

Chapter 5000

LETTER OF CREDIT - FEDERAL RESERVE BANK SYSTEM OPERATIONAL REQUIREMENTS

This chapter prescribes the operating procedures, forms and format to be followed by Federal Reserve banks and branches (FRBS) for letter-of-credit operations.

Section 5015 -AUTHORITY

12 U.S.C. 391 authorizes the Secretary of the Treasury to use Federal Reserve banks and branches as depositaries and fiscal agents of the United States.

Section 5020 -LETTER OF CREDIT -FEDERAL RESERVE BANK SYSTEM

Functions of the system are summarized as follows:

- The Federal program agency will obtain the manual signatures of recipient organization officials authorized to sign payment vouchers drawn on the letter of credit.
- The Federal program agency will send a certified letter of credit and signature card to the Cash Management Regulations and Compliance Staff (II TFM 5-5095). This staff will transmit the letter of credit and signature card to the appropriate Federal Reserve bank (FRB) after the signature of the certifying officer of the Federal program agency and information on the letter of credit and signature card are verified. Responsibility for the amount authorized and validity or legal effect of signatures entered on any letter of credit or signature card rests entirely with the certifying officer of the Federal program agency, not the FRB.
- As funds are needed, the recipient organization will submit a properly completed payment voucher to the financial institution for transmission to the appropriate FRB. Payment vouchers are generally considered as noncash items and are credited to the account of a financial institution which has access to services provided by a FRB.
- The FRB will review the payment voucher and, if proper for payment, credit the account of the financial institution and charge the account of the Treasury with the amount of the voucher.

Section 5025 -DEFINITIONS

5025.10 -Checks Paid Technique. This term refers to a special technique of payment where by a financial institution or FRB is authorized to draw on the

letter of credit on behalf of the recipient organization.

5025.20 -Federal Program Agency. This term refers to an entity of the Federal Government which authorizes payments to a recipient organization.

5025.30 -Financial Institution. This term refers to a financial organization having director indirect access to Federal Reserve services and having demand deposit accounts.

5025.40 -Letter of Credit. This term means a commitment, certified by an authorized certifying officer of a Federal program agency, specifying a dollar limit available to a designated recipient organization.

5025.50 -Letter of Credit -Federal Reserve Bank System. This term identifies the system whereby the letters of credit are maintained and serviced by Federal Reserve banks acting for the United States Treasury.

5025.60 -Recipient Organization. This term refers to an organization outside the Federal Government receiving payments of Federal funds.

Section 5030 -FORMS

The following forms, illustrated in Appendix No. 1 to this chapter, are used under the Letter of Credit -Federal Reserve Bank System:

Form Number Title

SF 1193 Letter of Credit

SF 1194 Authorized Signature Card for Payment Vouchers on Letter of Credit

TFS Form 1207 Statement of Inactive Letters of Credit

TFS Form 1214 Rejected Payment Vouchers on Letters of Credit

TFS Form 5401 Payment Voucher on Letter of Credit

TFS Form 5851 Treasury Letter of Credit Transmittal

TFS Form 5858 2-Way Memorandum Regarding Status of Letter of Credit Audit Verifications

5030.10 -SF 1193 "Letter of Credit." This form will be used by Federal program agencies to issue letters of credit under the Letter of Credit-Federal Reserve Bank System.

5030.20 -SF 1194 "Authorized Signature Card for Payment Vouchers on Letter of Credit." This form will be used to designate the signatures of the recipient organization officials authorized to sign letter-of-credit payment vouchers.

5030.30 -TFS Form 1207 "Statement of Inactive Letters of Credit." This form will be used to report the status of inactive letters of credit to FRBS.

5030.40 -TFS Form 1214 "Rejected Payment Vouchers on Letters of Credit." This form will be used by FRBs to explain the reason for rejecting a payment voucher.

5030.50 -TFS FORM 5401 "Payment Voucher on Letter of Credit." This form will be used by a recipient organization to withdraw funds on a letter of credit.

5030.60 -TFS FORM 5851 "Treasury Letter of Credit Transmittal." This form will be used by the Bureau of Government Financial Operations (BFGO) to transmit SF 1193, SF 1194, and other letter-of-credit information to the FRBS.

