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 via fax or SecureConnect.
- Competitive and cost effective fee schedule.
- Audit confirmations 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 operations 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 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. Customers may choose to enter the settlement information through SecureConnect.

SECURITY TRANSFER PROCESSING

A customer may transfer securities from the main account to a sub account or from a sub account to the main account by notifying the Member Services desk or Processing and Review department by email or fax. Customers may also choose to transfer securities through SecureConnect.

SECURITY CUSTODY AND PLEDGING SERVICES

Customers may pledge securities held by the Bank to a 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, school and hospital districts, etc. In addition, we provide a unique numeric code reporting system that allows you to segregate securities pledged to specific depositors. The Bank also offers sub accounts for customers to segregate securities. Customers may choose to pledge securities to their depositors through SecureConnect.

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" is sent via fax to the customer, notifying the customer that the security pledged to the third party will mature. Completion of the Release

of Pledged Collateral form (Exhibit B) will only ensure a timely receipt of the funds. Customers may also access this information regarding the maturity date of pledged securities on SecureConnect under Safekeeping Reports.

CLAIMS PROCESSING

The Bank's Processing and Review 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 by fax or through the Cash Management report available on SecureConnect, as to any changes in income. Customers may choose to use the form available on SecureConnect to inquire about payment issues.

SECURITIES INFORMATION

The Bank's Correspondent Services Department 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. Customer 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 Correspondent Services 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 be faxed, emailed, or phoned in to your institution with an explanation for the delay. A Research Request form is available online through SecureConnect and 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 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 (VIA THE SECURITIES SETTLEMENT INFORMATION FORM OR SECURECONNECT).

- **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

- **Security Transfer Processing** – a customer may transfer securities via SecureConnect from the main account to a sub account or from a sub account to the main account. This process does not allow for partial movement of a holding, or the transfer of holdings pledged as collateral or to a third party.
- **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 SecureConnect under "Trade Status." 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 "Trade Status" screen on SecureConnect. 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.

ADDITIONAL REQUIRED INFORMATION

Only individuals authorized on the Safekeeping Signature Card 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 Processing and Review 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 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:
Boston Federal Reserve Bank
ABA #011000028
State St. Bos/SPEC/BGU1

Depository:
Depository Trust Company
DTC #997/BGU1
Agent Bank Number 26022
Institutional ID #58873

Physical Delivery of Securities*:
Newport Office Center
570 Washington Blvd
Jersey City, NJ 07310
5th Floor/NY Window/Robert Mendez
FBO: State Street Bank & Trust for Account BGU1

Euro Clear Items:
Street Bank & Trust Company
Participant #93793/BGU1

*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
4:30 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 most often used by public and municipal units, such as state treasurers, school and hospital districts, etc. In addition, we provide a unique numeric code reporting system that allows you to segregate securities pledged to specific depositors. The Bank also offers sub accounts for customers to segregate securities.

- The Bank's standard **Exhibit A** (Custodial Agreement and Confirm) and **Exhibit B** (Release of Pledged Collateral) forms (available on www.fhlb.com) must be completed and submitted to the Processing and Review 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) and **Exhibit D** (Release of DTC Collateral Loan Pledged to The Federal Reserve Bank) forms (available on www.fhlb.com), except as noted below.

- Please fax all forms to the Bank at 214.441.8512 before 4:30 p.m. CST. Requests made after 4:30 p.m. will be processed on a “best effort” basis.
- Customers must provide clear and legible information with:
    - 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 use additional Exhibit A forms.
- Customers may pledge securities to third parties, including The Federal Reserve Bank online using SecureConnect, 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 SecureConnect, 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 SecureConnect. Failure to do so will require the submission of an Exhibit B or Exhibit D, as applicable, signed by the third party in order to release the security.
- The Bank is responsible for delivering the pledge/release confirms 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 SecureConnect 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). The table on page 9 summarizes the haircuts established by the Bank to determine a collateral value.

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 the 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 may be faxed to the Processing and Review Department at 214.441.8512 before 4:30 p.m. CST, Monday through Friday.
- Customers may access the Notification of Pledged Security on SecureConnect by entering in the ticket number on the "Pledge Confirmation" screen.

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.

