

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Parts 317, 321, 330, 359, and 360****Offering and Governing Regulations for United States Savings Bonds, Series I; Issuing and Paying Agents; and Payment Under Special Endorsement**

AGENCY: Bureau of the Public Debt, Fiscal Service, Department of the Treasury.

ACTION: Final rule.

SUMMARY: The Department of the Treasury ("Department" or "Treasury") is publishing in final form new regulations providing an offering circular for United States Series I Savings Bonds, new regulations governing United States Series I Savings Bonds, and conforming amendments to existing regulations governing issuing and paying agents. The regulations provide for the public offering of new Treasury inflation-indexed savings bonds ("Series I") by the Department. The regulations also set forth the provisions governing transactions in inflation-indexed savings bonds. In addition, this rule makes certain technical clarifications and conforming changes.

EFFECTIVE DATE: September 1, 1998.

ADDRESSES: Copies of this final rule are available for downloading from the Bureau of the Public Debt at the following World Wide Web address: <<http://www.savingsbonds.gov>> or may be obtained from the Bureau of the Public Debt, Division of Staff Services, 200 3rd St., Parkersburg, WV 26106-1328.

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SUPPLEMENTARY INFORMATION:**I. Background**

31 CFR Part 359, referred to as the offering circular, sets out the terms and conditions for the sale and issuance of United States Savings Bonds, Series I, by the Department of the Treasury to the public. 31 CFR Part 360, referred to as the governing regulations, sets out the terms and conditions governing

transactions in United States Savings Bonds, Series I. Together, the offering circular and governing regulations represent comprehensive and exclusive statements of those terms and conditions.

The regulations in 31 CFR part 317 (also referred to as Department of the Treasury Circular, Public Debt Series No. 4-67, Second Revision, as amended), 31 CFR part 321 (also referred to as Department of the Treasury Circular No. 750, Fourth Revision, as amended), and 31 CFR Part 330 (also referred to as Department of the Treasury Circular No. 888, Fifth Revision, as amended), are being amended to incorporate changes relating to Series I.

The Department has decided to offer a new type of savings bond, referred to as an inflation-indexed or Series I savings bond, whose rate will be adjusted for inflation as described below. The Department believes the issuance of these new inflation-indexed savings bonds will reduce borrowing costs to the Treasury over the long term, will broaden the types of debt instruments available to investors, and will make available to all investors a security whose value is tied generally to changes in inflation. This new series of savings bonds contains terms relating to the use of the U.S. City Average All Items Consumer Price Index for All Urban Consumers ("CPI-U"), published by the Bureau of Labor Statistics ("BLS") to measure inflation, that potential investors should review closely.

Because these savings bonds contain terms different from savings bonds previously issued by the Department, the interested investor is urged to read "Investment Considerations" set forth in the "Summary of Significant Features", Paragraph (24), and § 359.3.

II. Summary of Significant Features

Offering Regulations (31 CFR part 359), Governing Regulations (31 CFR part 360)

(1) Availability (§ 359.0)

The public will be able to purchase Series I bonds over-the-counter at many financial institutions and through employers who choose to offer Series I bonds through payroll savings plans.

(2) Denominations (§ 359.2(b))

Series I bonds will be offered at par value in denominations of \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. Issuance of Series I bonds at par value is different from Series EE bonds, which are issued at a 50% discount to par value (or face amount).

Thus, it will cost \$50 to purchase a \$50 Series I bond, and \$25 for a \$50 Series EE bond.

(3) Purchase Limitation (§ 359.5)

The amount of Series I bonds which may be purchased in the name of any one person, in any one year, is limited to \$30,000 (par value) per social security account number.

(4) Transferability (§§ 360.15, 360.16)

Series I bonds will not be transferable, negotiable, or available for pledge or use as collateral, except as specifically provided in the regulations.

(5) Exchange

Series I bonds will not be available for exchange for other series of savings bonds.

(6) Rate Announcements (§ 359.2(e)(1)(i))

Rates applicable to Series I bonds will be set forth in rate announcements published each May and November. If the regularly scheduled date for the announcement (for example, May 1) is a day when the Treasury is not open for business, then the announcement will be made on the next business day; however, the effective date of the rates will remain the first day of the month of the announcement.

(7) Fixed Rate of Return (§ 359.2(e)(1)(i), (ii))

The Secretary of the Treasury shall determine fixed rates of return for Series I savings bonds. The Department's rate announcements effective each May 1 and November 1 will reflect the Secretary's determination of the fixed rate of return for bonds purchased during the six-month period beginning with the effective date of the announcement. For example, a fixed rate reflected in the May 1, 1999, announcement will apply to any Series I bond purchased in the period May through October 1999. The fixed rate of return applicable at the time a Series I bond is issued will apply to such bond throughout its 30-year life. Accordingly, the Department's rate announcements each May and November will not affect the fixed rates established for bonds previously issued.

(8) Semiannual Inflation Rate (§ 359.2(e)(1)(iii))

Each May and November, Treasury will announce a variable semiannual inflation rate for inflation-indexed savings bonds. The index used to determine this rate will be the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All

Urban Consumers ("CPI-U") published by the Bureau of Labor Statistics ("BLS") of the U.S. Department of Labor. (§ 359.3 of the Series I offering regulations sets forth index contingencies for determining an inflation component if the CPI-U is not available.) More specifically, the rate will reflect the percentage change in the CPI-U during the six-month period ending each March and September. For example, the semiannual inflation rate to be announced May 1, 1999, will reflect the change in the index over the period October 1998 through March 1999. The semiannual inflation rate will be reflected in a Series I bond's value beginning on that bond's next semiannual interest period following the announcement. For a complete discussion of this lag feature, see paragraph (24)(b) below.

The rate of change over the six-month period will be expressed as a percentage, rounded to the nearest one hundredth of one percent. More specifically, using the above example, the semiannual inflation rate will equal the CPI-U value for the most recent March less the value for the preceding September with that difference then being divided by the CPI-U value for the preceding September and the result being multiplied by 100 to convert the rate to a percentage. The resulting rate will be rounded to the nearest one-hundredth of one percent. The semiannual inflation rate to be effective with the November announcement, reflecting the change in the CPI-U for the six-month period ending with the immediately preceding September, will be similarly determined. In deflationary conditions, the semiannual inflation rate may be negative to such an extent that it offsets or exceeds the fixed rate of return; however, the redemption value of a Series I bond for any particular month of payment will not be less than the value for the preceding payment month.

(9) Composite Rate (§ 359.2(e)(1)(v))

Series I bonds will accrue earnings based on both a fixed rate of return and the semiannual inflation rate. A single annual rate will be constructed to reflect the combined effects of the fixed rate of

return and the semiannual inflation rate. The following formula demonstrates how the composite rate will be determined.

The fixed rate of return, FR, and the semiannual inflation rate, SIR, will be divided by 100 to remove the percentage format and then combined into a composite annual rate, CR, in accordance with the following formula:

$$CR = \{SIR + (FR \div 2) + [SIR \times (FR \div 2)]\} \times 2$$

The resulting annual rate will be converted to a percentage and rounded to the nearest one hundredth of one percent. The composite rates will be announced by Treasury each May and November, and will be derived from the semiannual inflation rate announced on the same date and the fixed rates of return applicable to Series I savings bonds.

(10) Deflation (§ 359.2(e)(1)(iii))

Negative as well as positive changes in the CPI-U will be used to calculate composite rates. In the event of deflation, the negative change in the CPI-U will reduce the composite rate. If deflation is such that it more than fully offsets the fixed rate of return and produces a negative composite rate, the composite rate will not be reduced below zero, *i.e.*, the redemption value of the bond will remain constant through the period and become the base for calculating earnings that may apply during the subsequent period.

(11) Base Denomination (§ 359.2(e)(1)(vi))

All value calculations are performed on a hypothetical denomination of \$25 having a value at the beginning of the first semiannual rate period equal to the issue price of \$25. The hypothetical denomination of \$25 is used because all Series I bond denominations are divisible by \$25. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations. For example, if the value of a hypothetical \$25 denomination is \$41.20—*i.e.*, \$25.00 issue price plus \$16.20 accrued interest—on the same redemption date, the value of a \$50 bond bearing the

same issue date is $\$41.20 \times (50/25)$ or \$82.40.

(12) Issue Date (§ 359.2(e)(1)(vii))

The issue date of a Series I bond is the first day of the month in which payment of the issue price is received by an authorized issuing agent. Thus, if an authorized issuing agent receives the issue price on the 20th of a month, the issue date is the first of the month.

(13) Redemption Value (§ 359.2(e)(1)(viii))

The redemption value of a bond is that amount that will be paid when the bond is redeemed.

(14) Accrual Date (§ 359.2(e)(1)(ix))

Earnings on a Series I bond, if any, accrue on the first day of each month. The redemption value of a bond does not change between accrual dates.

(15) Semiannual Rate Periods (§ 359.2(e)(1)(x))

Semiannual rate periods are the six-month periods beginning on the date of issue and on each semiannual anniversary of the date of issue to maturity.

(16) Maturity (§ 359.2 (c),(e)(1)(xi))

Series I bonds have a maturity period of 30 years, consisting of an original maturity period of 20 years and an automatic extension period of 10 years. The bonds have an interest paying life of 30 years after date of issue and cease to increase in value as of that date.

(17) Interest Rates and Monthly Accruals (§ 359.2(e)(2),(4))

Series I composite rates apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest, at the composite rate from the beginning of the initial semiannual rate period, accrues according to the formula specified in § 359.2(e)(4)(ii). The following table shows, for any given month of issue with composite rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the composite rate specified in the announcement.

Month of issuance	Semiannual rate period (1) begins	Announcement date of composite rate that applies during rate period (1)	Semiannual rate period (2) begins	Announcement date of composite rate that applies during rate period (2)
January	January 1	November 1 (announced 2 months prior to beginning of semiannual rate period).	July 1	May 1 (announced 2 months prior to beginning of semiannual rate period).
February	February 1	November 1 (announced 3 months prior to beginning of semiannual rate period).	August 1	May 1 (announced 3 months prior to beginning of semiannual rate period).