5030.70 -TFS FORM 5858 "2-Way Memorandum" Regarding Status of Letter of Credit Audit Verifications. This form will be used to certify that letter-of-credit balances have been verified and are correct. Furthermore, it will be used by the FRBs to report exceptions to balances.

5030.80 -Special Forms. Upon approval from the Cash Management Regulations and Compliance Staff, Federal program agencies may use special forms to issue letters of credit. When processing these forms, FRBs shall apply the same operational requirements as pertinent to the SF 1193.

Section 5035 -ESTABLISHING THE LETTER OF CREDIT

5035.10 -Receipt of Letter-of-Credit Documents. Cash Management Regulations and Compliance Staff will use TFS Form 5851 to forward letter-of credit documents. Upon receipt of TFS Form 5851, the FRB shall verify the signature of the Cash Management Regulations and Compliance Staff representative appearing on the transmittal against signatures of those individuals authorized to sign a TFS Form 5851 identified in correspondence signed by the Commissioner, BGFO, or an appropriate designee. FRBs will be notified as changes in authorizations occur. If an unauthorized signature appears on the transmittal or the transmittal is unsigned, the FRB must contact the Cash Management Regulations and Compliance Staff before processing any documents. After verifying the signature, the FRBs shall insure that the typed information on the transmittal agrees with the letter-of-credit documents attached.

The Cash Management Regulations and Compliance Staff will examine all letter-of-credit documents for completeness and accuracy prior to transmitting the documents. In the event there is extraneous, missing, or erroneous data, the Cash Management Regulations and Compliance Staff must be notified before any further action is taken. If everything is in order, the duplicate copy of the transmittal shall be signed, dated, and returned no later than the next business day to:

Cash Management Regulations

and Compliance Staff
Administrative Services
Bureau of Government Financial
Operations
Department of the Treasury
Treasury Annex No. 1, PB-809
Washington, DC 20226

5035.20 -Receipt of Letter-of-Credit Information by Wire. The Cash Management Regulations and Compliance Staff will wire letter-of-credit information when circumstances warrant. FRBs will accept and act on wired information received from the Cash Management Regulations and Compliance Staff. A FRB, at its own discretion, may use a callback procedure to verify wired information received from the Cash Management Regulations and Compliance Staff. Occasionally, the Cash Management Regulations and Compliance Staff will telecopy signature cards when a FRB has the means available to receive such information. Ordinarily, the SF 1193 and/or SF 1194 will be mailed from the Cash Management Regulations and Compliance Staff no later than the next business day under cover of TFS Form 5851.

5035.30 -Examination of Letter-of-Credit Documents. Federal Reserve banks shall examine for completeness each initial letter of credit and signature card received from the Cash Management Regulations and Compliance Staff. At a minimum, the FRBs shall verify that...

- The correct FRB is indicated on the SF's 1193 and 1194.
- The name of the recipient organization appearing on the SF 1193 agrees with the corresponding SF 1194.
- The letter-of-credit number on the SF 1193 agrees with the SF 1194.
- An amount authorized is indicated on the SF 1193 and a period of availability of funds is checked.
- A block is checked on the SF 1194 indicating the number of signatures required to draw on the letter of credit.
- The SF's 1193 and 1194 are signed.

5035.40 -Amendments to Letter of Credit. Amendments to letters of credit will be transmitted to the appropriate FRBs by the Cash Management Regulations and Compliance Staff. FRBs must review all amendments received for completeness by verifying that...

- The Letter of Credit is currently on file.

The correct FRB is indicated.

- The amendment number is clearly identifiable and is numbered in consecutive order.
- The time designation for funds, recipient organization information, and financial institution information agree with the previous SF 1193. If the amendment changes this information, a footnote is to appear on the amending SF 1193 describing the information that changed.
- If there is a change in the amount authorized, the prior authorization plus or minus the change equals the amount authorized.
- The amended SF 1193 is signed.

5035.50 -Amounts Authorized. FRBs are responsible for establishing and maintaining ledgers for all letters of credit, including reestablishing periodic authorizations. FRBs should post amounts authorized no later than the effective date. If the effective date falls on a weekend or holiday, the amount authorized should be posted no later than the next business day. A letter of credit received after the effective date will be posted immediately upon receipt. If an amendment decreases the amount authorized below the available balance, the Cash Management Regulations and Compliance staff should be contacted by telephone immediately.