Fees

TRANSACTION	STANDARD PRICING	SECURECONNECT PRICING
Security Movement Receipt - Fed Book Entry	$15.00	**No Charge**
Security Movement Delivery - Fed Book Entry	$15.00	$5.00
Security Movement Receipt - DTC	$15.00	**No Charge**
Security Movement Delivery - DTC	$15.00	$3.00
Security Movement Receipt - Physical	$30.00	$30.00
Security Movement Delivery - Physical	$30.00	$30.00
P&I Collection Fee - Fed Book Entry	$2.00	$2.00
P&I Collection Fee - DTC and Physical	$3.00	$3.00
Dividend Collection Fee - Fed Book Entry	$2.00	$2.00
Dividend Collection Fee - DTC and Physical	$3.00	$3.00
Security Maintenance - Fed Book Entry and DTC	$2.00	$2.00
Security Maintenance - Physical	$4.00	$4.00
Maturities/Calls/Partial Calls	$6.50	$6.50
Third Party Pledge	$15.00	$7.50
Third Party Release	$15.00	$15.00
Monthly Account Maintenance	$10.00	$5.00

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 table below summarizes the minimum haircuts established by the Bank to determine a collateral value.

SECURITY TYPE (as defined by the Bank)	BANKS, THRIFTS, CREDIT UNIONS, CDFIs and HOUSING ASSOCIATES	INSURANCE COMPANIES
U.S. Treasuries		
Bills	102	102
Notes	102	103
Bonds	102	108
Strips	102	104
Federal Agency Securities (Non MBS) and FHLB Debt Securities	102	104
FHLMC, FNMA, GNMA (Agency) Residential MBS	102	
FHLMC, FNMA, GNMA (Agency) Commercial MBS	Start at 102	*See Table Below
FHLMC, FNMA GNMA CMO	Start at 103	
FHLB CMO	102	
NCUA Bonds	Start at 105	
Term Deposits	100	
State or Municipal Securities	Start at 110	
SBA Securities	105	
Privately-Issued Residential MBS**	Start at 102	200
Privately-Issued Commercial MBS	Start at 102	*See Table Below

***INSURANCE COMPANY HAIRCUTS for Commercial Mortgage Backed Securities (CMBS) Determined by Member's Internal Credit Rating**

Insurance Company Member's Internal Credit Rating	Non-Agency Commercial MBS NRSRO Rating				Agency Commercial MBS (Fannie DUS, GNMA and Freddie K-Program)
	AAA	AA	A	BBB	
A, B, C	110	125	143	200	105
D, E	125	143	167	200	108
E*	200	200	200	Not Eligible	110

**In addition to the types of securities listed above, other types of securities that meet the eligibility requirements will be evaluated on a case-by-case basis. Privately-issued Residential Mortgage-Backed Securities ("PLMBS") rated triple A by the National Recognized Statistical Rating Organizations ("NRSRO"), when issued, will be eligible after downgrade so long as the lowest NRSRO rating is a least a single-C. Haircuts will be increased by 5% for each whole letter downgrade starting with 5% from double-A to single-A , another 5% from single-A to triple-B, and so on down to a single- C rating which would have a total incremental haircut of 35%. When a security is at a rating of a "D", it is no longer eligible collateral. The lowest rating available to the Bank will be used to determine eligibility, as described in the Bank's Member Products and Credit Policy Guide.

*Housing Associates (non-state) – Collateral value capped at 90% of current face per Regulation 950.17.

MISCELLANEOUS FEES

• Late Trade Fees	$50.00
• Registration of Securities	Actual Costs
• Lost of Stolen Security Information	No Charge
• Research (per hour if outstanding item is more than 90 days old)	$25.00

The Bank's experienced Processing and Review staff is available to assist your institution with all of your securities safekeeping needs.

Reports

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

Credit Advices – shows income payments applied to the customer's DDA.

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.

Month End Pledge of Holding Report – displays securities pledged to a public unit depositor by entering a specific numeric pledge code assigned by the Bank, and a month end date (a customer may access the pledge history of a particular CUSIP by entering the pledge code, if available, assigned to the third party).

Safekeeping to Collateral Report – displays pledged collateral value and available collateral value of customer's securities.

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 agrees to settle the transaction.

Corporate Action – an event initiated by the issuing entity on 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 like 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.

Original Face – the face value or original principle 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 in excess of 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