Month of issuance	Semiannual rate period (1) begins	Announcement date of composite rate that applies during rate period (1)	Semiannual rate period (2) begins	Announcement date of composite rate that applies during rate period (2)
March	March 1	November 1 (announced 4 months prior to beginning of semiannual rate period).	September 1	May 1 (announced 4 months prior to beginning of semiannual rate period).
April	April 1	November 1 (announced 5 months prior to beginning of semiannual rate period).	October 1	May 1 (announced 5 months prior to beginning of semiannual rate period).
May	May 1	May 1	November 1	November 1.
June	June 1	May 1 (announced 1 month prior to beginning of semiannual rate period).	December 1	November 1 (announced 1 month prior to beginning of semiannual rate period).
July	July 1	May 1 (announced 2 months prior to beginning of semiannual rate period).	January 1	November 1 (announced 2 months prior to beginning of semiannual rate period).
August	August 1	May 1 (announced 3 months prior to beginning of semiannual rate period).	February 1	November 1 (announced 3 months prior to beginning of semiannual rate period).
September	September 1	May 1 (announced 4 months prior to beginning of semiannual rate period).	March 1	November 1 (announced 4 months prior to beginning of semiannual rate period).
October	October 1	May 1 (announced 5 months prior to beginning of semiannual rate period).	April 1	November 1 (announced 5 months prior to beginning of semiannual rate period).
November	November 1	November 1	May 1	May 1.
December	December 1	November 1 (announced 1 month prior to beginning of semiannual rate period).	June 1	May 1 (announced 1 month prior to beginning of semiannual rate period).

Notes: Notwithstanding any consideration of interest penalty for early redemption, interest earned during each month of a semiannual rate period accrues according to the formula specified in § 359.2(e)(4)(ii). Also, if the regularly scheduled date for a composite rate announcement is a day that Treasury is not open for business, the announcement will be made on the next business day; however, the effective date of the rate will be the first day of the month of the announcement.

See also the discussion of inflation lag in paragraph (24)(b) below.

(18) Redemption (§ 359.2(d))

A Series I bond may be redeemed beginning six months after its issue date or at any time thereafter. The Secretary of the Treasury may not call a Series I bond for redemption prior to an original maturity period of 20 years and an automatic extension period of 10 years, for a total period of 30 years from its issue date.

(19) Interest Penalty (§ 359.2(e)(3))

A Series I bond may be redeemed beginning six months after issuance, although a bond redeemed less than five years from the date of issue will be subject to a three-month interest penalty. If a Series I bond is redeemed less than five years following the date of issue, the overall earning period from the date of issue to the date of redemption will be reduced by three months. For example, if a bond issued on January 1, 1999, is redeemed nine months later on October 1, 1999, the redemption value will be determined by applying the value calculation procedures described in § 359.2(e)(4) and the Series I bond composite rate for that bond as if the redemption date were three months earlier (July 1, 1999). The redemption value of a bond subject to the three-month interest penalty will

not be reduced below the issue price. This penalty does not apply to bonds redeemed five years or more after the date of issue. For a discussion of interest penalty, see paragraph (24)(d) below.

(20) Redemption Value Calculations (§ 359.2(e)(4))

Interest on a bond accrues and becomes part of the redemption value which is paid when the bond is surrendered for payment. The redemption value of a bond for the accrual date (the first day of each month) is determined in accordance with § 359.2(e)(4). Redemption value calculations will provide for monthly increases in bond values, with all values calculated using the formula in § 359.2(e)(4), and will take into account a three-month loss of earnings for bonds held less than five years from date of issue.

(21) The Secretary's Determination (§ 359.2(e)(5))

The determination by the Secretary of the Treasury, or the Secretary's designee, of fixed rates of return, semiannual inflation rates, composite rates, and savings bond redemption values shall be final and conclusive.

(22) Tables of Redemption Values (§ 359.2(e)(6))

Tables of redemption values are made available in various formats and media, including on the Internet, by the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328. Treasury reserves the right to cease making the tables of redemption values available in any of these formats or media. Redemption values published in such tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

(23) Taxation (§§ 359.9, 359.10)

The increase in value, represented by the difference between the face or par amount of a Series I bond and the redemption value received for it, is interest. Thus, earnings produced by the composite rate (which consists of both the fixed rate and the semiannual inflation rate) are treated as interest. Interest earned on Series I bonds is exempt from State and local income taxes. Series I bond interest will be included on Federal tax returns in the same way as Series EE bonds. In general, owners may defer reporting the increment for Federal income tax purposes until: (i) they redeem the bonds, (ii) the bonds cease earning interest after 30 years, or (iii) are otherwise disposed of, whichever is

earlier. However, an owner may elect to accrue the increment each year it is earned. Thus, if an investor takes no action, the gain is deferred until the first of the three events described above occurs. Only if an investor affirmatively acts by making such an election will the increase in value be includable in income annually. The current special tax benefits available for education savings with EE bonds purchased after 1989 will apply to Series I bonds. If a taxpayer qualifies under current rules and the bonds are redeemed to pay for post-secondary tuition and fees, he or she can exclude all or part of the interest (the difference between the redemption value and face value) earned on Series I bonds from income for that tax year. Authoritative information about the Education Savings Bond Program can be found in Internal Revenue Service Publication 17, "Your Federal Income Tax", and Publication 550, "Investment Income and Expenses."

(24) Investment Considerations
(§§ 359.2, 359.3)

(a) Index Contingencies (§ 359.3(a))

This section clarifies the Treasury's course of action if the CPI is: discontinued, or, in the judgment of the Secretary, either fundamentally altered in a manner materially adverse to the interests of an investor in the savings bond or altered by legislation or Executive Order in a manner materially adverse to the interests of an investor in the savings bond.

A change to the CPI would be considered fundamental if it affected the character of the CPI. Technical changes made by the BLS to the CPI to improve its accuracy as a measure of the cost of living would not be considered fundamental changes. Technical changes include, but are not limited to: (1) The specific items (e.g., apples or major appliances) to be priced for the index; (2) the way individual price quotations are aggregated to construct component price indices for these items (aggregation of item sub-strata); (3) the method for combining these component price indices to obtain the comprehensive, all-items CPI (aggregation of item strata); and (4) the procedures for incorporating new goods into the index and making adjustments for quality changes in existing goods.

Technical changes to the CPI previously made or announced by BLS include introducing probability sampling to select the precise items for which prices are collected and the stores in which collection takes place, and changing the way in which price

movements of major components, such as shelter costs for homeowners in the early 1980s and medical care costs beginning in 1997, are measured.

The Advisory Commission to Study the Consumer Price Index (the Boskin Commission) made a number of recommendations to improve the calculation of changes in the cost of living. Some of these recommendations were directed to BLS and were designed to improve the calculation of the monthly CPI. These recommendations, if and to the extent implemented by BLS, would constitute technical changes rather than fundamental changes.

The Boskin Commission also recommended construction of an annual measure of the cost of living as a supplement to the monthly CPI. Development and use of such a supplement, by itself, would not change the monthly CPI itself. While the Boskin Commission did not suggest that such a measure replace the CPI, a decision by BLS to replace, rather than supplement, the current monthly CPI with an annual measure of consumer prices, would constitute a fundamental change.

In addition, if the Secretary determines that the CPI is altered by legislation or Executive Order in a manner that is materially adverse to the interests of an investor in the savings bond, the Secretary would propose an alternative index.

If the CPI for a particular month is not reported by the last day of the following month, the last CPI that has been reported (including any revision of a previously reported CPI number) will be used to calculate CPI numbers for months for which the CPI has not been reported for such day.

(b) Inflation Lag (§ 359.3(b))

The inflation rate component of investor earnings will be determined twice each year. This rate will be the percentage change in the CPI-U for the six months ending each March and September. The rate will be included in the composite rate that is announced each May and November. Each composite rate will be effective for the entirety of all semiannual rate periods that begin while the rate is in effect. Thus, notwithstanding any interest penalty, an inflation rate may affect interest accruals from 3 to 13 months from the date that the CPI-U is measured.

For example, the inflation rate determined from the CPI-U for the six-month period from October 1, 2003, through March 31, 2004, will be included in the composite rate announced on May 1, 2004. For a bond purchased in May 1999, this rate will go

into effect immediately with the new semiannual rate period for this bond beginning on May 1, 2004. Series I bonds issued in May begin new semiannual rate periods in the months of May and November. In this example, the inflation rate will have its earliest impact in June 2004, when interest from May accrues, three months after the end of the six-month CPI-U period that ended March 31, 2004.

As another example, the May 1, 2004, rate will apply similarly to a bond purchased in October 1999. Series I bonds issued in October begin new semiannual rate periods in the months of April and October. Thus, for this bond, the May 1, 2004, composite rate (which includes the fixed rate applicable when the bond was purchased in October 1999 and the inflation rate announced on May 1, 2004) will not go into effect until a new semiannual rate period starts on October 1, 2004. This rate, therefore, will determine the inflation-indexed portion of each interest accrual from November 2004 through April 2005. In this example, the inflation rate will have its latest impact in April 2005, 13 months after the end of the six-month CPI-U period that ended March 31, 2004.

(c) Liquidity (§ 359.2(d), (e)(3))

A Series I bond may not be redeemed until six months after its issue date. However, a bond redeemed less than five years from the date of issue will be subject to a three-month interest penalty.

(d) Early Redemption Penalty (§ 359.2(e)(3))

If a Series I bond is redeemed less than five years following the date of issue, the overall earning period from the date of issue will be reduced by three months. For example, if a bond issued January 1, 1999, is redeemed nine months later on October 1, 1999, the redemption value will be determined by applying the value calculation procedures described in § 359.2(e)(4) and the Series I bond composite rate for that bond as if the redemption date were three months earlier (July 1, 1999). The redemption value of a bond subject to the three-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed five years or more after the date of issue.

III. Section-by-Section Summary

This final rule provides for the sale and issuance of, and the governing of transactions in, Series I savings bonds. This rule also amends Parts 317, 321

and 330, relating to issuing and paying agents of savings bonds, to incorporate changes to accommodate the processing of Series I savings bonds. The regulations also contain changes designed to reduce operating costs and provide for increased efficiency, without any reduction in the level of service to bondowners and financial institutions serving as financial agents.

Part 359, Offering of United States Savings Bonds, Series I

(1) Section 359.0 provides that the offering for sale of Series I savings bonds is effective September 1, 1998.

(2) Section 359.1 cross-references the regulations governing transactions in Series I savings bonds.