For letters of credit with periodic authorizations, the unpaid balance should be revoked at the end of the period indicated and the full amount reestablished at the beginning of the new period. These entries may be posted to the letter-of-credit subsidiary ledger either on the first business day of the new period or on the business day that the first voucher is presented for payment.

5035.60 -Replacement Signature Cards. The Federal program agency will furnish the Cash Management Regulations and Compliance Staff with a replacement signature card whenever there is a change in the persons authorized to sign payment vouchers on a letter of credit. BGFO will transmit the signature cards after verifying the signature of the certifying officer of the Federal program agency. Replacement signature cards will be effective on the date received by the FRB.

Section 5040 -PAYMENT VOUCHERS ON LETTERS OF CREDIT

5040.10-Presentation to FRBs. FRBs shall establish a cutoff time for processing TFS Forms ,5401, which is as late in the day as possible, but no earlier than 2:00 p.m. local time. The Federal Reserve bank will receive from the recipient organization's financial institution the original, duplicate, and triplicate copies of TFS Form 5401. The quadruplicate copy will be retained by the drawer. The original copy must be received in order for the voucher to be processed. If

either the duplicate or triplicate copies are missing, the FRB will photocopy the original copy of TFS Form 5401 and substitute the photocopies for the missing copies and process the voucher as usual. Payment vouchers may be accepted from a financial institution which does not maintain an account with the FRB, for credit to a financial institution which does maintain an account with the FRB. Payment vouchers received from financial institutions which do not maintain an account with the FRB should identify, on an accompanying document, the financial institution which will receive credit.

5040.20 - Payment Voucher Limitations. Foremost letters of credit, payment vouchers will not be drawn more frequently than daily. However, where there is an agreement between the Cash Management Regulations and Compliance Staff and FRBS, multiple vouchers will be processed for certain letters of credit. Additional vouchers received the same day for the same letter of credit should be processed, regardless of the date drawn. In the absence of an agreement additional vouchers received the same day for the same letter of credit should also be processed, if the drawn dates are different. If the drawn dates are the same, the Cash Management Regulations and Compliance Staff should be contacted.

Payment vouchers should not be drawn for amounts more than \$5,000,000 unless so stated on the letter of credit. The FRB should telephone BGFO regarding the disposition of a voucher, if the amount is more than \$5,000,000 and authorization to pay such amounts is not annotated on the SF 1193. This is to preclude the rejection of payment vouchers drawn under the letter-of-credit checks paid technique.

Vouchers drawn in amounts less than \$5,000 should be processed. However, repeated drawdowns of less than \$5,000 on the same letter of credit should be brought to the attention of the Cash Management Regulations and Compliance Staff.

In the event the Cash Management Regulations and Compliance staff is closed or in cases where time differences preclude an FRB from contacting the staff, a payment voucher in question should be held until the next business day.

5040.30 - Examination of TFS Form 5401. FRBs should use care and diligence in examining payment vouchers drawn on letters of credit. The TFS Form 5401 should be examined for completeness, verifying that the letter-of-credit number, agency location code, and the financial institution identified are the same as shown on the related letter of credit, and that the amount requested is not altered and is within the remaining balance of the letter of credit.

The FRB should determine if the TFS Form 5401 is signed by the individuals whose signatures appear on the currently effective SF 1194. However, the FRB is not held accountable for a forged or unauthorized signatures entered on the TFS Form 5401 if the forged or unauthorized signatures appear on the currently effective SF 1194.

FRBs are not responsible for the sequential numbering of vouchers drawn on a letter of credit. A voucher received with the voucher number out of sequence should not be rejected. FRBs should not review the amount of Federal funds on hand. This information is supplied by recipient organizations for use by Federal program agencies only.

5040.40 -Payment of TFS Form 5401. If the TFS Form 5401 is proper for payment, payment will be effected by debiting the account of Treasury and crediting the account of the financial institution. The payment is posted to the letter-of-credit subsidiary ledger and charged to the amount authorized according to the date paid, not the date the voucher was drawn. The original and triplicate copy of the voucher should be legibly dated with the date paid, and either signed or stamped, in the "FOR FEDERAL RESERVE BANK USE ONLY" block. The date paid will signify the date that Treasury's account was debited and the financial institution's account credited.

