Collateral Monitoring Recap Report. The Security Account Holding Report lists all securities pledged to a federal entity. The Collateral Monitoring Recap Report provides federal entities and financial institutions with a recap of security collateral values and the amount to be collateralized for their V accounts throughout the month. Both reports are available in the TCMM application.

### **9025.20—FRBs**

All FRBs must secure pledged collateral to protect public funds.

## 9025.30—TCMM Operations Team

The TCMM Operations Team must:

- Ensure that pledged collateral is eligible and sufficient to secure deposits of public money.
- Maintain and distribute FS Form 5902: Collateral Security Resolution (Revised May 2015); and FS Form 5903: Collateral Pledge and Security Agreement (Revised May 2015). See the [Treasury Collateral Management and Monitoring](#) website 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 federal entities on a monthly basis through TCMM.
- Make available the Collateral Monitoring Recap Report to depositaries on a monthly basis through TCMM.
- Open collateral accounts in National Book Entry System (NBES), Collateral Management System (CMS), and TCMM.
- Value collateral.

## 9025.40—Depositaries

Depositaries must:

- Complete FS Form 5902 and FS Form 5903 and submit these [forms](#) to the TCMM Operations Team to establish collateral security accounts.
- Pledge sufficient eligible collateral security as required by the Secretary of the Treasury.
- Provide federal entities and FRBs with requested information.
- Advise federal entities when the depositary is not able or willing to pledge collateral.

## 9025.50—Fiscal Service

Fiscal Service must:

- Assign and maintain V account numbers and provide federal entity information to the FRB so that the FRB may establish accounts.
- Establish the collateral policy.
- Establish and maintain lists of acceptable collateral and assigned margins.
- Periodically update the criteria and guidance for acceptable collateral and applicable margins. See the [TreasuryDirect](#) website.

## Section 9030—Selection of a Depositary

A federal entity 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. Federal entities are encouraged, but not required, to use minority financial institutions as depositaries whenever these

institutions can provide required banking services without an appreciable increase in cost or risk to the government. Treasury's Minority Bank Deposit Program (MBDP) is a voluntary program to encourage federal entities, state and local governments, and the private sector to use participants as depositories and financial agents. Fiscal Service annually certifies qualified minority institutions and maintains a roster of MBDP participants (see the [Minority Bank Deposit Program](#) website).

### **Section 9035—Establishing a Federal Entity Collateral Account**

To acquire a V account, federal entities must fill out and submit the [TCMM Agency Access Authorization Form](#). Each federal entity must use its V account number to establish an account at an authorized depository. Also, federal entities use their V accounts in TCMM for managing their collateral requirements. Fiscal Service assigns federal entity account numbers.

### **Section 9040—Securing Federal Entity Accounts**

All public money deposited in a depository must always be fully secured. The current federal deposit insurance limit per insured account is \$250,000. Public money is considered sufficiently secured if:

- The total amount of a federal entity's deposits in a single depository is less than the recognized deposit insurance limit, or
- The depository pledges eligible collateral before a federal entity deposit exceeds the recognized deposit insurance limit.

#### **9040.10—Federal Deposit Insurance Corporation (FDIC) Regulations**

Under FDIC regulations:

- Federal entity 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 a federal entity may have. Therefore, if a federal entity 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 a federal entity's deposits of public money exceed the recognized deposit insurance limit (generally \$250,000), the federal entity 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 TCMM Operations Team 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 [TreasuryDirect](#) website.

This collateral requirement applies to total federal entity deposits at a depository that exceed the applicable insurance limit, regardless of how many accounts and whether the deposits are spread among several branches.

## **Section 9045—Pledging Collateral**

### **9045.10—Initial Deposits**

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

When a federal entity anticipates its deposits will exceed the insurance limit, it must provide the TCMM Operations Team with information about the pledging depository, an authorized collateral contact, and the amount to be collateralized. The federal entity must await notification from the TCMM Operations team that an account relationship has been set up in NBES and CMS for the federal entity, and that federal entity 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 a federal entity's deposits at the depository.

### **9045.20—Requesting Additional Collateral**

Using TCMM, the TCMM Operations Team monitors collateral balances to ensure that sufficient collateral has been pledged to cover a federal entity's deposits at the depository. When the federal entity requires additional collateral to secure these deposits, the federal entity requests the depository to pledge additional collateral. The federal entity 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 federal entity must ensure that TCMM has the most accurate amount to be collateralized so that TCMM Operations Team can monitor the collateral pledged for sufficient value. The TCMM Operations Team will contact the depository to request additional collateral, if necessary.