(3) Section 359.2 describes Series I savings bonds in terms of denominations, issue prices, maturity period, redemption features, determination of the composite rate, and redemption value calculations.

(4) Section 359.3 describes investment considerations, to include CPI index contingencies, the inflation lag factor, liquidity, and the early redemption penalty.

(5) Section 359.4 sets out general provisions regarding the registration and issuance of Series I savings bonds.

(6) Section 359.5 sets the limitation on annual purchases at \$30,000 issue price per person determined by social security account number.

(7) Section 359.6 provides for the purchase of Series I savings bonds through payroll plans, over-the-counter/mail, bond-a-month plans, and various employee plans.

(8) Section 359.7 describes mail deliveries of Series I savings bonds.

(9) Section 359.8 sets out general provisions for the payment or redemption of Series I savings bonds by financial institutions and Federal Reserve Banks and Branches.

(10) Section 359.9 sets out various provisions regarding the taxation of Series I savings bonds.

(11) Section 359.10 briefly describes the education savings bond program feature of Series I savings bonds.

(12) Section 359.11 authorizes the Commissioner of the Public Debt to convert definitive Series I savings bonds to book-entry.

(13) Section 359.12 authorizes the Commissioner of the Public Debt to refuse to issue Series I savings bonds under certain circumstances.

(14) Section 359.13 authorizes the Commissioner of the Public Debt to waive or modify any provision of these regulations if certain conditions are met.

(15) Section 359.14 sets out the Federal Reserve Banks and Branches

that provide savings bond services in the various geographic areas.

(16) Section 359.15 describes the Secretary of the Treasury's authority to supplement or amend this offering at any time.

Part 360, Regulations Governing United States Savings Bonds, Series I

(17) Section 360.0 provides that these regulations govern transactions in Series I savings bonds.

(18) Section 360.1 sets out the Federal Reserve Banks and Branches that process savings bond transactions in the various geographic areas.

(19) Section 360.2 contains the specific definitions of terms used in the governing regulations.

(20) Section 360.5 provides that the registration of a Series I savings bond is conclusive of ownership. It also sets out registration forms and gift bond inscriptions.

(21) Section 360.6 describes the authorized forms of registration, including single ownership, coownership, and beneficiary.

(22) Section 360.7 provides that the issuance of Series I savings bonds in a chain letter or pyramid scheme is prohibited.

(23) Section 360.10 specifies the annual purchase limitations for individuals and employee plans.

(24) Section 360.11 sets out the computation of purchase amounts by taxpayer identifying number.

(25) Section 360.12 provides for the adjustment of excess purchases.

(26) Section 360.13 sets out conditions of eligibility for various employee plans.

(27) Section 360.15 provides that Series I savings bonds are non-transferable and are only payable to the owners named on the bonds.

(28) Section 360.16 provides that Series I savings bonds may not be pledged or used as security for the performance of an obligation.

(29) Section 360.20 sets out restrictions on the recognition of judicial proceedings pertaining to Series I savings bonds.

(30) Section 360.21 sets out the procedures for making payment to judgment creditors.

(31) Section 360.22 provides for payment or reissue pursuant to divorce.

(32) Section 360.23 sets out the evidence necessary to establish the validity of judicial proceedings.

(33) Section 360.24 provides for payment procedures pursuant to judicial or administrative forfeiture.

(34) Section 360.25 provides for the recognition of claims for lost, stolen, or destroyed bonds.

(35) Section 360.26 sets out the claims procedures after an investor has received a bond.

(36) Section 360.27 sets out the claims procedures when an investor has not received a bond.

(37) Section 360.28 provides for the recovery of bonds. A bond for which relief has been granted is the property of the United States.

(38) Section 360.29 provides for the handling of claims filed 10 years after payment of the bond or 10 years after maturity.

(39) Section 360.35 sets out general provisions for the payment of Series I savings bonds.

(40) Section 360.36 provides for payment during an owner's lifetime.

(41) Section 360.37 provides for payment to either coowner.

(42) Section 360.38 provides for payment to the registered owner of a bond on which a beneficiary is named.

(43) Section 360.39 sets out general procedures for the surrender of Series I savings bonds for payment.

(44) Section 360.40 sets out special provisions for the payment of Series I savings bonds.

(45) Section 360.41 provides for partial redemption of a Series I savings bond.

(46) Section 360.42 provides that notice should be given to the paying agency if the payment remittance is not received or has been lost.

(47) Section 360.43 establishes the date upon which the rights of the parties are fixed for the purpose of payment.

(48) Section 360.44 provides for the withdrawal of a request for payment by an owner, coowner, or legal representative.

(49) Section 360.45 sets out the conditions for reissue.

(50) Section 360.46 establishes the date upon which the rights of the parties are fixed for the purpose of reissue.

(51) Section 360.47 provides for reissue under limited circumstances, to include divorce.

(52) Section 360.48 provides that reissue may not be made solely to change denominations or eliminate the United States Treasury as coowner.

(53) Section 360.49 provides that reissue may be made to correct an error in registration.

(54) Section 360.50 provides that reissue may be made pursuant to a legal change of name.

(55) Section 360.51 provides that, under certain specified circumstances, a request for reissue of a coowner bond must be made by both coowners, while a bond registered in beneficiary form may be reissued at the request of the owner without the consent of the beneficiary.

(56) Section 360.55 sets out who is authorized to certify a request for payment, reissue or a signature to a Public Debt form.

(57) Section 360.56 provides general instructions and sets out the liability of certifying officers.

(58) Section 360.57 explains when a certifying officer may not certify requests.

(59) Section 360.58 specifies when forms are to be certified.

(60) Section 360.60 provides for payment to the representative of the estate of an owner who is a minor or incompetent.

(61) Section 360.61 provides for payment to the representative after the ward has died.

(62) Section 360.62 provides for payment to a minor.

(63) Section 360.63 provides for payment to a parent or other person on behalf of a minor.

(64) Section 360.64 provides for payment to or the reinvestment of bonds by a voluntary guardian on behalf of an owner incapable of making the request, and for whom no legal representative has been appointed.

(65) Section 360.65 specifies the conditions under which a bond owned by a minor or person under legal disability may be reissued.

(66) Section 360.70 sets out the rules governing entitlement for single owner, coowner, and beneficiary bonds, upon the death of one or both of the registrants, without the bond having been surrendered for payment or reissue.

(67) Section 360.71 provides for the payment or reissue of bonds to the legal representative of a deceased bondowner's estate.

(68) Section 360.72 sets out procedures for the payment or reissue of bonds that are the property of a decedent's estate.

(69) Section 360.75 provides for payment or reissue during the existence of a fiduciary estate.

(70) Section 360.76 provides for payment or reissue after termination of a fiduciary estate.

(71) Section 360.90 authorizes the Commissioner of the Public Debt to waive or modify any provision of the regulations if certain conditions are met.

(72) Section 360.91 provides that the Commissioner of the Public Debt may require additional evidence or a bond of indemnity as he deems necessary for the protection of the United States.

(73) Section 360.92 sets out the Secretary of the Treasury's authority to supplement or amend the Series I savings bond regulations at any time.

IV. Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" pursuant to Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

This final rule relates to matters of public contract and procedures for U.S. securities. The notice and public procedures requirements of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

Since no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) do not apply.

There is no new collection of information contained in this final rule, and, therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

List of Subjects

31 CFR Parts 317, 321, 330

Banks, banking, Bonds.

31 CFR Parts 359 and 360

Bonds, Federal Reserve System, Government securities, Securities.

Dated: July 8, 1998.

Donald V. Hammond,
Acting Fiscal Assistant Secretary.

For the reasons set forth in the preamble, 31 CFR Chapter II, Subchapter B, is amended as follows:

PART 317—REGULATIONS GOVERNING AGENCIES FOR ISSUE OF UNITED STATES SAVINGS BONDS

1. The authority citation for part 317 is revised to read as follows:

Authority: 2 U.S.C. 901; 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

2. Section 317.0 is revised to read as follows:

§ 317.0 Purpose and effective date.

The regulations in this part govern the manner in which an organization may qualify and act as an agent for the sale and issue of Series EE and Series I United States Savings Bonds.

3. In § 317.1, paragraph (d) is revised to read as follows:

§ 317.1 Definitions

* * * * *

(d) *Offering circular* refers to Department of the Treasury Circular, Public Debt Series No. 1–80, current revision, for Series EE savings bonds, and to Department of the Treasury Circular, Public Debt Series No. 1–98 for Series I bonds.

* * * * *

§ 317.8 [Amended]

4. Subpart A, Paragraph 1 of the Appendix to § 317.8 is revised to read as follows:

Appendix to § 317.8—Remittance of Sales Proceeds and Registration Records, Department of the Treasury Circular, Public Debt Series No. 4–67, Second Revision (31 CFR Part 317) Fiscal Service, Bureau of the Public Debt

Subpart A—General Information

1. *Purpose.* This appendix is issued for the guidance of organizations qualified as issuing agents of Series EE and I United States Savings Bonds under the provisions of Department of the Treasury Circular, Public Debt Series No. 4–67, current revision. Its purpose is to supplement the provisions of § 317.8 of the Circular relating to the remittance of savings bond sales proceeds and registration records, including the interest charge to be collected for late remittances.

* * * * *

5. Subpart D, Paragraph 1. of the Appendix to § 317.8 is revised to read as follows:

* * * * *

Subpart D—Interest on Late Remittances

1. *Rate of Interest.* Interest will be assessed for each day's delay in the remittance of sales proceeds, based on the actual date of remittance. The rate of interest to be used will be the current value of funds to the Department of the Treasury, as set forth each quarter in the Treasury Financial Manual. The rate applied will be that in effect during the entire period in which the remittance is late. The interest assessment will be collected by the designated Federal Reserve Bank.

* * * * *

6. Section 317.9 is amended by removing paragraph (b)(2), by redesignating paragraph (b)(1) as paragraph (b), and by revising the entry for the Federal Reserve Bank of Minneapolis in the table in newly designated paragraph (b) to read as follows:

§ 317.9 Role of the Federal Reserve Banks.

* * * * *

(b) * * *

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis MN 55401.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MI, MN, MT, ND, SD, WI.

Servicing of- fice	Reserve dis- tricts served	Geographic area served
*	*	*

PART 321—PAYMENTS BY BANKS AND OTHER FINANCIAL INSTITUTIONS OF UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

7. The authority citation for part 321 is revised to read as follows:

Authority: 2 U.S.C. 901; 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3126.

