FHLBANK DALLAS

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Securities Safekeeping Guide

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Overview

The Federal Home Loan Bank of Dallas (Bank) provides safekeeping services for its customers, to accommodate all types of securities. Transactions involving receipt or delivery versus payment are cleared through the customer's Demand Deposit Account (DDA) on the date of receipt or delivery.

ADVANTAGES OF SECURITIES SAFEKEEPING SERVICES

- Principal, interest, redemptions, and maturities are automatically posted to the customer's DDA.
- Settlement instructions may be provided electronically or via SecureConnect.
- Competitive and cost-effective fee schedule.
- Audit confirmations are provided at no charge by using our Audit Confirmation Request form.
- Third-party custodial service agreements.
- Unique numeric coding system to help segregate securities pledged to public unit depositors (PUDs).
- Rapid response to research inquiries, usually within 72 hours.

HOURS OF OPERATION

The Bank's hours of operation are from 7:30 a.m. to 5:30 p.m. Central Standard Time (CST), Monday

through Friday. However, there are certain transaction specific deadlines that apply as discussed on page 6.

Services

SECURITY TRADE SETTLEMENT

The Bank will provide security trade settlement processing for all Federal Reserve book-entry, Depository Trust Company (DTC), or physical securities via our Safekeeping Portal, Nexus9 or via the Securities Settlement Information form available on www.fhlb.com Each security settlement versus payment transaction is applied against the customer's DDA, thereby eliminating the need for separate broker accounts.

SECURITY CUSTODY AND PLEDGING SERVICES

Customers may pledge securities held by the Bank to a public unit depositor whereby the Bank acts as a custodian. These securities typically collateralize uninsured deposits that the depositor holds at your institution. This service is most often used by public and municipal units, such as state treasurers, schools, and hospital districts, etc. In addition, we provide a unique numeric code reporting system that allows you to segregate securities pledged to specific depositors.

NOTIFICATION OF MATURING PLEDGED SECURITIES

Prior to the maturity date of a security that is pledged to a third party, a "Maturing Pledged Security Notice" report under the Custody reporting module is available on Nexus 9, notifying the customer that the security pledged to the third party will mature. Submitting a Release of Pledged Collateral through Nexus 9 is the best way to ensure a timely receipt of the funds.

CLAIMS PROCESSING

The Banking Operations staff provides timely resolution of payment problems involving principal and interest, maturities, calls, or other transactions that have the potential to reduce income flow to your institution. We also notify the customer through the Cash Management report available on SecureConnect, as to any changes in income.

SECURITIES INFORMATION

The Banking Operations staff can verify the customer's securities held at the Bank are not listed as stolen or lost. This service is provided upon request at no charge. Customers may choose to use the Research Request form available on SecureConnect or on www.fhlb.com to request information for any security problem.

AUDIT CONFIRMATION

By providing the Audit Confirmation Request form, or a request from the audit firm directly, customers or their depositors can receive timely and accurate responses to meet their audit requirements. The customer's FHFA ID must be included on all Audit Confirmation requests coming from the Depositor or the Depositor's auditor, failure to do so will result in a delay of the information. The Audit Confirmation Request form is available at www.fhlb.com.

RESEARCH

The Banking Operations Department will research any questions concerning payments on securities held for a customer. This includes received or missing payments. An attempt will be made to answer all inquiries within 72 hours. If more time is required, notification will emailed or phoned in to your institution with an explanation for the delay. A Research Request form is available on www.fhlb.com.

Procedures

TYPES OF SECURITIES

- **Fed Book Entry** – the income on securities that are non-registered securities (e.g., US Treasury, FHLB, FNMA, and GNMA and FHLMC) is paid directly to the Bank and then credited to the customer's DDA.
- **DTC Securities** – securities registered with DTC (e.g., Municipals, Corporate Bonds, Equities, and some CMO's). Payments are paid to the Bank and credited to the customer's DDA. (If a payment has not been received by the Bank from the paying agent within 48 hours of the scheduled payment date, the payment is then reversed out of the customer's DDA upon notification to the customer).
- **Physical Settlement** – securities registered in the nominee's name will receive income payment in their DDA. Securities registered in the customer's name will receive payments directly from the paying agent.

SECURITY TRADE SETTLEMENT (Nexus9).

