



Federal Communications Commission
Washington, D.C. 20554

June 20, 2011

Release Date: June 21, 2011
DA 11-1069

David Rolka
Rolka Loube Saltzer Associates
One S. Market Square, 12th Floor
Harrisburg, PA 17101

Re: Investment of Telecommunications Relay Service Funds

Dear Mr. Rolka:

This letter addresses the proposal of Rolka Loube Saltzer Associates (RLSA), acting in its capacity as the administrator of the Telecommunications Relay Service (TRS) fund, to invest TRS funds in various securities and provides additional information on the banking arrangements required for TRS funds.

Like other recent correspondence, this letter provides additional guidance as RLSA prepares to succeed the National Exchange Carrier Association as Administrator of the TRS Fund. After collecting payments from providers of interstate telecommunications services, the Administrator holds the funds in a custodial capacity for the FCC, which retains ultimate responsibility for the TRS fund and accounts for it in the agency's financial statements. You have suggested that the funds be invested in "(a) 'U.S. Treasury securities with a maturity of up to 60 days, (b) repurchase agreements that are fully collateralized by U.S. Treasury securities with a term of not more than 30 days and entered into with a broker-dealer subsidiary of any depository institution organized under the laws of the U.S. or any state thereof that has outstanding unsecured commercial paper or other short term unsecured debt obligations ... and (c) units of money market funds that are comprised exclusively of U.S. Treasury securities...'"

We agree that the funds may be invested in the U.S. Treasury securities described in (a) above. We do not agree, however, to investment of the funds in the repurchase agreements and units of money market funds described in (b) and (c) above. These other types of investments are inconsistent with the provision of our contract requiring RLSA to "[m]aintain all TRS Funds in Federal Investment Securities in accordance with OMB Circular A-11 [citation omitted]."¹

The referenced circular defines the terms Federal securities and Non-Federal securities. Federal securities include securities issued by Federal agencies, such as specified securities issued by the U.S. Treasury and investments in such Treasury securities through the secondary market.² We do not believe

¹ See TRS Fund Administration Services Agreement, CON 11000003, Performance Work Statement § 4.0, Item 23 (March 7, 2011) (*TRS Agreement*), citing http://www.whitehouse.gov/omb/circulars_all_current_year_all_toc.

² Federal securities consist of securities issued by Federal agencies, including nonmarketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal agencies. This includes investments in Federal securities through the secondary market by Federal agencies. OMB Circular A-11 § 113.1(b)(5).

that “Federal securities” include repurchase agreements entered into with depository institutions. Because the repurchase agreements would be issued by depository institutions, which would likely be private corporations, we believe that repurchase agreements fall within the definition of Non-Federal securities. The definition states in relevant part that Non-Federal securities “consist of securities issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed.”³ The definition of Non-Federal securities also clarifies that investments in private mutual funds and money market funds are not considered federal investments “even if the money market or mutual fund’s assets consist entirely of Federal securities.”⁴

Thus, as set forth above, we approve RLSA’s proposal to (1) maintain all TRS investment funds in Treasury Securities; (2) direct, a matter of policy, that RLSA not invest TRS funds in other types of Federal securities; and (3) direct that RLSA not invest TRS funds in non-Federal securities including shares of money market funds, mutual funds, or related instruments.

The banking arrangements for TRS funds must comply with the Department of Treasury’s requirements for securing funds.⁵ Section 6-9000 of Volume I of the Treasury Financial Manual: *Securing Government Deposits in Federal Agency Accounts*, describes Federal agency requirements for securing public money on deposit at financial institutions (see attachment).⁶ Based on these requirements, RLSA, as the administrator of the TRS fund, must ensure that the funds are deposited and held in a financial institution that has been designated a “Depository and Financial Agent of the Government,” pursuant to 31 CFR Part 202. In addition, RLSA must provide the FCC with a completed *Federal Agency Collateral Contact Information* form that the agency will use in establishing a collateral account with the Federal Reserve through the Treasury’s Financial Management Service (FMS) (see attachment). RLSA must also update the form as necessary.

RLSA should deposit the funds in an interest-bearing account and ensure that the depository pledges eligible and sufficient collateral to secure deposits exceeding deposit insurance limits (currently \$250,000).⁷ For these purposes, RLSA is directed to execute a completed *Depository Restricted Collateral Pledge Agreement* with the depository bank (see attachment). Moreover, RLSA must regularly update and monitor collateralization amounts as described on the Department of Treasury’s website at

³ *Id.* at § 113.1(b)(11).

⁴ *Id.*

⁵ See *TRS Agreement*, at § 4.0, Item 7 (RLSA must “comply with all relevant and applicable federal financial management and reporting statutes.”).

⁶ See *Treasury Financial Manual*, Transmittal Letter No. 596, Part 6, Chapter 900 (Oct. 23, 2000).


⁷ Currently, money exceeding \$250,000 in an interest bearing transaction account must be collateralized. We note that on November 9, 2010, the Federal Deposit Insurance Corporation (FDIC) issued a final rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts thru December 31, 2012. Thus, all noninterest-bearing accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. Collateralization is not required for noninterest-bearing accounts until January 1, 2013. The FCC is currently requiring RLSA to place the funds in an interest bearing transaction account. However, if RLSA believes that depositing the TRS funds in a noninterest-bearing transaction account until December 31, 2012 would better safeguard the funds or incur less administrative expense, please provide the FCC with a proposal.

http://www.fms.treas.gov/collateral/pm_questions.html. In addition, on a monthly basis, RLSA must provide the FCC the report entitled, *Security Account Collateral Monitoring Recap Report*, through the Federal Reserve System website at <http://www.ttlplus.gov>.⁸ Please proceed to ensure that the TRS funds administered by RLSA are fully secured and that the required RLSA contact information is up-to-date by June 30, 2011.

Finally, RLSA must ensure that all investment accounts and bank accounts maintained for the TRS fund are named in a manner indicating that RLSA administers the fund on behalf of the FCC and is subject to the oversight of the FCC. For example, the name on the account should be Rolka Loube Saltzer Associates (RLSA), TRS Administrator for the Federal Communications Commission.

Thank you for implementing the above investment and banking requirements, which are critical to protecting the monies in the TRS fund. We look forward to working with RLSA to invest the TRS funds wisely and to protect the fund. If you have any questions, or wish to discuss this letter in greater detail, please contact Andrew Mulitz (Andrew.Mulitz@fcc.gov).

Sincerely,



Mindy J. Ginsburg
Deputy Managing Director

Attachment

Cc: Austin Schlick
Mark Stephens, FCC
Thomas Buckley, FCC
Andrew Mulitz, FCC
Diane Mason, FCC

⁸ Upon login, please select "Report Request" for processing.