8. In § 321.0, paragraphs (a) and (b) are revised to read as follows:

§ 321.0 Purpose

* * * * *

(a) United States Savings Bonds of Series A, B, C, D, E, EE, and I, and United States Savings Notes (Freedom Shares), presented for cash payment; and

(b) Eligible Series E and EE savings bonds and savings notes presented for redemption in exchange for Series HH savings bonds under the provisions of Department of the Treasury Circular, Public Debt Series No. 2-80 (31 CFR part 352).

9. In § 321.1, paragraph (o) is revised to read as follows:

§ 321.1 Definitions.

* * * * *

(o) *Security* means a United States Savings Bond of Series A, B, C, D, E, EE, or I and/or a United States Savings Note (Freedom Share).

* * * * *

10. In § 321.3, paragraph (c) is revised to read as follows:

§ 321.3 Procedure for qualifying and serving as paying agent.

* * * * *

(c) *Announcement of authority.* Upon receipt of a certificate of qualification from a Federal Reserve Bank referred to in § 321.25, a financial institution may announce or advertise its authority to redeem eligible securities for cash and to process eligible Series E and EE savings bonds and savings notes presented for redemption in exchange for Series HH savings bonds under the provisions of Department of the Treasury Circular, Public Debt Series No. 2-80 (31 CFR part 352).

* * * * *

11. Section 321.6 is revised to read as follows:

§ 321.6 General.

Securities are issued only in registered form (subject to 31 CFR

359.11), are not transferable, may not be hypothecated or used as collateral for a loan, and, except as otherwise specifically provided in the governing regulations and this part, are payable to the owner or coowner named on the security. The regulations governing Series EE and HH bonds are contained in Department of the Treasury Circular, Public Debt Series No. 3-80, current revision (31 CFR part 353); those governing Series I bonds are contained in Department of the Treasury Circular, Public Debt Series No. 2-98 (31 CFR part 360); and, those governing all other series of U.S. savings securities are contained in Department of the Treasury Circular No. 530, current revision (31 CFR part 315).

12. In § 321.7, paragraphs (a) and (g) are revised to read as follows:

§ 321.7 Authorized cash payments.

(a) *General.* Subject to the terms and conditions appearing on the securities, the governing regulations, and the provisions of this part, and any instructions issued in connection therewith, an agent may make payment of savings bonds of Series A, B, C, D, E, EE, and I, and savings notes, presented for cash redemption. Except as provided in paragraphs (b) through (d), and (f) of this section, the securities must be presented by an individual whose name is inscribed on the securities as owner or coowner, and who is known to the agent, or who can establish his or her identity in accordance with Treasury instructions and guidelines (See § 321.11(b)).

* * * * *

(g) *Interest reporting.* A paying agent is required to report interest in the amount of \$10 or more, paid as part of the redemption value of securities, to the payee and to the Internal Revenue Service, in accordance with 26 CFR 1.6049-4. (See Item 26 of the appendix to this part for information concerning the education feature of Series EE savings bonds issued on or after January 1, 1990, and of Series I savings bonds.)

13. In § 321.9, paragraph (a) is revised to read as follows:

§ 321.9 Specific limitations on payment authority.

* * * * *

(a) If it is a Series EE bond or a Series I bond presented for payment prior to six months from its issue date.

* * * * *

14. Section 321.12 is revised to read as follows:

§ 321.12 Redemption value of securities.

The redemption value of each savings security is determined by the terms of

its offering and the length of time it has been outstanding. The Bureau of the Public Debt determines redemption values for Series A-E bonds, eligible Series EE and I bonds, and savings notes, that should be used in redeeming savings securities.

15. Section 321.25 is amended by removing paragraph (b)(2), by redesignating paragraph (b)(1) as paragraph (b), and by revising the entry for the Federal Reserve Bank of Minneapolis in the table in newly designated paragraph (b) to read as follows:

§ 321.25 Role of Federal Reserve Banks.

* * * * *

(b) * * *

Servicing of- fice	Reserve dis- tricts served	Geographic area served
*	*	*
Federal Re- serve Bank of Min- neapolis, 90 Henne- pin Avenue, Minneapolis MN 55401.	Minneapolis, Chicago.	IA, IL (north- ern half), IN (north- ern half), MI, MN, MT, ND, SD, WI.
*	*	*

16. The appendix heading and paragraphs 2(a) and 2(b) of Subpart A of the appendix to part 321 are revised to read as follows:

Appendix to Part 321—Appendix to Department of the Treasury Circular No. 750, Fourth Revision

* * * * *

Subpart A—General Information

* * * * *

2. * * *

(a) *Offering circulars.* Department of the Treasury Circulars, Public Debt Series Nos. 1-80 (31 CFR part 351, Series EE bonds), 2-80 (31 CFR part 352, Series HH bonds), 1-98 (31 CFR part 359, Series I bonds), and 3-67 (31 CFR part 342, savings notes), and Department of the Treasury Circulars Nos. 653 (31 CFR part 316, Series E bonds) and 905 (31 CFR part 339, Series H bonds).

(b) *Regulations.* Department of the Treasury Circular, Public Debt Series No. 3-80 (Series EE and HH bonds); Department of the Treasury Circular, Public Debt Series 2-98 (Series I bonds); Department of the Treasury Circulars

Nos. 530 (all other series of savings securities) and 888 (special endorsements); Federal Tax Regulations (26 CFR 1.6049); Federal Claims Collection Standards (4 CFR parts 101-105); Regulation J, Collection of Checks and Other Items and Wire Transfers of Funds (12 CFR part 210); and operating circulars issued by Federal Reserve Banks relating to the collection of cash items and Federal payments by ACH.

* * * * *

17. Subpart C, paragraph 7(a) and 10(a), of the appendix to part 321 are revised to read as follows:

* * * * *

Subpart C—Scope of Authority

7. * * *

(a) *General.* [§ 321.7(a)] The general authority of paying agents to redeem savings securities for cash extends to Series A, B, C, D, E, EE, and I bonds and savings notes presented by the owner, coowner, surviving beneficiary, parent on behalf of a minor, legal representative designated in the registrations of savings securities presented, or legal representative of the last deceased registrant's estate. The presenter must sign the requests for payment and establish his or her identity and, in the case of a beneficiary, parent or legal representative of the last deceased registrant's estate, entitlement to request payment.

* * * * *

10. * * *

(a) *Requirements for redeeming securities.* [§ 321.10(a)] A paying agent shall redeem eligible savings securities during its regular business hours for a presenter who establishes his or her identity as the owner or coowner of the securities, in accordance with this part and this appendix. While a paying agent is not required to redeem eligible Series E and EE savings bonds and savings notes in exchange for Series HH bonds for any presenter, or Series E, EE, or I bonds or savings notes for cash upon the request of a surviving beneficiary or legal representative, it is encouraged to do so, provided the presenter can establish his/her identity and provide acceptable evidence to accordance with this part and this appendix (See § 321.7 (d) and (f)). An agent is not required to redeem savings securities during Saturday and evening hours if it is open during such periods primarily as a service for its depositors.

* * * * *

18. Subpart D, paragraphs 13(a), 13(b), 13(d), 14(d), 15 and 17(b) of the appendix to part 321 are revised to read as follows:

* * * * *

Subpart D—Payment and Transmittal of Securities

* * * * *

13. * * *

(a) *Redemption value tables.* [§ 321.12] The Bureau of the Public Debt distributes redemption values in various formats and as part of programs for personal computers, for: (1) Series E bonds, (2) Series EE bonds, (3) Series I bonds, and (4) savings notes. Additional tables or information may be requested from the appropriate Federal Reserve Bank referred to in § 321.25.

(b) *Use of tables.* [§ 321.12] Care should be exercised to correctly determine the current redemption value of the security presented for the month in which it is redeemed. Incorrect payments can lead to costly and time-consuming adjustments for the agent, Department of the Treasury, and the appropriate Federal Reserve Bank referred to in § 321.25.

* * * * *

(d) *Redemption-exchange.* [§ 321.12] The redemption values of eligible Series E and EE savings bonds and savings notes presented for exchange (Series I savings bonds are not eligible for exchange) for Series HH bonds shall be those payable in the month the agent accepts a correctly completed and signed exchange subscription, Public Debt Form 3253. The total redemption value of securities presented for exchange in any one transaction must be at least \$500. If the redemption value is \$500 or an even multiple thereof, Series HH bonds must be requested in that exact amount. If the redemption value exceeds \$500, but is not an even multiple of that amount, the presenter may add cash to increase the amount of the subscription to the next higher \$500 multiple, or reduce the amount of the subscription to the next lower \$500 multiple. The maximum amount which may be added to or refunded in an exchange transaction is \$499.99. For example, if the total redemption value of the securities is \$4,253.33, the presenter may request no less than \$4,000 and no more than \$4,500 in Series HH bonds. In the first instance, the agent will pay the presenter \$253.33; in the second, it will collect \$246.67 when it accepts the exchange subscription.

14. * * *

(d) *Redemption-exchange.* [§ 321.13] Eligible Series E and EE savings bonds and savings notes presented for redemption-exchange shall be stamped "PAID" in the same manner as securities redeemed for cash, but only when all elements of the transaction have been completed, including receipt of any additional cash. The exact date of redemption shall also be recorded on the exchange subscription to enable the appropriate Federal Reserve Bank referred to in § 321.25 to establish the proper issue date for the Series HH bonds. An officer or other authorized employee of the agent shall also sign the exchange subscription, in his or her official capacity, and furnish other requested information that identifies the paying agent.

* * * * *

15. *Transmittal of securities to Federal Reserve Bank.* [§ 321.14] An agent shall transmit and receive settlement for redeemed securities via EZ CLEAR, *i.e.*, the Check Department of a Federal Reserve Bank or Branch or the Regional Check Processing Center. Redeemed securities may be transmitted in separately sorted or mixed cash letters to the Check Department of a

Federal Reserve Bank or Branch, or to a Regional Check Processing Center, either directly, or via a parent office or correspondent institution. An agent shall transmit redeemed securities under cover of the appropriate transmittal document. Eligible Series E and EE savings bonds and savings notes redeemed in exchange for Series HH bonds must be transmitted for settlement via EZ CLEAR at the same time as the exchange application (Public Debt Form 3253) and any additional cash needed to complete the transaction are forwarded to the Fiscal Agency Department of the servicing Federal Reserve Bank referred to in § 321.25. Eligible Series E and EE savings bonds and savings notes redeemed on exchange may be commingled with cash redemptions in mixed or separately sorted cash letters.