- **Delivery versus Money** – a customer requests that a security they own will be delivered out of their holdings, per their instructions and a credit is applied to their DDA for the settlement amount of the trade (one authorized signature is required from someone on the signature card with Safekeeping authorization).
- **Delivery at No Charge** – a customer requests that a security they own be delivered out of their holdings, per their instructions with no funds credited to their DDA, (two authorized signatures and verbal authorization is required from someone on the signature card with Safekeeping authorization).
- **Receive versus Money** – a customer has purchased a security for settlement at the Bank per their instructions, and a debit is applied to their DDA for the settlement amount of the trade.
- **Receive at No Charge** – a customer has purchased a security or is moving a security from another custodian or broker for settlement at the Bank per their instructions; the customer's DDA is not debited.
- **Repurchase Agreements** can either be versus money or free.

SECURITY PROCESSING

- **Same-Day Turnaround Payment Transactions** – on a same day turnaround, the bond scheduled for delivery will not take place until the receiving bond is settled. Settlement status may be checked by the customer on Nexus9 Transaction Manager dashboard. Please refer to the deadlines section on page 6 for same-day transaction deadlines
- **Failed Transactions** – customers are responsible for checking the trade settlement status and can be done so by checking the Nexus9 Transaction Manager dashboard. To avoid trade settlement failures, a customer must provide

complete and detailed settlement instructions to the Bank and the delivering or receiving broker (the Bank's delivery instructions are available in this guide under the heading "Delivery Instructions").

- **Corporate Actions** – Within a reasonable amount of time after the Bank receives notice from the custodian of a Corporate Action affecting the customer's security, the Bank will provide notification information to our customers on Corporate Actions. The Bank may not receive notification of these actions until the settlement date. Corporation Action details are available for review and or action via Nexus9 Corporate Action dashboard.

ADDITIONAL REQUIRED INFORMATION

If Nexus 9 is unavailable to users with safekeeping authority, they may issue instructions for the settlement of securities. Any securities received by the Bank without instructions for the settlement of securities will be returned to the customer.

- The "Security Settlement Information" form must be completed (No substitution OR broker confirms unless accompanied by our Security Settlement Information form).
- For a "Delivery Free" trade (one without payment) two authorized signatures (per the signature cards on file with our Bank) are required from the customer. Upon receipt of the trade information, a Banking Operations Analyst will call the customer to verify the "Free Delivery." Trade instructions must be verbally confirmed by an authorized person.
- Complete settlement instructions must be provided, including the broker's name, Bank ABA number for Fed settlement, DTC number for DTC settlement, account number and other "For Further Credit" information.
- Broker confirmation should be submitted, if available.
- All written or typed information must be legible; failure to do so may result in a delayed settlement.
- Any missing information may prevent the processing of the trade settlement, which may involve a DDA discrepancy. Same day settlement instructions must be received by 10 a.m. CST. Any settlement instructions received after the stated deadline will be processed on a "best efforts" basis.

DELIVERY INSTRUCTIONS

To ensure timely settlement of trades, please provide the following instructions to the delivering or receiving broker.

Federal Reserve System:
Citibank
ABA #021000089
Citibank NYC/CUST/**customer 6-digit account**

Depository:
Depository Trust Company
DTC #908/**customer 6-digit account**
Agent ID #25995
Institutional ID #30860

Physical Delivery of Securities*:
Citibank NA
399 Park Ave
Level B Vault
New York, NY 10022
Attn Mr. Keith Whyte
FBO: Citibank for Account **customer 6-digit account** FHLB Dallas

*Note: For delivery of physical securities registered in the institution's name, a completed Bond/Stock Power and a Board Resolution with proper medallion guaranteed signatures and seals for each certificate must be received three days before settlement date to avoid failed delivery of the security.

DEADLINES

The following deadlines apply for notification of securities, pledge, and pledge release settlements:

Federal Reserve Book-Entry
4 p.m. CST one day prior to settlement
10 a.m. CST same day settlement

Depository (DTC)
4 p.m. CST one day prior to settlement
10 a.m. CST same day settlement

Physical Securities*
Buys: 4:00 p.m. CST two days prior to settlement
Sells*: 4:00 p.m. CST three days prior to settlement

Pledge and Pledge Release
5:30 p.m. CST one day prior to settlement
2:00 p.m. CST same day settlement

SECURITY CUSTODY AND PLEDGING SERVICES

Pledge and Release Process – Customers may pledge securities as collateral for the benefit of a depositor and instruct the Bank, acting as a custodian, to hold such securities. These securities typically collateralize uninsured deposits that the depositor holds at your institution. This service is used by public and municipal units, such as state treasurers, school, and hospital districts, etc. In addition, we provide reporting system that allows you to segregate securities pledged to specific depositors using a unique numeric code (pledge code ID).

