

11. Delivery, Receipt and Reclamation

Chapter 11

Delivery, Receipt and Reclamation

A. Conditions for Delivery and Receipt of Book-Entry Securities

1. Delivery of mortgage-related securities must be in accordance with the rules of the respective depository in which the securities clear.
2. All depository book-entry eligible securities should be delivered in book-entry form.
3. Where securities are to be delivered to a third party, the delivery instructions must include all applicable third-party information such as account names and numbers.
4. In order to facilitate Fail Tracking, the buyer of a Fannie Mae, Freddie Mac or Ginnie Mae security, or a VA REMIC, may DK a transaction in the event that buyer and seller do not agree on the contractual Settlement Date. It should be noted that if the contractual Settlement Date is not included in the field-tag section of the Fedwire message or if no field-tag is included in the Fedwire message, the buyer will assume that the current business day is the correct contractual Settlement Date. Refer to Federal Reserve Clearing Memo #219 for additional information on the field-tag.
5. In order to facilitate Repo Tracking, the repo buyer of a Fannie Mae, Freddie Mac or Ginnie Mae security or a VA REMIC may DK a transaction if the repo code is either missing or incorrect. This recommendation applies only to mortgage securities eligible for Repo tracking on the Fedwire System (as described in the Federal Reserve Bank Clearing Memo #236).
6. Deliveries of securities will be communicated to all participants.

	Fedwire Network ¹	DTC
Regular Deliveries	3:00:59 PM	2:59:59 PM
Deliveries with consent restrictions (see footnotes)	3:15:59 PM ²	3:19:59 PM ³
Reclamations	3:30:59 PM ⁴	3:00 – 3:29:59 PM

1 Fed cut-off times are firm (3:15:59 p.m. E.T. firm close for transfer originations and 3:30:59 p.m. E.T. firm close for reversals) and will not be extended, except in unusual circumstances such as system-wide operational problems. Notices of any extensions are expected to be announced beginning at 2:55 p.m. In the case of an extension, delivery deadlines will be extended accordingly.

2 Deliveries of Fedwire securities may be made between 3:00:59 and 3:15:59 only with the prior mutual consent of both parties. See: <http://www.sifma.org/news/news.aspx?id=11592> for more information.

3 Deliveries in DTC can be made between 3:00 and 3:19:59 p.m. if agreed to by buyer.

4 Reclamations can be executed at any time during the day prior to the close of the Fed on that day, but 3:15 p.m. to 3:30 p.m. E.T. is reserved exclusively for reversal (type code 2002).

B. Conditions for Delivery and Receipt of Physical Securities

1. a) All securities physically delivered must be in good-delivery form and contain necessary assignments or other evidence of transfer sufficient for their registration in the name of the buyer or the name of the buyer's designee(s) on the books of the issuer or the transfer agent for such securities.

b) The following additional provisions are also applicable to physical delivery of securities:
 1. The delivery of a certificate for securities must be accompanied by an assignment on the certificate or on a separate assignment for each certificate containing a signature that corresponds with the name written upon the certificate, except that the following will be interchangeable: "and" and "&"; "Company" and "Co."; "Incorporated" and "Inc."; "Limited" and "Ltd."; and any other recognized abbreviation.
 2. A detached assignment will provide for the irrevocable appointment of an attorney, with power of substitution, and a full description of the security, including the name of the issuer, maturity date, interest rate, par amount and pool number.
 3. Each assignment, endorsement, alteration and erasure will bear a guarantee acceptable to the transfer agent or issuer. Form alterations and erasures may not be made to the assignment section (which includes pool number, issue date, maturity date and interest rate), the endorsement section or the certification section.
2. A receiving firm's window must be open to accept physical delivery of securities during normal business until the following cutoff times:
 - a) Delivery by a nondealer to a dealer: 3:00 p.m. E.T.
 - b) Delivery by a dealer to a government broker: 3:00 p.m. E.T.
 - c) Delivery by a government broker to a dealer: 3:00 p.m. E.T.
 - d) Delivery by a dealer to a dealer: 3:00 p.m. E.T.
 - e) Delivery by a nondealer to a nondealer or Delivery by a dealer to a nondealer: 3:00 p.m. E.T.

Firms should accept physical deliveries from messengers already in line at the relevant cutoff time.

3. On all timely physical deliveries of mortgage-backed securities, the receiving party must make payment or tender a duly executed receipt that includes the receiving firm's name and time stamp for securities delivered, including those securities presented after applicable receive time. Payment for securities delivered in physical form must be made in immediately available funds upon delivery to, or upon order of, the delivering party. A firm rejecting a delivery must include on the delivery invoice relating to the rejected delivery, the rejecting party's time stamp and the reason for rejection. In all cases, the time stamp should be the actual time that the securities being rejected were delivered to the receiving party's window. A receiving party intending to reject securities should do so by 4:00 p.m. E.T. The receiving party should make the rejected securities available for pickup immediately after the receiving party has notified the delivering party of the rejection. The receiving party should continue to make the rejected securities available for pickup until 6:00 p.m. ET or two hours after the notification of the rejection, whichever is later.