5040.50 -Distribution of Paid TFS Form 5401. Paid TFS Form 5401 will be distributed as follows:

- Originals of paid TFS Forms 5401 must support information on the daily TFS Form 17 "Transcript of the General Account of the United States Treasury." Each TFS Form 5401 document will be shown as a separate entry on a specially prepared listing entities "Letters of Credit." The summary amount of the listing is reported on TFS Form 17M "Abstract of Charges" submitted to:

Government Reports Branch
Bureau of Government Financial
Operations
Department of the Treasury
Treasury Annex No. 1
Attn: GAO Building -Room 1415
Washington, DC 20226

- Duplicate copies of paid TFS Form 5401 should be retained by the FRB.
- Triplicate copies of paid TFS Form 5401 should be mailed first class, the same day that payment is accomplished, to:

Cash Management Regulations
and Compliance Staff
Administrative Services
Bureau of Government Financial
Operations
Department of the Treasury
Treasury Annex No. 1, PB
Washington, DC 20226

FRBs are required to notify the Cash Management Regulations and Compliance Staff in writing in the event no payment vouchers are paid on a given day. Written notification should be mailed to the same address as the triplicate copies of paid TFS Form 5401.

5040.60 -Criteria for Rejection. The Cash Management Regulations and Compliance Staff requires that FRBs reject a payment voucher for any of the following reasons and immediately notify the financial institution of the rejection. The final decision to reject any TFS Form 5401 rests on the judgment of the FRB.

- The dollar amount exceeds the available balance.
- The dollar amount has been altered.
- A signature on the TFS Form 5401 does not appear in the blocks entities "Typed Name and Signature" on the related SF 1194.
- The number of signatures required does not conform to the requirements indicated on the SF 1194.
- A signature on the TFS Form 5401 is not original or has been erased or pasted over with correction fluid. Facsimile signatures are not acceptable.
- A signature on the TFS Form 5401 does not compare favorably to the signature on the SF 1194.
- The letter-of-credit number, agency location code, name of recipient organization, or name of financial institution differs from the information on the SF 1193.
- The dollar amount exceeds \$5,000,000 and the FRB does not have authorization to pay amounts in excess of \$5,000,000.

5040.70 -Distribution of Rejected TFS Form 5401. The rejected voucher shall be posted to the letter-of-credit subsidiary ledger. The FRB should send all copies of a rejected TFS Form 5401 to the Cash Management Regulations and Compliance Staff with TFS Form 1214 explaining the reason for rejection. The rejected TFS Form 5401 and the accompanying TFS Form 1214 should be mailed no later than the next business day to the same address as triplicate copies of paid TFS Form 5401. The FRB should have no further liability with respect to the unpaid voucher.

5040.80 -Holding Payment Vouchers. A FRB may hold a voucher if advised by the Cash Management Regulations and Compliance Staff that an amendment or replacement signature card is in transit, which will avoid rejection of the voucher. Similarly, for letters of credit with period authorizations, FRB may receive a payment voucher on the last day of a period in which there are

insufficient funds remaining. Since the amount authorized will be re-established, such vouchers may be held until the first business day of the new period.

5040.90 -Checks Paid Technique. Under the telephonic checks paid application, payment on a letter of credit will be accomplished by the FRB completing, signing, and processing the TFS Form 5401 based on telephonic, telegraphic, or similar form of electronic telecommunication received from the recipient organization's financial institution. This method facilitates payment on a letter of credit for financial institutions located outside of the Federal Reserve city and unable to present payment vouchers for same day credit.

5040.90a -Notification. For each letter of credit established under the telephonic method of payment, the Cash Management Regulations and Compliance Staff will notify the appropriate FRB before proceeding with implementation.

5040.90b -Implementation. The Cash Management Regulations and Compliance Staff will provide the FRB with the following information for letters of credit operating under the telephonic method:

- Name and address of recipient organization
- Name and address of financial institution
- Names and telephone numbers of authorized persons at financial institution
- Letter-of-credit number
- Proposed date of implementation

The FRB should contact the financial institution to make the necessary arrangements to facilitate implementation. The Cash Management Regulations and Compliance Staff will send an SF 1193 and 1 194 to the FRB. An initial supply of blank TFS Forms 5401 with reordering instructions will be sent directly to the FRB by the Federal program agency. FRBs should establish adequate control procedures for storing blank TFS Forms 5401. TFS Forms 5401 are not interchangeable since each Federal program agency is assigned a different agency location code. The SF 1194 will be used to insure that officials having authority to make a telephonic drawdown have their signatures on file at the FRB. Prior to the effective date of implementation, the Cash Management Regulations and Compliance Staff will verify, by telephone, that the FRB has received the SF 1193, SF 1194, and supply of TFS Forms 5401. Subsidiary ledger cards should be established and be annotated with the legend "Payment by Telephonic Message Only" to preclude any change of a duplicate payment being made based on presentation of a TFS Form 5401 through normal channels.

