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# Treasury Financial Manual

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## Chapter 9000

### SECURING GOVERNMENT DEPOSITS IN FEDERAL AGENCY ACCOUNTS

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

#### Section 9010—Applicability

When a federal agency 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, inter alia, 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. Agencies 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 agencies.

**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 an agency. Additionally, the Collateral Monitoring Recap Report is available monthly and provides agencies 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 agency 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**

Treasury's 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 agencies, depositories, and FRBs must follow to ensure the funds are secured. Each agency must remain informed of and compliant with the latest collateral regulations, rules, and procedures.

Fiscal Service determines the types of acceptable collateral depositories 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—Agencies**

Each agency must:

- Establish a TCMM account and V account by completing the TCMM Agency Access [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 agency 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 agency 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 agency collateral records by reviewing the monthly FRB Security Account Holdings Report and the Collateral Monitoring Recap Report. 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: Resolution Authorizing Execution of Depository, Financial Agency, and Collateral Agreement (Revised May 2015); and FS Form 5903: Depository, Financial Agency, and Collateral 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 agencies on a monthly basis through TCMM.
- Make available the Collateral Monitoring Recap Report to depositories on a monthly basis through TCMM.
- Open collateral accounts in NBES, 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 agencies and FRBs with requested information.
- Advise agencies when the depository is not able or willing to pledge collateral.

### **9025.50—Fiscal Service**

Fiscal Service must:

- Assign and maintain V account numbers and provide agency 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 Depository**

An agency 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. Agencies are encouraged, but not required, to use minority financial institutions as depositories whenever these institutions can provide required banking services without an appreciable increase in cost or risk to the Government. The Treasury’s Minority Bank Deposit Program (MBDP) is a voluntary program to encourage agencies, 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 [Treasury Collateral Management and Monitoring](#) website).

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

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

## **Section 9040—Securing Agency Accounts**

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

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

### **9040.10—FDIC Regulations**

Under FDIC regulations:

- Agency 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 an agency may have. Therefore, if an agency 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 an agency's deposits of public money exceed the recognized deposit insurance limit (generally \$250,000), the agency 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 agency deposits at a depository that exceed the applicable insurance limit, regardless of how many accounts and whether or not the deposits are spread among several branches.

## **Section 9045—Pledging Collateral**

### **9045.10—Initial Deposits**

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

When an agency 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 agency must await notification from the TCMM Operations team that an account relationship has been set up in NBES and CMS for the agency, and that agency 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 an agency'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 an agency's deposits at the depository. When the agency requires additional collateral to secure these deposits, the agency requests the depository to pledge additional collateral. The agency 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 agency 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, agencies must provide the TCMM Operations Team with a completed TCMM Agency Access [Form](#) and must annually recertify agency 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 agency 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 agency to determine the exact amount to be collateralized. Updates for the amount to be collateralized are not processed without proper authorization from the agency.

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

### **9050.20—Agency Responsibilities**

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

If an agency 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 agency also must notify Fiscal Service in writing that the agency no longer needs the V account.

Only after an agency 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, an agency 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. Agencies must maintain adequate records to ensure that the amount to be collateralized on agency reports accurately reflects the amount on deposit over the applicable deposit insurance coverage. Agencies must document that deposits are protected at all times and must ensure that the TCMM has an accurate amount to be collateralized. TCMM provides reports and real-time inquiries to assist agency collateral management and record keeping.

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

Agencies 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 agency. Each agency 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 agency 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 agency and TCMM Operations Team collateral records correctly reflect the outcome of depository mergers. This ensures that collateral deficiencies do not develop. When an agency maintains accounts with two depositories, each account is separately insured by recognized deposit insurance (generally \$250,000). If two depositories serving the same agency 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 an agency maintains public funds in an account at a depository that becomes insolvent, the agency must immediately contact Fiscal Service (see Contacts). Fiscal Service will guide agencies 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 agency.

## **Contacts**

### ***Direct questions regarding this chapter to:***

Department of the Treasury  
Bureau of the Fiscal Service  
Bank Policy and Oversight Division  
3201 Pennsy Drive, Building E  
Landover, MD 20785  
Telephone: 202-874-8471  
Email: [BMT@fiscal.treasury.gov](mailto:BMT@fiscal.treasury.gov)

### ***Contact the TSC at:***

TCMM Operations Team  
Federal Reserve Bank of St. Louis  
1421 Dr. Martin Luther King Drive  
St. Louis, MO 63016-3716  
Telephone: 866-771-1842, option 2

***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.***