C. Reclamations

1. A reclamation is a claim by the buyer for the right to return or a demand by the seller for the return of the securities that have been delivered to and accepted by the buyer and for which payment has been made to the delivering seller. A reclamation may be made by either the party that received the securities (the buyer) or the party that delivered the securities (the seller) if, after the delivery, information is discovered that, if known at the time of delivery, would have caused the delivery not to constitute good delivery. Reclamations must be made within stated time limits.
2. There are three classes of reclamations:
 - a) Class A reclamations include securities being reclaimed because, upon presentation to the transfer agent or issuer, such securities are found to be unacceptable for transfer (e.g., inadequate assignment of the certificate, absence of guarantee of endorsement, alteration or erasure, certificate in the wrong name).
 - b) Class B reclamations include securities being reclaimed because: (1) title to the securities is called into question; (2) the securities are counterfeit or reported to have been lost or stolen; or (3) payment for or transfer of the securities is prohibited or restricted by law.
 - c) Class C reclamations include securities being reclaimed because: (1) the wrong securities (e.g., incorrect coupon rate, maturity date, face amount or net amount) were delivered upon settlement; (2) the trade is not known to the receiving party; (3) improper denominations were delivered/received.

3. Class A reclamation must be accompanied by a copy of the original delivery bill and the rejection notice of the transfer agent. Class B reclamation must be accompanied by a copy of the original delivery bill and evidence that it is a Class B reclamation. Class C reclamation must be accompanied by the original delivery bill and be noted on a standard reclamation form. (See Exhibit 11-A.) If a copy of the original delivery bill is not available, other proof of delivery and information identifying the delivery must be provided. Any reclamation must be preceded by a telephone notification of the intent to reclaim. The securities (or payment, where the seller of securities is reclaiming) and the related documentation must be presented for reclamation by no later than the cutoff times for the delivery of relevant securities.
4. There is no time limit on the length of time in which Class A and Class B reclamations must be made, provided the reclamation is timely presented.
5. Class C reclamations must be made within 120 days from the delivery date of the securities to which the reclamation relates, provided that the expiration of the 120-day period does not foreclose a party's right to pursue its claim via other means, including arbitration.
6. All reclamations should include the name and telephone number of the party seeking reclamation. If a security cannot be returned, the party seeking reclamation should be notified by telephone.
7. Where the buyer makes proper reclamation (i.e., the buyer seeks to return securities to the seller), the seller must repay monies to the buyer on the day the reclamation is presented. The seller of the securities must pay the buyer in Fed funds for the full amount of the original contract value of the delivery being reclaimed. If the seller fails to pay upon a proper reclamation, the buyer may often seek to obtain interest on the full payment amount for the time the reclamation is due and unpaid.
8. Any buyer rejecting physical securities should make the rejected securities available for pick-up by the delivering party immediately after notifying the delivering party of the rejection. The buyer should continue to make the rejected securities available for pickup until 6:00 p.m. or two hours after the notification of the rejection, whichever is later. A receiving party rejecting a delivery should indicate the reason for rejection on a standard reclamation form. (See Exhibit 11-A.) The rejecting party's time stamp should reflect the actual time that the securities being rejected were delivered to the rejecting party's window.
9. Reclamation of securities does not constitute a cancellation of the transaction.

Exhibit 11-A Reclamation Form

UNIFORM RECLAMATION		
RECLAIMED TO	NAME OF RECEIVER: (1)	DATE SECURITIES RECEIVED (3)
RECLAIMED BY	NAME OF DELIVERER: (2)	DATE OF RETURN (4)
QUANTITY (5)	SECURITY DESCRIPTION (6)	AMOUNT (7)
<input type="checkbox"/> WRONG SECURITIES (8) _____ SHOULD BE _____ <input type="checkbox"/> NEED DUE BILL <input type="checkbox"/> WRONG SETTLEMENT DATE (9) _____ OUR S D _____ <input type="checkbox"/> NONNEGOTIABLE SECURITIES <input type="checkbox"/> WRONG MONEY (10) _____ OUR MONEY _____ <input type="checkbox"/> NEED BETTER ACCOUNT <input type="checkbox"/> WRONG DENOMINATION (11) _____ WE KNOW _____ <input type="checkbox"/> NEED P&I CHECK <input type="checkbox"/> DUPLICATE DELIVERY (12) _____ YOU DELIVERED ON _____ <input type="checkbox"/> WE KNOW WIREABLE <input type="checkbox"/> OTHER (13) _____		CONTACT TELEPHONE NUMBER (16)
NAME OF PERSON MAKING RECLAIM (14)	TELEPHONE NUMBER (15)	RECLAMATION RECEIVED BY (17)
A2583 NF (4/86)	WHITE—FILE COPY	CANARY—DAYS WORK
		PINK—CUSTOMER'S COPY

1. Name of company securities are to be returned to
2. Name of company returning securities
3. Actual date securities were received
4. Date securities were returned
5. Original face amount of securities
6. Security type (e.g., Ginnie Mae I, Ginnie Mae II), coupon and pool number
7. Net money
8. What securities should be
9. What settlement date should be
10. What money should be
11. What denomination should be
12. Original delivery date
13. Brief explanation of reason for reclaim that is not already stated on form
14. Printed full name of person that called the reclamation
15. Telephone number of reclaiming party
16. Name and telephone number of party that received the reclaim
17. Signature of party that received securities