

June 30, 2004

CHANGES TO OPERATING CIRCULARS RELATING TO FEDLINE[®] ADVANTAGE

To the Chief Operations Officers of All Depository Institutions in the Eighth Federal Reserve District:

Beginning in August, 2004, the Federal Reserve Banks (Reserve Banks) will be offering a new online service access method known as FedLine[®] Advantage. FedLine Advantage will extend the use of web technology to provide access to Fedwire[®] Funds Service, Fedwire Securities Service and FedACHSM Services, as well as other Reserve Bank financial services currently accessible via your FedLine Web connection.

Today, DOS-based FedLine customers use stand-alone computers equipped with encryption boards and FedLine software to initiate and complete certain transactional services provided by the Reserve Banks over dedicated communication lines. The FedLine Advantage access method allows customers to use their PCs to access a virtual private network (VPN) connected to Reserve Bank servers. The VPN utilizes Internet Protocol (IP) technology as the medium for transporting data to the Reserve Banks, employing encryption and other security mechanisms designed to: (1) limit access to Reserve Bank financial services to authorized users, and (2) prevent data from being intercepted and/or modified.

In connection with the offering of this new access method, changes have been made to four Federal Reserve Bank Operating Circulars (OCs). While certain minor, technical changes have been made in these operating circulars, the main substantive changes are summarized below.

Operating Circular 4, *Automated Clearing House Items*

- New paragraph 3.5 addresses the fact that a customer will be able to transmit a file of ACH items to a Reserve Bank server without actually releasing the file for processing.
- Paragraph 7.1 provides that an ACH file is delivered to a customer when the Reserve Bank places an output file on a Reserve Bank server and makes the file available for the receiving bank to retrieve. This provision addresses a common scenario in web-based file transmission, and allocates to the receiving bank the responsibility to pick up ACH files once the Reserve Bank has placed the files on a server from which the receiving bank can obtain the files.
- Reserve Banks make certain new FedACH informational services available to customers that use FedLine Advantage. The new paragraph 20 is intended to distinguish the informational services from the service of clearing and settling ACH items.
- Appendices A and A1 have been revised to incorporate the FedLine Advantage additions to the Level One security procedures available to customers that use FedACH. These changes are reflected in Appendices A and A1.

Operating Circular 5, *Electronic Access*

- The definitions in OC 5 have been expanded to include the VPN device and tokens as access control features, as well as to reflect that code residing on Reserve Bank servers constitutes licensed and protected "Software" for purposes of the OC.
- Customers will be able to configure their systems so that PCs through which they obtain FedLine Advantage access are either set up to be "stand-alone" workstations or are part of the DI's network, and will have various other options regarding the configuration of their computer networks. The new paragraph 1.4 and additions to paragraph 5.1 provide that customers will have responsibility for complying

with the security measures required by the Reserve Banks, but will also have responsibility for taking measures appropriate for their circumstances and systems to prevent fraud, unauthorized access or other unauthorized use of their electronic connection to the Reserve Banks. Paragraph 5.5 requires customers to keep their computer systems and software appropriately updated.

- Other changes to OC 5 address the fact that certain devices used in connection with FedLine Advantage will be purchased from third party commercial vendors.
- Users of the FedLine Advantage access method will need "dual credentials" - User IDs and Passwords, plus digital certificates loaded on tokens. The Certification Practice Statement (CPS), which is incorporated into OC 5 by reference, has been revised to address the issuance and use of token-based digital certificates.

Operating Circular 6, *Funds Transfers Through Fedwire*

- Appendix A, which sets out the security procedures for accessing the Fedwire funds transfer network, has been revised to include references to the specific security documentation that is associated with the FedLine Advantage access method and incorporated into the Fedwire security procedures.
- A new Appendix D, FedPayments ManagerSM for the Fedwire Funds Service, has been added. The FedPayments Manager for the Fedwire Funds Service is a web-based tool that assists customers in preparing, verifying, correcting and submitting payment orders to the Fedwire Funds Service for processing. The FedPayments Manager tool also provides information about incoming messages and has inquiry and reporting capabilities. The FedPayments Manager tool is accessible via a FedLine Advantage connection.

Operating Circular 7, *Book-Entry Securities Account Maintenance and Transfer Services*

- A new Appendix E, FedPayments Manager for the Fedwire Securities Service, has been added. The FedPayments Manager for the Fedwire Securities Service is a web-based tool that assists customers in preparing, verifying, correcting and submitting securities transfer messages to the Fedwire Securities Service for processing. The FedPayments Manager tool also provides information about incoming messages and has inquiry and reporting capabilities. The FedPayments Manager tool is accessible via a FedLine Advantage connection.

All of these amendments (except for those made to the CPS which became effective on June 27, 2004) are effective on August 1, 2004, and your continued use of the applicable service on or after the effective date will constitute agreement to the new terms. Prior to using a FedLine Advantage connection for access to FedACH services and Fedwire Funds Services, your organization will need to execute and submit the new security procedure agreements referenced above for those services.

Please refer to the official versions of these amended Operating Circulars at <http://www.frb services.org/OperatingCirculars/index.html>. From this website, you may read, download, and print the OCs. To request a paper copy of one of these amended OCs, please call (816) 881-2541. For additional information about the revisions to the OCs, please contact your Account Representative.