- The Bank's standard **Exhibit A** (Custodial Agreement and Confirm, available by request to Member Services) and **Exhibit B** (Release of Pledged Collateral, available on www.fhlb.com) forms must be completed and submitted to the Banking Operations Department for processing, except as noted below.
- For pledges to the Federal Reserve Bank and any releases in connection with such pledges, customers must complete and submit the Bank's standard **Exhibit C** (Pledged DTC Collateral Loan to The Federal Reserve Bank, available by request to Member Services) and **Exhibit D** (Release of DTC Collateral Loan Pledged to The Federal Reserve Bank, available on www.fhlb.com), forms except as noted below.
- Requests made after 2:00 p.m. will be processed on a "best effort" basis.
- Customers must provide:
    - The name and address of the depositor (when noted).
    - The customer's name and address (when noted).
    - The description of the security.
    - The amount (original face) to be pledged.

Failure to do so may result in a delay of the pledge or release process.

- If more than one security is to be pledged to a depositor, please attach additional documentation with all required information
- Customers may pledge securities to third parties, including The Federal Reserve Bank online using Nexus9, in these cases, NO Exhibit A or Exhibit C, as applicable, will be required to be physically delivered to the Bank; however, by pledging securities using Nexus9, the customer agrees to be bound by Exhibit A or Exhibit C, as applicable.
- The Member Services desk must be notified before "Close of Business" (COB) same day of any customer errors made in the pledging process on Nexus9. Failure to do so will require the submission of an Exhibit B or Exhibit D, as applicable, signed by the third party to release the security.
- The Bank is responsible for delivering the pledge/release confirmation to the Depositor, as required by applicable law.
- Substitution of collateral will not be allowed without the submission of, as applicable, a Release of Pledged Collateral form (Exhibit B), Release of DTC Collateral Loan Pledged to The Federal Reserve Bank form (Exhibit D), or written evidence of an accepted substitution from the depositor.

NOTIFICATION OF MATURING PLEDGED SECURITIES

A customer may check the Maturity Report on Nexus9 to determine which securities are maturing prior to the maturity date. If a security is pledged to secure a customer's obligations to the Bank, the Bank will not release the funds of the maturing or called security until the customer sends a replacement security or purchases a CD of equal or greater collateral value. If the security is pledged to a third party, a completed Exhibit B or Exhibit D (as applicable), signed by the depositor will be required to have the funds released. The Bank will not make partial payments; all liens on a security must be released for full payment of the funds.

PLEDGING SECURITIES AS COLLATERAL

The Eligible Securities, as defined in the Bank's Member Products and Credit Policy Guide, held in the customer's main account may be considered available to support extensions of credit. The market value is determined by applying the price supplied by third party provider(s).

LETTERS OF CREDIT

Please refer to the Bank's Member Products and Credit Policy Guide for information regarding the issuance of Letters of Credit or contact our Member Services Desk at 844.345.2265.

ALLOCATING A CUSTODIAL LETTER OF CREDIT

- When allocating a Custodial Letter of Credit to a third party, please complete Exhibit I (Agreement to Secure Public Unit Deposits). The following information must be included on the Exhibit I:
  - The name and address of the depositor
  - The customer's name, address
  - FHFA number
  - The amount of the allocation
- The customer and the depositor must sign and date Exhibit I.
- To decrease the allocated funds, the customer and the depositor must sign, date, and include the amount of decrease on the Exhibit II (Decrease Allocated Letter of Credit Amount).
- Both forms are sent to Banking Operations Department before 4:30 p.m. CST, Monday through Friday.
- Customers may access the Custodial Letter of Credit Pledge Receipt on SecureConnect under Products > Application Entry > Custodial Letters of Credit > Inquiry > Bank Documents

RENEWAL OF A CUSTODIAL STANDBY LETTER OF CREDIT

In the case of Custodial Standby Letters of Credit, on the stated termination date, the Bank may, but has no obligation to issue to the Beneficiary a new Custodial Standby Letter of Credit to replace the expiring Custodial Standby Letter of Credit. The term of such replacement Custodial Standby Letter of Credit will be equal to the number of days elapsing during the period beginning on the effective date of the original Custodial Standby Letter of Credit through the expiration date of the original Custodial Standby Letter of Credit. If the Bank chooses to issue a new Custodial Standby Letter of Credit, an issuance fee will be charged to the customer's DDA.