* * * * *

17. * * *

(b) *Composition of cash letters.* [§ 321.14] Series A, B, C, D, E, EE, and I bonds and savings notes redeemed for cash or eligible Series E and EE bonds and savings notes redeemed on exchange may be commingled in mixed cash letters containing commercial checks and other items or separately sorted cash letters containing only redeemed securities. Each cash letter shall also contain a listing prepared in accordance with the Federal Reserve Bank's instructions.

* * * * *

19. Subpart F, paragraph 23(e), of the Appendix to part 321 is revised to read as follows:

* * * * *

Subpart F—Forwarding Items

23. * * *

(e) *Partial redemption.* [§§ 321.9(l) and 321.22] Partial redemption of a security other than a \$25 Series E bond or savings note, a \$50 Series EE or I bond, or a \$500 Series H or HH bond may be made by the appropriate Federal Reserve Bank referred to in § 321.25. The amount paid must be equal to the redemption value of one or more authorized denominations on the date of the transaction. If a security is received by an agent for partial redemption, the words "to the extent of \$ (face amount) and reissue of the remainder" should be added to the first sentence of the request for payment. The request should then be completed in the regular manner and the signature of the presenter certified or guaranteed. The security shall be forwarded to the Fiscal Agency Department of a Federal Reserve Bank.

* * * * *

20. Subpart G, paragraph 26(a), of the Appendix to part 321 is revised to read as follows:

* * * * *

Subpart G—Miscellaneous Provisions

* * * * *

26. * * *

(a) Section 6009 of the Technical Corrections and Miscellaneous Revenue Act of 1988, Public Law 100-647 (see 26 U.S.C. 135), permits taxpayers to exclude all, or a portion, of the interest earned on Series EE savings bonds bearing issue dates on or after

January 1, 1990, and on Series I savings bonds from their income under certain conditions. This legislation did not create new savings bond redemption and interest reporting requirements for savings bond paying agents. However, if a bond owner indicates that he or she intends to seek the special tax treatment offered under this program, the paying agent is encouraged to provide assistance by:

(1) Suggesting that he or she read IRS Form 8815 (particularly, the instructions on the form) as well as relevant portions of IRS Publication 17, "Your Federal Income Tax", and Publication 550, "Investment Income and Expenses," for detailed information; and

(2) Suggesting that the presenter make a record of eligible bonds redeemed either by using IRS Optional Form 8818, or otherwise.

* * * * *

PART 330—REGULATIONS GOVERNING PAYMENT UNDER SPECIAL ENDORSEMENT OF UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

21. The authority citation for part 330 is revised to read as follows:

Authority: 5 U.S.C. 301; 31 U.S.C. 3105.

22. In § 330.1, paragraph (f) is revised to read as follows:

§ 330.1 Definition of terms.

* * * * *

(f) *Savings bond(s)* or *bond(s)* means a United States Savings Bond of Series A, B, C, D, E, EE, or I.

* * * * *

23. In § 330.5, paragraph (a) is revised to read as follows:

§ 330.5 Evidence of owner's or beneficiary's authorization to affix special endorsement.

(a) *Form of authorization.* The Treasury does not prescribe the form or type of instructions an agent must obtain from each owner, co-owner or beneficiary in order to use the special endorsement procedure. In the case of eligible Series E and EE savings bonds and savings notes presented for a redemption-exchange, the owner, coowner or beneficiary authorized to request the exchange (as specified in Circular No. 750, § 321.8(b)), must sign the exchange subscription even though the eligible Series E and EE savings bonds and savings notes are specially endorsed.

* * * * *

24. In § 330.6, paragraph (a) is revised to read as follows:

(a) *General authority.* A qualified agent is authorized to affix the special endorsement to:

(1) Savings bonds of Series A, B, C, D, E, EE, and I and savings notes to be redeemed for cash; and

(2) Eligible savings bonds of Series E and EE and savings notes to be redeemed in exchange for Series HH bonds under the provisions of Circular No. 2-80 (31 CFR part 352).

* * * * *

25. Section 330.7 is revised to read as follows:

§ 330.7 Payment or redemption-exchange by agent.

Specially endorsed securities may be paid in cash or, if they are eligible Series E and EE savings bonds or savings notes, redeemed in exchange for Series HH bonds pursuant to the authority and subject, in all other respects, to the provisions of Circular No. 750, current revision (31 CFR part 321), its appendix, and any other instructions issued under its authority. Each specially endorsed bond or note paid by an agent must have the agent's payment stamp imprinted on its face and show the date and amount paid. Securities so paid should be combined with other securities paid under that Circular and presented for settlement through EZ CLEAR. Securities redeemed by an agent in an exchange must be presented for settlement through EZ CLEAR separately from, but at the same times as, an exchange subscription and any remittance are forwarded to the Fiscal Agency Department of the appropriate Federal Reserve Bank.

26. Section 330.8 is revised to read as follows:

§ 330.8 Payment or redemption-exchange by Federal Reserve Bank.

Specially endorsed securities which an agent is not authorized to redeem for cash or on exchange should be forwarded to the Fiscal Agency Department of the designated Federal Reserve Bank. The transmittals must be accompanied by appropriate instructions governing the transaction and the disposition of the redemption proceeds or new bonds, as the case may be. The securities must be kept separate from others the agent has paid and must be submitted in accordance with instructions issued by the Bank.

27. In § 330.9, paragraph (b)(2) is removed, paragraph (b)(1) is redesignated as paragraph (b) and the table in newly designated paragraph (b) is amended by revising the entry for the Federal Reserve Bank of Minneapolis to read as follows:

§ 330.9 Fiscal agents.

* * * * *

(b) * * *

Servicing office	Reserve districts served	Geographic area served
* * *	* * *	* * *
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis MN 55401.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MI, MN, MT, ND, SD, WI.
* * *	* * *	* * *

28. Section 330.10 is revised to read as follows:

§ 330.10 Modifications of other circulars.

The provisions of this part shall be considered as amending and supplementing: Department of the Treasury Circulars Nos. 530, 653, and 750 (31 CFR parts 315, 316, and 321, respectively), and Department of the Treasury Circulars, Public Debt Series Nos. 1-80, 2-80, 3-80, 3-67, 1-98, and 2-98 (31 CFR parts 351, 352, 353, 342, 359, and 360 respectively), and any revisions thereof or amendments or supplements thereto, and those Circulars are hereby modified to the extent necessary to accord with the provisions of this part.

29. Part 359 is added to read as follows:

PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I

- Sec. 359.0 Offering of bonds.
- 359.1 Governing regulations.
- 359.2 Description of bonds.
- 359.3 Investment considerations.
- 359.4 Registration and issue.
- 359.5 Limitation on purchases.
- 359.6 Purchase of bonds.
- 359.7 Delivery of bonds.
- 359.8 Payment or redemption.
- 359.9 Taxation.
- 359.10 Education savings bond program.
- 359.11 Reservation as to book-entry bonds.
- 359.12 Reservation as to issue of bonds.
- 359.13 Waiver.
- 359.14 Fiscal agents.
- 359.15 Reservation as to terms of offer.

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

§ 359.0 Offering of bonds.

The Secretary of the Treasury offers for sale to the people of the United States, United States Savings Bonds of Series I, hereinafter referred to as Series I bonds or bonds. This offer, effective September 1, 1998, will continue until terminated by the Secretary of the Treasury.

§ 359.1 Governing regulations.

Series I bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series I, contained in Department of the Treasury Circular, Public Debt Series No. 2-98 (31 CFR part 360), hereinafter referred to as Circular No. 2-98. Treasury expressly disclaims the effect of, and does not warrant the correctness of, any representations or warranties regarding Series I bonds, wherever made, that in any way conflict with the terms and conditions of Series I bonds, as set out in these regulations and other applicable law. The regulations in 31 CFR part 370 apply to transactions for the purchase of United States Savings Bonds issued through the Bureau of the Public Debt. The regulations in 31 CFR part 370 do not apply to transactions for the purchase of bonds through issuing agents generally, unless and to the extent otherwise directed by the Commissioner of the Bureau of the Public Debt or the Commissioner's designee.

§ 359.2 Description of bonds.

(a) *General.* Series I bonds are issued only in registered form (subject to § 359.11) and are non-transferable. The bonds may be either in book-entry or definitive form.

(b) *Denominations and prices.* Series I bonds are issued at par (face amount). The denominations and purchase prices are as follows:

Denomination	Purchase price
\$ 50	\$50.00
75	75.00
100	100.00
200	200.00
500	500.00
1,000	1,000.00
5,000	5,000.00
10,000	10,000.00

(c) *Term—maturity period.* The issue date of a Series I bond is the first day of the month in which the issue price is received by an authorized issuing agent. Series I bonds have a maturity period of 30 years, consisting of an original maturity period of 20 years and an automatic extension period of 10 years.

(d) *Redemption.* A Series I bond may be redeemed beginning six months after its issue date or at any time thereafter. The Secretary of the Treasury may not call a Series I bond for redemption prior to an original maturity period of 20 years and an automatic extension period of 10 years, for a total period of 30 years from its issue date.

(e) *Composite rates and redemption values.* (1) The following definitions apply for determining the composite rates and redemption values:

(i) *Rate announcements.* Rates applicable to Series I bonds will be furnished in rate announcements published each May 1 and November 1. If the regularly scheduled date for the announcement (for example, May 1) is a day when the Treasury is not open for business, then the announcement is made on the next business day; however, the effective date of the rates remains the first day of the month of the announcement.

(ii) *Fixed rate of return.* Each May and November the Secretary shall establish the fixed rate of return for Series I bonds issue-dated during the six-month period beginning on such date. Such fixed rate of return will be applicable for the life of the bond.