5040.90c -Completing TFS Form 5401. A FRB will be expected to use care and diligence in completing and paying vouchers based on telephonic, telegraphic, or similar form of" electronic telecommunication, and will have no liability except for its own negligence. Federal Reserve banks will complete the TFS Form 5401 based on instructions received from the financial institution. At a minimum, instructions will include: letter-of-credit number, voucher number, agency location code, amount, name and address of recipient organization, and name and address of the financial institution. An adequate code word, call back, or other similar procedure should be arranged to verify messages received from the financial institution. Such a procedure should conform to the same security standards as for similar methods of transferring funds.

The FRB will complete the TFS Form 5401 insuring that the correct agency location code is entered on the payment voucher. On all copies of the voucher, the name of the person at the financial institution who shall authorized the drawdown shall be printed in the area reserved for the authorized signature. Upon proper completion, the voucher will be legibly dated with the date paid, and either signed or stamped in the block reserved for FRB use. Distribution of the original, duplicate, and triplicate copies will be the same as shown in II TFM 5-5040.50. The quadruplicate copy should be sent to the financial institution for its records.

Section 5045 -IMPROPER PAYMENTS

A FRB will have no liability in the payment of vouchers drawn on letters of credit except for its own negligence. FRBs are required to notify the Cash Management Regulations and Compliance Staff immediately in the event an improper payment is made. The major type of improper letter-of-credit payments are the following:

- payment in excess of the available balance (overpayment)
- payment of a voucher bearing a signature that does not appear on the currently effective SF 1194 (unauthorized payment)

5045.10 -Overpayment.

5045.10a -If the overpayment is detected on the same day that it occurs, the TFS Form 5401 should be in the custody of the FRB. If this is the case, it is the FRBs responsibility to collect the original and all copies of the TFS Form 5401, notify the financial institution of the payment rejection, and make the necessary adjusting entries to the FRBs records and letter-of-credit subsidiary ledger. The TFS Form 5401 would then be rejected through normal procedures.

5045.10b -If the overpayment is detected after the TFS Form 5401 has been paid and copies distributed the following guidelines apply:

The FRB should contact the financial institution to determine if the funds have been withdrawn by the recipient organization.

- If the funds have not been withdrawn by the recipient organization, the financial institution should be requested to return the funds, or at least an amount equal to the amount of the overpayment, to the FRB.
- If the financial institution will return the funds to the FRB, the Cash Management Regulations and Compliance Staff should be contacted to assist in the handling of the return of the funds.
- The FRB, after receiving the funds from the financial institution and the identifying information from the Cash Management Regulations and Compliance Staff, will prepare an SF 215 "Deposit Ticket" and process the deposit for the Federal program agency in the normal manner. The SF 215 will be completed using the correct agency location code for deposits, which should be obtained from the Cash Management Regulations and Compliance Staff. The agency location code that appears on the letter of credit should not be used.
- The amount of the voucher should be posted to the letter-of-credit subsidiary ledger. However, it is important that no reversing entry be made to the subsidiary ledger for the return of funds to the FRB.
- The depositary copy of the completed SF 215 will be retained by the FRB. The FRB should mail the confirmed memorandum and agency copies of the SF 215 to the Cash Management Regulations and Compliance Staff.

5045.10c - If the FRB cannot recover the funds, the Cash Management Regulations and Compliance Staff will notify and request the Federal program agency to recover the funds from the recipient organization.

5045.10d -If the Federal program agency is unable to recover the funds and the recipient organization is not entitled to additional funds, and the FRB was negligent in performing its obligation in this regard, the amount of the overpayment will be charged to the Federal Reserve bank. If the recipient organization is entitled, and the Federal program agency is willing to amend the letter of credit, the Cash Management Regulations and Compliance Staff will provide the Federal Reserve bank with documentation to cover the overpayment.