Holdings	Fees
Holdings DTC	$4.00
Principal and Income DTC Transactions	$3.00
Holdings Fed	$4.00
Principal and Income Fed Transactions	$3.00
Holdings Physical	$4.00
Principal and Income Physical Transactions	$3.00

Transactions	Fees
Transactions DTC	$3.00
Transactions Fed	$5.00
Transactions Maturities	$6.50
Transactions Corporate Action Events	$6.50

MISCELLANEOUS FEES

- Late Trade Fees — $50.00
- Registration of Securities — Actual Costs
- Loss of Stolen Security Information — No Charge
- Research (Per hour if the outstanding item is more than 90 days old) — $25.00

Banking Operations staff are available to assist your institution with all your securities safekeeping needs.

Reports

All Safekeeping activity and transaction reports are available through SecureConnect and Nexus9 at no charge. We offer a comprehensive list of reports including:

Projected Income Report – displays projected income payments (principal, interest, dividends, partial calls, etc.) for the next three (3) days.

Maturity Report – displays maturing securities for the next ten (10) days.

Pledged Holdings Report – displays securities currently pledged to third parties and to the Bank.

Pledge History by Description & CUSIP – view historical pledge activity by security.

Statement of Holdings (as of the current date) or Statement of Holdings, EOM – detailed reports showing all holdings by CUSIP, original and current face, security description, cost and market value and any pledge information.

Safekeeping Billing Statement – month-end statement of Safekeeping fees applied to the customer's DDA.

Glossary

Bank ABA# – an identifying nine-digit bank code, required for processing funds and securities transfers.

Call Date – an available redemption date prior to the actual maturity date of a bond. The issuer has the right to buy back the bonds from the bond holder prior to maturity.

Collateral Value – the current face value of a security times a price divided by the Bank's assigned haircut. **Contractual Date** – the date that the customer and their broker agree to settle the transaction.

Corporate Action – an event initiated by the issuing entity which impacts the security such as, a dividend payment, a coupon payment, a call (early redemption, stock split or a name change).

CUSIP – a 9-character, alpha-numeric identifier. The CUSIP is assigned at the time of issuance.

CUSIP Description – the actual name of the bond, (i.e. - FNMA, GNMA, Tyler ISD, etc.)

Depository Trust and Clearing Corporation (DTCC) is a holding company which operates through 7 subsidiaries. It provides clearing, settlement, and information services.

Depository Trust Company – acts as a clearing house to settle corporate and municipal securities; a subsidiary of the DTCC.

DK – Don't know (used when a security is pending receipt without the submission of the customer's broker or agent delivery instructions). The security is sent back to the sending broker for confirmation.

DTC Broker – Name of the broker who settles trades through DTC.

DTC Number – the identifying numeric code assigned to a broker, by and who settles trades through DTC.

Failed Transaction – the traded security does not make the settlement date agreed upon by the customer and its broker.

Fed Mnemonic – short name of the bank and broker from which the security is being sold or bought.

For Further Credit – additional settlement, account number, or name information required for settlement.

Hair Cut – a percentage discount of the par value. It is perceived to reflect the risk associated with the asset.

Maturity Date – date the bond matures.

Nexus9 – the bank's online Safekeeping Portal.

Original Face – the face value or original principal amount at purchase when it was issued.

Par – a nominal dollar amount assigned to a security when it was first issued.

Physical or Definitive Security – securities that are issued in the form of a paper certificate.

Pledged Security – a security that is assigned to a customer's depositor to secure the deposits held at the customer bank more than the FDIC insured amount; or a security that is used to collateralize the customer's obligations to the Bank.

Price – the agreed upon purchase price between the customer and their broker.

Rate – the coupon of the bond, including variable rate coupons and zero coupons.

SecureConnect – the Bank's confidential and secure communication channel between a customer's desktop and the Bank. Customers have access to complete various transactions and print reports.

Settlement Date – the actual date the transaction is completed.

SPO Entry – Security Payment Order is a SMAC (Security Movement and Control) “Cash Only” transaction to amend money differences on a previously settled trade (usually occurs when a bond settles on a factor that is not current).

Ticket/Receipt Number – a numeric code assigned to a security when received into the Bank.

Contact Information

Toll-Free.....844.345.2265

Local..... 214.441.8444

Fax..... 214.441.8514

E-Mail..... member.services@fhlb.com

Federal Home Loan Bank of Dallas | Member Services Desk 8500 Freeport Pkwy. South, Suite 600 | Irving, Texas 75063-2547
P.O. Box 619026 | Dallas, Texas 75261-9026