(iii) *Semiannual inflation rate.* Each May and November, Treasury will announce a variable semiannual inflation rate for Series I bonds. The index used to determine this rate will be the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers ("CPI-U") published by the Bureau of Labor Statistics ("BLS") of the U.S. Department of Labor. The semiannual inflation rate to be effective with the May announcement will reflect the rate of change in the CPI-U for the six-month period ending with the immediately preceding March 31. The rate of change over the six-month period will be expressed as a percentage, rounded to the nearest one hundredth of one percent. More specifically, the semiannual inflation rate will reflect the CPI-U value for the most recent March less the value for the preceding September, that difference will then be divided by the CPI-U value for the preceding September, and the result will be multiplied by 100 to convert the rate to a percentage. The resulting rate will be rounded to the nearest one-hundredth of one percent. The semiannual inflation rate to be effective with the November announcement, reflecting the change in the CPI-U for the six-month period ending with the immediately preceding September, will be similarly determined. In certain deflationary conditions, the semiannual inflation rate may be negative to such an extent that it will offset the fixed rate of return. However, the redemption value of a Series I bond for any particular month will not be less than the value for the preceding month. (See § 359.3(b) for a discussion of the lag between when inflation is measured and when it is reflected in the value of a bond.)

(iv) *Index contingencies.* If a previously reported CPI-U is revised, Treasury will continue to use the previously reported CPI-U in calculating redemption values. If the CPI-U is rebased to a different year, Treasury will continue to use the CPI-U based on the base reference period in effect when the security was first issued, as long as that CPI continues to be published. If, while an inflation-indexed savings bond is outstanding, the applicable CPI-U is: discontinued, in the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the security, or in the judgment of the Secretary, altered by legislation or Executive Order in a manner materially adverse to the interests of an investor in the security, Treasury, after consulting with the Bureau of Labor Statistics ("BLS"), or any successor agency, will substitute an appropriate alternative index. Treasury will then notify the public of the substitute index and how it will be applied. Determinations of the Secretary in this regard will be final.

(v) *Composite rate.* (A) The fixed rate of return, FR, and the semiannual inflation rate, SIR, as determined in paragraphs (e)(1)(ii) and (iii) of this section are divided by 100 to remove the percentage format (*i.e.*, to convert to decimal form) and are then combined into a composite annual rate, CR, in accordance with the following formula:

$$CR = \{SIR + (FR \div 2) + [SIR \times (FR \div 2)]\} \times 2$$

(B) The resulting annual rate is converted to a percentage and is rounded to the nearest one-hundredth of one percent. The composite rates will be announced by Treasury each May and November, and will be derived from the semiannual inflation rate announced on the same date and the fixed rates of return applicable to Series I savings bonds.

(vi) *Base denomination.* All value calculations are performed on a hypothetical denomination of \$25 having a value at the beginning of the first semiannual rate period equal to the issue price of \$25. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations. For example, if the value of a hypothetical \$25 denomination is \$41.20—*i.e.*, \$25.00 issue price plus \$16.20 accrued interest—on the same redemption date, the value of a \$50 bond bearing the same issue date is \$41.20 × (50/25) or \$82.40.

(vii) *Issue date.* The issue date of a Series I bond is the first day of the

month in which payment of the issue price is received by an authorized issuing agent.

(viii) *Redemption value.* The redemption value of a bond is that amount that will be paid when the bond is redeemed.

(ix) *Accrual date.* Earnings on a Series I bond, if any, accrue on the first day of each month. The redemption value of a bond does not change between these accrual dates.

(x) *Semiannual rate periods.* Semiannual rate periods are the six-month periods beginning on the date of

issue and on each semiannual anniversary of the date of issue to maturity.

(xi) *Maturity.* Series I bonds have a maturity period of 30 years, consisting of an original period of 20 years and an automatic extension period of 10 years. The bonds have an interest paying life of 30 years after the date of issue and cease to increase in value as of that date.

(2) *Interest rates and monthly accruals.* Series I composite rates, defined in paragraph (e)(1)(v) of this section, apply to earnings during the

first semiannual rate period beginning on or after the effective date of the rate. Interest, at the composite rate from the beginning of the semiannual rate period, accrues according to the formula specified in paragraph (e)(4)(ii) of this section. The following table shows, for any given month of issue with composite rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the composite rate specified in the announcement:

Month of issuance	Semiannual rate period (1) begins	Announcement date of composite rate that applies during rate period (1)	Semiannual rate period (2) begins	Announcement date of composite rate that applies during rate period (2)
January	January 1	November 1 (announced 2 months prior to beginning of semiannual rate period).	July 1	May 1 (announced 2 months prior to beginning of semiannual rate period).
February	February 1	November 1 (announced 3 months prior to beginning of semiannual rate period).	August 1	May 1 (announced 3 months prior to beginning of semiannual rate period).
March	March 1	November 1 (announced 4 months prior to beginning of semiannual rate period).	September 1	May 1 (announced 4 months prior to beginning of semiannual rate period).
April	April 1	November 1 (announced 5 months prior to beginning of semiannual rate period).	October 1	May 1 (announced 5 months prior to beginning of semiannual rate period).
May	May 1	May 1	November 1	November 1.
June	June 1	May 1 (announced 1 month prior to beginning of semiannual rate period).	December 1	November 1 (announced 1 month prior to beginning of semiannual rate period).
July	July 1	May 1 (announced 2 months prior to beginning of semiannual rate period).	January 1	November 1 (announced 2 months prior to beginning of semiannual rate period).
August	August 1	May 1 (announced 3 months prior to beginning of semiannual rate period).	February 1	November 1 (announced 3 months prior to beginning of semiannual rate period).
September	September 1	May 1 (announced 4 months prior to beginning of semiannual rate period).	March 1	November 1 (announced 4 months prior to beginning of semiannual rate period).
October	October 1	May 1 (announced 5 months prior to beginning of semiannual rate period).	April 1	November 1 (announced 5 months prior to beginning of semiannual rate period).
November	November 1	November 1	May 1	May 1.
December	December 1	November 1 (announced 1 month prior to beginning of semiannual rate period).	June 1	May 1 (announced 1 month prior to beginning of semiannual rate period).

Notes: (1) Notwithstanding any consideration of the interest penalty for early redemption, interest earned during each month of a semiannual rate period accrues according to the formula specified in § 359.2(e)(4)(ii).

(2) Also, if the regularly scheduled date for a composite rate announcement is a day that Treasury is not open for business, the announcement will be made on the next business day; however, the effective date of the rate will be the first day of the month of the announcement.

(3) *Interest penalty for Series I bonds redeemed less than five years following the issue dates.* If a Series I bond is redeemed less than five years following the date of issue, the overall earning period from the date of issue will be reduced by three months. For example, if a bond issued January 1, 1999, is redeemed nine months later on October 1, 1999, the redemption value will be determined by applying the value calculation procedures described in paragraph (e)(4) of this section and the Series I bond composite rate for that

month as if the redemption date were three months earlier (July 1, 1999). The redemption value of a bond subject to the three-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed five years or more after the date of issue.

(4) *Redemption value calculations.* (i) Interest on a bond accrues and becomes part of the redemption value which is paid when the bond is redeemed.

(ii) The redemption value of a bond for the accrual date (the first day of each

month) is determined in accordance with this section and the following:

(A) Determine the composite rate as defined in paragraph (e)(1)(v) of this section. If the result of the composite rate calculation is a negative value, zero will be the assumed composite rate in the redemption value calculation. Redemption values are calculated using the following formula:

$$FV = PV \times \{ [1 + (CR \div 2)]^{(m + 6)} \}$$

Where:

FV (future value) = redemption value on the accrual date rounded to the nearest cent.

PV (present value) = value at the beginning of the semiannual rate period calculated without consideration of penalty. For bonds that are older than five years, PV will equal the redemption value at the start of the semiannual rate period.

CR = composite rate as defined in paragraph(e)(1)(v) of this section converted to decimal form by dividing by 100.

m = number of full calendar months elapsed during the semiannual rate period.

(B) The following hypothetical examples illustrate how this formula is applied:

(1) For a bond five years or older:

Example: i. Given a Series I bond composite rate of 5.02%, effective May 1, 2003, for a hypothetical bond denominated at \$25, with an issue date of September 1, 1998, and a redemption value of \$31.90 as of September 1, 2003, the February 1, 2004, redemption value is calculated as follows: bonds issue-dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the date of the May 1, 2003, rate announcement composite rate would be the period beginning September 1, 2003. PV, the present value, \$31.90, would be the redemption value of the bond at the beginning of the semiannual rate period (September 1, 2003). The composite rate, 5.02% converted to a decimal, would be 0.0502. The number of months, m, is five, since five full calendar months (September through January) have lapsed since the beginning of the semiannual rate period. FV, the redemption value (rounded to the nearest cent), is then the result of the formula:

$$FV = PV \times \{ [1 + (CR \div 2)]^{(m + 6)} \} \text{ where} \\ FV = 31.90 \times \{ [1 + (0.0502 \div 2)]^{(5 + 6)} \} \\ = \$32.57$$

ii. The redemption value for the actual denomination of a Series I bond can be determined by applying the appropriate multiple, for example: \$32.57 x (\$100.00 ÷ \$25.00) for a bond with a \$100.00 face amount; or \$32.57 x (\$1000.00 ÷ \$25.00) for a bond with a \$1000.00 face amount.

(2) For a bond less than five years old:

Example: i. Assume a composite rate of 5.07% effective May 1, 2003, for a bond denominated at \$25.00, with an issue date of December 1, 2000, a redemption date of February 1, 2004, and a value on June 1, 2003, of \$28.45, without consideration of penalty. A three-month penalty is assessed since the redemption date is less than five years after the issue date. The penalty is accounted for by assuming that the redemption date is three months earlier (November 1, 2003). The February 1, 2004, redemption value is then calculated as follows: bonds issue-dated in December have semiannual rate periods that begin each June 1 and December 1. The first semiannual rate period to begin on or after the May 1, 2003, rate announcement composite rate would be the period beginning June 1, 2003. PV, the present value, \$28.45, is the value of the bond at the beginning of the semiannual rate

period (June 1, 2003), without consideration of penalty. The composite rate, 5.07%, converted to a decimal, would be 0.0507. The number of months, m, is five, since five full calendar months (June through October) have elapsed since the beginning of the semiannual rate period and the redemption date (as adjusted for penalty). FV, the redemption value (rounded to the nearest cent), is then the result of the formula:

$$FV = PV \times \{ [1 + (CR \div 2)]^{(m + 6)} \} \text{ where} \\ FV = \$28.45 \times \{ [1 + (0.0507 \div 2)]^{(5 + 6)} \} = \$29.05$$

ii. The redemption value for the actual denomination of a Series I bond can be determined by applying the appropriate multiple, for example: \$29.05 x (\$100.00 ÷ \$25.00) for a bond with a \$100.00 face amount; or \$29.05 x (\$1000.00 ÷ \$25.00) for a bond with a \$1000.00 face amount.