### **9045.30—Information Required by Fiscal Service**

Initially, federal entities must provide the TCMM Operations Team with a completed [TCMM Agency Access Authorization Form](#) and must annually recertify federal entity TCMM users and contacts.

## **Section 9050—Releasing Collateral**

## **9050.10—TCMM Operations Team Responsibilities**

The TCMM Operations Team approves all releases of collateral. The TCMM Operations Team 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 TCMM Operations Team instructs the federal entity 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 TCMM Operations Team works with the depository to contact the federal entity to determine the exact amount to be collateralized. Updates for the amount to be collateralized are not processed without proper authorization from the federal entity.

In the case of a failed or insolvent depository, only Fiscal Service has the authority to instruct the TCMM Operations Team to release collateral (see subsection 9060.20).

## **9050.20—Federal Entity Responsibilities**

The TCMM Operations Team contacts federal entities if it is determined that a deficiency would result from a collateral release. Federal entities must confirm that the amount to be collateralized is sufficient. The federal entity may reduce the amount to be collateralized if applicable.

If a federal entity wants to close a V account, it must notify the TCMM Operations Team by telephone or in writing that the deposit balance is zero and collateral is no longer needed. The federal entity also must notify Fiscal Service in writing that the federal entity no longer needs the V account.

Only after a federal entity sets the amount to be collateralized to zero within TCMM, which eliminates the need for collateral, will the TCMM Operations Team release collateral.

When the TCMM Operations Team releases pledged collateral, a federal entity 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 TCMM Operations Team ensures that collateral values equal or exceed the amount to be collateralized. Federal entities must maintain adequate records to ensure that the amount to be collateralized on federal entity reports accurately reflects the amount on deposit over the applicable deposit insurance coverage. Federal entities must document that deposits are always protected and must ensure that the TCMM has an accurate amount to be collateralized. TCMM provides

reports and real-time inquiries to assist federal entity collateral management and record keeping.

### **9055.10—Verifying Collateral Amounts**

Federal entities 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 federal entity. Each federal entity must review these reports to ensure that the holdings are sufficient, and most importantly, that the collateralized balance is shown correctly and reflects the account balance (in excess of applicable insurance) on deposit at the depository. The federal entity must notify the TCMM Operations Team 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 federal entity and TCMM Operations Team collateral records correctly reflect the outcome of depository mergers. This ensures that collateral deficiencies do not develop. When a federal entity maintains accounts with two depositories, each account is separately insured by recognized deposit insurance (generally \$250,000). If two depositories serving the same federal entity 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 a federal entity maintains public funds in an account at a depository that becomes insolvent, the federal entity must immediately contact Fiscal Service (see Contacts). Fiscal Service will guide federal entities 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 federal entity.

## **Contacts**

*Direct questions regarding this chapter to:*

Department of the Treasury  
Bureau of the Fiscal Service  
Revenue Collections Management



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**Contact the TCMM Treasury Support Center at:**

TCMM Operations Team  
 Federal Reserve Bank of St. Louis  
 1421 Dr. Martin Luther King Drive  
 St. Louis, MO 63016-3716  
 Telephone: 888-568-7343, option 2  
 Email: [TCMM\\_TSC@stls.frb.org](mailto:TCMM_TSC@stls.frb.org)

*For information describing acceptable collateral and its valuation, see the [TreasuryDirect](#) website.*

*For information on collateral policy, see the [Treasury Collateral Management and Monitoring](#) website.*

**Summary of Updates in this Release**

Section Number	Section Title	Summary of Change
9015	Authority	Removed text "inter alia".
9020	Definitions	Added language to the Security Account Reports term to clarify that the Collateral Monitoring Recap Report is also used by financial institutions.
9025.10	Federal Entities	In the first bullet, added the word "Authorization" to the TCMM Agency Access Authorization Form and adjusted hyperlink to include the whole term. Also added language to the last bullet explaining what the Security Account Holding Report and the Collateral Monitoring Recap Report are.
9025.30	TCMM Operations Team	Updated the form names for FS Form 5902: Collateral Security Resolution and FS Form 5903: Collateral Pledge and Security Agreement
9030	Selection of a Depository	Updated the hyperlink for the Minority Bank Deposit Program.
9035	Establishing a Federal Entity Collateral	Added the word "Authorization" to the TCMM Agency Access Authorization Form and adjusted hyperlink to include the whole

	Account	term.
9045.30	Information Required by Fiscal Service	Added the word "Authorization" to the TCMM Agency Access Authorization Form and adjusted hyperlink to include the whole term.
N/A	Contacts	Updated Contacts information.