5045.20 -Unauthorized Payment. If the unauthorized payment is detected after the TFS Form 5401 has been paid and copies distributed, the Cash Management Regulations and Compliance Staff should be contacted. The Cash Management Regulations and Compliance Staff will attempt to obtain approval, from the appropriate Federal program agency, that the payment was valid despite the incorrect signatures. If the payment was fraudulent and the Federal program agency is unable to recover the funds, and the Federal Reserve bank was

negligent in performing its obligation in this regard, the amount of the payment will be charged to the FRB.

5045.30 -Other Improper Payments. The FRB must contact the Cash Management Regulations and Compliance Staff immediately for instructions and guidance on any other payment made which the FRB feels is erroneous or improper.

Section 5050 -INACTIVE LETTERS OF CREDIT

A letter of credit is considered inactive if there has been no activity, including changes in the amount authorized. for 1 year or more. FRBs will review their active files on an annual basis, each September 30, and report all inactive letters of credit to the Cash Management Regulations and Compliance Staff.

A separate report in duplicate for each agency location code should be submitted to the Cash Management Regulations and Compliance Staff. After communicating with respective Federal program agencies, the Cash Management Regulations and Compliance Staff will use TFS Form 1207 to advise the FRB of the disposition of the letters of credit.

Section 5055 -REVOCATION OF LETTERS OF CREDIT

When the balance of a letter of credit has been withdrawn or the Federal program agency no longer intends to use the letter of credit for financing recipient organization, the Federal program agency will request the Cash Management Regulations and Compliance Staff to revoke the letter of credit. The Federal program agency's request for revocation will be sent through the Cash Management Regulations and Compliance Staff to the appropriate FRB.

Ordinarily, instructions to revoke letters of credit will appear on TFS Form 5851. Instructions from the Cash Management Regulations and Compliance Staff will sometimes specify an effective date of revocation. If no effective date appears, the FRB should revoke the letter of credit upon receipt of the letter-of-credit transmittal. Payment vouchers received prior to the specified revocation date should be processed. Payment vouchers received on the same day as the transmittal letter or later, regardless of date drawn, should not be processed.

The Cash Management Regulations and Compliance Staff will occasionally revoke letters of credit by wire. Ordinarily, confirmation of telegraphic instructions will be included as part of the next TFS Form 5851 transmitted by the Cash Management Regulations and Compliance Staff.

Section 5060 -RETENTION OF LETTER-OF CREDIT DOCUMENTS

Letter-of-credit documents will be retained according to the following

timeframes:

- SF 1193. This includes the initial SF 1193, any amendments to the initial letter of credit, and any special forms that are used in place of the SF 1193. FRBs should retain these forms for a minimum of 3 years from the date of revocation.
- SF 1194. The SF 1194 is deemed revoked when the replacement SF 1194 is received for an active letter of credit or the letter of credit is revoked. In both cases, the revoked SF 1194 should be retained for a minimum 3 years from date of revocation.
- TFS FORM 5401. FRBs are not required to retain any copies of rejected TFS Forms 5401. Copies of paid TFS Forms 5401 and letter-of-credit subsidiary ledgers should be retained for a minimum of 3 years from the date paid.
- All Other Letter-of-Credit Documents. FRBs should retain all other documents received from the Cash Management Regulations and Compliance Staff, including the TFS Form 5851, a minimum of 18 months from the date of the correspondence.

Section 5065 -LETTER-OF-CREDIT AUDIT VERIFICATION

FRB periodically request from the cash Management Regulations and Compliance Staff verification that undisbursed letter-of-credit balances on the books of FRBs agree with balances on the books of Federal program agencies. Verification requests are generally initiated by the audit department of the FRB. The Cash Management Regulations and Compliance Staff functions as a liaison between FRBs and Federal program agencies. The Cash Management Regulations and Compliance Staff does not require that FRBs verify balances. FRBs that verify balances are encouraged to use a sampling technique and not perform a 100 percent verification.

5065.10 -Submitting Requests to the Cash Management Regulations and Compliance Staff. The FRB should send a cover letter with verification requests to the Cash Management Regulations and Compliance Staff. These requests will list the letter-of-credit numbers and corresponding balances as of a specified audit date. The requests should be submitted in duplicate with a separate request for each agency location code.