(5) *The Secretary's determination.* The determination by the Secretary of the Treasury, or the Secretary's designee, of fixed rates of return, semiannual inflation rates, composite rates, and savings bond redemption values shall be final and conclusive.

(6) *Tables of redemption values.* Tables of redemption values are made available in various formats and media, including on the Internet, by the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328. Treasury reserves the right to cease making the tables of redemption values available in any of these formats or media. Redemption values published in such tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

§ 359.3 Investment considerations.

(a) *Index contingencies.* (1) If a previously reported CPI is revised, Treasury will continue to use the previously reported CPI in calculating redemption values.

(2) If the CPI is rebased to a different year, Treasury will continue to use the CPI based on the base reference period in effect when the savings bond was first issued, as long as that CPI continues to be published.

(3) If, while a Series I savings bond is outstanding, the applicable CPI is discontinued, in the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the savings bond, or in the judgment of the Secretary, altered by legislation or Executive Order in a manner materially adverse to the interests of an investor in the savings bond, Treasury, after consulting with the Bureau of Labor Statistics, or any successor agency, will substitute an appropriate alternative index. Treasury will then notify the public of the substitute index and how

it will be applied. Determinations of the Secretary in this regard will be final.

(4) If the CPI for a particular month is not reported by the last day of the following month, the Treasury will announce an index number based on the last 12-month change in the CPI available. Any calculations of the Treasury's payment obligations on the inflation-indexed savings bond that rely on that month's CPI will be based on the index number that Treasury has announced.

(b) *Inflation lag.* (1) The inflation rate component of investor earnings will be determined twice each year. This rate will be the percentage change in the CPI-U for the six months ending each March and September. The rate will be included in the composite rate that is announced each May and November. Each composite rate will be effective for the entirety of all semiannual rate periods that begin while the rate is in effect. Thus, an inflation rate may affect interest accruals from 3 to 13 months from the date that the CPI-U is measured.

(2) For example, the inflation rate determined from the CPI-U for the six-month period from October 1, 2003, through March 31, 2004, will be included in the composite rate announced on May 1, 2004. For a bond purchased in May 1999, this rate will go into effect immediately, since a new semiannual rate period for this bond will begin on May 1, 2004. Series I bonds issued in May begin new semiannual rate periods in the months of May and November. In this example, the inflation rate will have its earliest impact in June 2004, when interest from May accrues, three months after the end of the six-month CPI-U period that ends March 31, 2004.

(3) As another example, the May 1, 2004, rate will apply similarly to a bond purchased in October 1999. Series I bonds issued in October begin new semiannual rate periods in the months of April and October. Thus, for this bond, the May 1, 2004, composite rate (which includes the inflation rate) will not go into effect until a new semiannual rate period begins on October 1, 2004. This rate, therefore, will determine the inflation-indexed portion of each interest accrual from November 2004 through April 2005. In this example, the inflation rate will have its latest impact in April 2005, 13 months following the six-month CPI-U period that ended March 31, 2004.

(c) *Liquidity.* A Series I bond may be redeemed beginning six months after its issue date or at any time thereafter. However, a bond redeemed less than five years from its issue date will be

subject to a three-month interest penalty.

(d) *Early redemption penalty.* If a Series I bond is redeemed less than five years following the date of issue, the overall earning period from the date of issue will be reduced by three months. For example, if a bond issued January 1, 1999, is redeemed nine months later on October 1, 1999, the redemption value will be determined by applying the redemption value calculation procedures described in § 359.2(e)(4) and the Series I composite rate for that bond as if the redemption date were three months earlier (July 1, 1999). The redemption value of a bond subject to the three-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed five years or more after the date of issue.

§ 359.4 Registration and issue.

(a) *Registration.* Bonds may be registered as set forth in 31 CFR part 360, subpart B, also published as Department of the Treasury Circular, Public Debt Series No. 2-98. Generally, bonds may be registered in the names of natural persons in single owner, coowner (for example: "John Doe 123-45-6789 OR Mary Doe"), or beneficiary ("John Doe 123-45-6789 payable on death to (POD) Mary Doe") forms of registration.

(b) *Validity of issue.* A bond is validly issued when it is registered as provided in Circular No. 2-98, and when it bears an issue date, as well as the validation indicia of an authorized issuing agent.

(c) *Taxpayer Identifying Number (TIN).* The inscription of a bond must include the TIN of the owner or first-named coowner. If the bond is being purchased as a gift or award and the owner's TIN is not known, the TIN of the purchaser must be included in the inscription on the bond.

(d) *Prohibition on chain letters.* The issuance of bonds in the furtherance of a chain letter or pyramid scheme is against the public interest and is prohibited. An issuing agent is authorized to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is in connection with a chain letter. The agent's decision is final.

§ 359.5 Limitation on purchases.

The amount of Series I bonds which may be purchased in the name of any one person, in any one calendar year, is limited to \$30,000 par value. Circular No. 2-98 (31 CFR part 360, subpart C) contains the rules governing the computation of amounts and the special limitation for employee plans.

§ 359.6 Purchase of bonds.

(a) *Payroll sales—(1) Payroll savings plans.* Bonds may be purchased through deductions from the pay of employees of organizations that maintain payroll savings plans. The bonds must be issued by an authorized issuing agent.

(2) *Employee thrift, savings, vacation, and similar plans.* Bonds registered in the names of employee plans may be purchased in book-entry form in authorized denominations through a designated Federal Reserve Bank after Bureau of the Public Debt approval of the plan as eligible for the special limitation under 31 CFR 360.13, also published as § 360.13 of Department of the Treasury Circular, Public Debt Series No. 2-98.

(b) *Over-the-counter sales—(1) Eligible issuing agents.* Bonds may be purchased through any issuing agent, except that an organization serving as an employer or an organization operating an employer's payroll savings plan under 31 CFR 317.2(c) may sell bonds only through payroll savings plans.

(2) *Manner of sale.* An application for the purchase of a bond must be accompanied by a remittance to cover the issue price. The purchase application and remittance may be submitted to an issuing agent by any means acceptable to the issuing agent. An application may authorize purchases on a recurring basis. The issuing agent bears the burden of collection and the risk of loss for non-collection or return of the remittance.

§ 359.7 Delivery of bonds.

Issuing agents are authorized to arrange for the delivery of Series I bonds. Mail deliveries are made at the risk and expense of the United States to the address given by the purchaser, if it is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico. No mail deliveries elsewhere will be made, except to residents of Mexico and Canada who participate in payroll saving plans. Bonds purchased by a citizen of the United States residing abroad will be delivered only to such address in the United States as the purchaser directs.

§ 359.8 Payment or redemption.

(a) *Incorporated banks, savings and loan associations and other financial institutions—(1) Payment in general.* A financial institution qualified as a paying agent under the provisions of 31 CFR part 321, also published as Department of the Treasury Circular No. 750, will pay the current redemption value of a Series I bond presented for

payment by an individual whose name is inscribed on the bond as owner or coowner, provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent, in accordance with Treasury instructions and identification guidelines, and signs and completes the request for payment.

(2) *Payment to beneficiary or legal representative.* A paying agent may (but is not required to) pay the current redemption value of a Series I bond upon the request of a beneficiary, if he or she survives the owner, or a legal representative designated in the bond registration by name and capacity, or a court-appointed representative of the last-deceased registrant's estate provided:

(i) The bond is in order for payment; and

(ii) The presenter establishes his or her identity to the satisfaction of the agent in accordance with Treasury instructions and identification guidelines, and otherwise complies with evidentiary requirements.

(b) *Federal Reserve Banks and Branches.* A Federal Reserve Bank or Branch referred to in § 359.14 will pay the current redemption value of a Series I bond presented for payment, provided the bond is in order for payment and the request for payment on the bond is properly signed and certified in accordance with Circular No. 2-98.

§ 359.9 Taxation.

(a) *General.* The increment in value, represented by the difference between the face (par amount) of a Series I bond and the redemption value received for it, is interest. This interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all other taxation now or hereafter imposed on the principal or interest by any State, any possession of the United States or any local taxing authority.

(b) *Federal income tax on bonds.* (1) An owner of Series I bonds may use either of the following two methods for reporting the increase in the redemption value of the bond for Federal income tax purposes:

(i) *Cash basis.* Defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earlier; or

(ii) *Accrual basis.* Elect to report the increase each year as it accrues, in which case the election applies to all Series I bonds then owned by the

taxpayer and those subsequently acquired as well as to any other obligations purchased on a discount basis, such as savings bonds of Series E or EE.

(2) If the method in paragraph (b)(1)(i) of this section is used, the taxpayer may change to the method in paragraph (b)(1)(ii) of this section without obtaining permission from the Internal Revenue Service. However, once the election to use the method in paragraph (b)(1)(ii) of this section is made, the taxpayer may change the method of reporting only by following the specific procedure prescribed by the Internal Revenue Service. For further information, the District Director of the taxpayer's district, or the Internal Revenue Service, Washington, DC 20224, should be consulted.

(c) *Reissue.* A reissue that affects the rights of any of the persons named on a Series I bond may have a tax consequence.

§ 359.10 Education savings bond program.

A bond owner or coowner may be able to exclude from income for Federal income tax purposes all or part of the interest received on the redemption of qualified savings bonds during the year, if that owner or coowner paid qualified higher education expenses during the same year and certain other conditions are satisfied. This exclusion is known as

the Education Savings Bond Program, and authoritative information about the program can be found in Internal Revenue Service Publication 17, "Your Federal Income Tax", and Publication 550, "Investment Income and Expenses."

§ 359.11 Reservation as to book-entry bonds.

The Commissioner of the Public Debt, as designee of the Secretary of the Treasury, reserves the right: To convert at any time, in whole or in part, any definitive Series I savings bonds to book-entry Series I savings bonds; and to issue Series I savings bonds only in book-entry form. The Commissioner's action in any such respect is final.

§ 359.12 Reservation as to issue of bonds.