5064.20 -Processing Requests. The Cash Management Regulations and Compliance Staff will advise the FRB in writing, of receipt of the verification requests to Federal program agencies. Responses from agencies will be returned to FRBs by the Cash Management Regulations and Compliance Staff. If an exception to a balance is reported, the FRB should verify the letter-of-credit subsidiary ledger for any errors in amounts posted.

5065.30 -Completion. The Cash Management Regulations and Compliance Staff will initiate and send to the FRB a TFS Form 5858 when all completed verification requests have been returned. The FRB, upon receiving TFS Form 5858, is required to indicate the status of the audit, retain the duplicate copy, and sign and return the original to the cash Management Regulations and Compliance Staff. The audit will be considered complete if no differences exist between Federal program agency and FRB balances.

5065.40 -Differences in Balances. In addition to the original copy of TFS Form 5858, FRBs are required to submit to the Cash Management Regulations and Compliance Staff a second verification request, as of the same audit date, for all letters of credit where differences reported by Federal program agencies could not be reconciled. The requests should be submitted in duplicate and list only those letter-of-credit numbers and balances which need to be reverified. A separate request is required for each agency location code. Copies of ledger sheets should be attached for each letter of credit and should include entries which revert back to the inception of the letter of credit or the date the balance was last verified. The Cash Management Regulations and Compliance Staff will forward the second request and ledger sheets to Federal program agencies for review. The Cash Management Regulations and Compliance Staff will use TFS Form 5858 to notify the FRB of agency findings.

Section 5070 -DISCLOSURE OF INFORMATION

FRBs should have contact only with financial institutions and the Cash Management Regulations and Compliance Staff regarding letter-of-credit matters. Discretion is required with respect to the information that is disclosed to a financial institution. For example, information on the remaining available balance or the individual authorized to certify payment vouchers should not be disclosed. The Cash Management Regulations and Compliance Staff discourages direct communication between FRBs and recipient organizations, and Federal program agencies. Recipient organizations with inquiries should be referred to the Federal program agency shown on the letter of credit or, if necessary, the Cash Management Regulations and Compliance Staff. Inquiries received from Federal program agencies should be referred to the Cash Management Regulations and Compliance Staff.

Section 5075 -COMPLIANCE

FRBs are expected to perform letter-of-credit operations under the provisions of this chapter. The Cash Management Regulations and Compliance Staff should be contacted, in writing, for approval if FRB is unable to comply with any provision. FRBs are encouraged to develop and maintain separate internal operating procedures, which incorporate the provisions of this chapter, for use by personnel in letter-of-credit operations.

Section 5095 -INQUIRIES

Inquiries concerning this chapter should be directed to:

Cash Management Regulations and
Compliance Staff
Bureau of Government Financial
Operations
Department of the Treasury Annex No. 1, PB
Washington, D.C. 20226
Telephone: 202-634-5569

APPENDIX NO. 1 LISTING

FORMS PRESCRIBED FOR THE LETTER OF CREDIT -FEDERAL RESERVE BANK SYSTEM

Form Title

1193 Letter of Credit

SF 1194 Authorized Signature Card for Payment Vouchers on Letter of Credit

TFS Form 1207 Statement of Inactive Letters of Credit of Credit

TFS FORM 1214 Rejected Payment Vouchers on Letters of Credit

TFS Form 5401 Payment Voucher on Letter of Credit

TFS Form 5851 Treasury Letter of Credit Transmittal Credit Transmittal

TFS Form 5858 2-way Memorandum Regarding Status of Letter of Credit Audit
Verifications

[GRAPHIC]

SF 1193

LETTER OF CREDIT

[GRAPHIC]

SF 1194

AUTHORIZED SIGNATURE CARD FOR PAYMENT VOUCHERS ON LETTER OF CREDIT

[GRAPHIC]

TFS Form 1207

STATEMENT OF INACTIVE LETTERS OF CREDIT

[GRAPHIC]

TFS Form 1214

REJECTED PAYMENT VOUCHERS ON LETTERS OF CREDIT

[GRAPHIC]

TFS Form 5401

PAYMENT ON VOUCHER ON LETTER OF CREDIT

[GRAPHIC]

TFS Form 5851

SAMPLE TRANSMITTAL LETTER

[GRAPHIC]

TFS Form 5858

2-WAY MEMO