The Commissioner of the Public Debt, as designee of the Secretary of the Treasury, is authorized to reject any application for Series I bonds, in whole or in part, and to refuse to issue, or permit to be issued, any bonds in any case or class of cases, if the Commissioner deems the action to be in the public interest, and the Commissioner's action in any such respect is final.

§ 359.13 Waiver.

The Commissioner of the Public Debt, as designee of the Secretary of the

Treasury, may waive or modify any provision of this Circular in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

- (a) If such action would not be inconsistent with law or equity;
- (b) If it does not impair any material existing rights; and
- (c) If he or she is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 359.14 Fiscal agents.

(a) Federal Reserve Banks and Branches referred to below, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury, or his or her designee, in connection with the issue, servicing and redemption of Series I bonds. The Federal Reserve Banks and Branches, as fiscal agents of the United States, are subject to change (for example, due to consolidation), as determined by the Secretary of the Treasury, or his or her designee.

(b) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve district served	Geographic area served
Federal Reserve Bank, Buffalo Branch, 160 Delaware Avenue, Buffalo, NY 14202.	New York, Boston	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey (northern half), New York, Rhode Island, Vermont, Puerto Rico, Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, 717 Grant Street, Pittsburgh, PA 15219.	Cleveland, Philadelphia	Delaware, Kentucky (eastern half), New Jersey (southern half), Ohio, Pennsylvania, West Virginia (northern panhandle).
Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219.	Richmond, Atlanta	Alabama, District of Columbia, Florida, Georgia, Louisiana (southern half), Maryland, Mississippi (southern half), North Carolina, South Carolina, Tennessee (eastern half), Virginia, West Virginia (except northern panhandle).
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, MN 55401.	Minneapolis, Chicago	Illinois (northern half), Indiana (northern half), Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota, Wisconsin.
Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, MO 64106.	Dallas, Kansas City, St. Louis, San Francisco.	Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois (southern half), Indiana (southern half), Kansas, Kentucky (western half), Louisiana (northern half), Mississippi (northern half), Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee (western half), Texas, Utah, Washington, Wyoming, Guam.

§ 359.15 Reservation as to terms of offer.

The Secretary of the Treasury may at any time or from time to time supplement or amend the terms of this offering of bonds.

30. Part 360 is added to read as follows:

PART 360—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES I

Subpart A—General Information

- Sec.
- 360.0 Applicability.
- 360.1 Official agencies.
- 360.2 Definitions.

Subpart B—Registration

- 360.5 General rules.
- 360.6 Authorized forms of registration.
- 360.7 Chain letters prohibited.

Subpart C—Limitations on Annual Purchases

- 360.10 Amounts which may be purchased.
- 360.11 Computation of amount.

- 360.12 Disposition of excess.
- 360.13 Employee plans—Conditions of eligibility.

Subpart D—Limitations on Transfer or Pledge

- 360.15 Transfer.
- 360.16 Pledge.

Subpart E—Judicial Proceedings

- 360.20 General.
- 360.21 Payment to judgment creditors.
- 360.22 Payment or reissue pursuant to divorce.
- 360.23 Evidence.
- 360.24 Payment pursuant to judicial or administrative forfeiture.

Subpart F—Relief for Loss, Theft, Destruction, Mutilation, Defacement, or Nonreceipt of Bonds

- 360.25 General.
- 360.26 Application for relief; after receipt of bond.
- 360.27 Application for relief; nonreceipt of bond.
- 360.28 Recovery or receipt of bond before or after relief is granted.
- 360.29 Adjudication of claims.

Subpart G—General Provisions for Payment

- 360.35 Payment (redemption).
- 360.36 Payment during life of sole owner.
- 360.37 Payment during lives of both coowners.
- 360.38 Payment during lifetime of owner of beneficiary bond.
- 360.39 Surrender for payment.
- 360.40 Special provisions for payment.
- 360.41 Partial redemption.
- 360.42 Nonreceipt or loss of remittance issued in payment.
- 360.43 Effective date of request for payment.
- 360.44 Withdrawal of request for payment.

Subpart H—Reissue and Denominational Exchange

- 360.45 General.
- 360.46 Effective date of request for reissue.
- 360.47 Authorized reissue; during lifetime.
- 360.48 Restrictions on reissue; denominational exchange.
- 360.49 Correction of errors.
- 360.50 Change of name.
- 360.51 Requests for reissue.

Subpart I—Certifying Officers

- 360.55 Individuals authorized to certify.
- 360.56 General instructions and liability.
- 360.57 When a certifying officer may not certify.
- 360.58 Forms to be certified.

Subpart J—Minors, Incompetents, Aged Persons, Absentees, et al.

- 360.60 Payment to representative of an estate.
- 360.61 Payment after death.
- 360.62 Payment to minor.
- 360.63 Payment to a parent or other person on behalf of a minor.
- 360.64 Payment or reinvestment—voluntary guardian of an incapacitated person.
- 360.65 Reissue.

Subpart K—Deceased Owner, Coowner or Beneficiary

- 360.70 General rules governing entitlement.
- 360.71 Estate administered.
- 360.72 Procedures for the payment or reissue of bonds that are property belonging to a decedent's estate.

Subpart L—Fiduciaries

- 360.75 Payment or reissue during the existence of the fiduciary estate.
- 360.76 Payment or reissue after termination of the fiduciary estate.

Subpart M—Miscellaneous Provisions

- 360.90 Waiver of regulations.
- 360.91 Additional requirements; bond of indemnity.

- 360.92 Supplements, amendments, or revisions.

Authority: 5 U.S.C. 301; 31 U.S.C. 3105 and 3125.

Subpart A—General Information

§ 360.0 Applicability.

The regulations in this circular, Department of the Treasury Circular, Public Debt Series No. 2-98 (this part 360), govern transactions in United States Savings Bonds of Series I. These bonds bear issue dates of September 1, 1998, or thereafter.

§ 360.1 Official agencies.

(a) The Bureau of the Public Debt of the Department of the Treasury is responsible for administering the Savings Bond Program. Authority to process transactions has been delegated to Federal Reserve Banks and Branches listed in paragraph (b) of this section, as fiscal agents of the United States. The Federal Reserve Banks and Branches, and their authority to process transactions, as fiscal agents of the United States, are subject to change, as determined by the Secretary of the Treasury, or his or her designee.

(b) Communications concerning transactions and requests for forms should be addressed to:

(1) A Federal Reserve Bank or Branch in the list below; or, the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328.

(2) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve district served	Geographic area served
Federal Reserve Bank, Buffalo Branch, 160 Delaware Avenue, Buffalo, NY 14202.	New York, Boston	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, (northern half), New York, Rhode Island, Vermont, Puerto Rico, Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, 717 Grant Street, Pittsburgh, PA 15219.	Cleveland, Philadelphia	Delaware, Kentucky (eastern half), New Jersey, (southern half), Ohio, Pennsylvania, West Virginia.
Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219.	Richmond, Atlanta	Alabama, District of Columbia, Florida, Georgia, Louisiana, (southern half), Maryland, Mississippi (southern half), North Carolina, South Carolina, Tennessee (eastern half), Virginia, West Virginia (except northern panhandle).
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, MN 55401.	Minneapolis, Chicago	Illinois (northern half), Indiana, (northern half), Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota, Wisconsin.
Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, MO 64106.	Dallas, San Francisco, Kansas City, St. Louis.	Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois (southern half), Indiana (southern half), Kansas, Kentucky, (western half), Louisiana (northern half), Mississippi (northern half), Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee (western half), Texas, Utah, Washington, Wyoming, Guam.

(c) Notices and documents must be filed with the agencies referred to in paragraphs (a) and (b) of this section and as indicated in the regulations in this part.

§ 360.2 Definitions.

(a) *Bond* means a United States Savings Bond of Series I, either in book-entry form, represented by an accounting entry or electronic record of a Federal Reserve Bank acting as fiscal agent of the United States, or the Department of the Treasury, or in definitive form, as a certificate.

(b) *Incompetent* means an individual who is incapable of handling his or her business affairs because of a legal, mental or medical disability, except that a minor is not an incompetent solely because of age.

(c) *Issuing agent* means an organization that has been qualified under the provisions of Department of the Treasury Circular, Public Debt Series No. 4-67, as revised and amended (31 CFR part 317), to issue savings bonds.

(d) *Paying agent* means a financial institution that has been qualified under the provisions of Department of the Treasury Circular No. 750, as revised and amended (31 CFR part 321), to make payment of savings bonds.

(e) *Payment* means redemption, unless otherwise indicated by the context.

(f) *Person* means a legal entity including an individual or fiduciary estate.

(g) *Personal trust estates* means trust estates established by natural persons in their own right for the benefit of themselves or other natural persons in whole or in part, and common trust funds comprised in whole or in part of such trust estates.

(h) *Reissue* means the cancellation and retirement of a bond and the issuance of a new bond or bonds of the same series, same issue date, and same total face amount.

(i) *Representative of the estate of a minor, incompetent, aged person, absentee, et al.* means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for the individual. The term does not include parents in their own right, voluntary or natural guardians, attorneys-in-fact, trustees of personal and similar trust estates, or the executors or administrators of decedents' estates.

(j) *Surrender* means the actual receipt of a definitive bond with an appropriate request for payment or reissue by either a Federal Reserve Bank or Branch or the Bureau of the Public Debt, or, if a paying

agent is authorized to handle the transaction, the actual receipt of the definitive bond and the request for payment by the paying agent.

(k) *Taxpayer Identifying Number* means a social security account number or an employer identification number.

(l) *Voluntary guardian* means an individual who is recognized as authorized to act for an incompetent, as provided by § 360.64.

Subpart B—Registration

§ 360.5 General rules.

(a) *Registration is conclusive of ownership.* Savings bonds of Series I are issued only in registered form. The registration must express the actual ownership of, and interest in, the bond. The registration is conclusive of ownership, except as provided in § 360.49.

(b) *Requests for registration.* (1) Registrations requested must be clear, accurate and complete, conform substantially with one of the forms set forth in this subpart, and include the taxpayer identifying number of the owner or first-named coowner. The registration of all bonds owned by the same individual or fiduciary estate should be uniform with respect to the name of the owner and any description of the fiduciary capacity.

(2) An individual should be designated by the name he or she is ordinarily known by or uses in business, including at least one full given name. The name may be preceded or followed by any applicable title, such as Mr., Mrs., Ms., Miss, Dr., Rev., M.D., or D.D. A suffix, such as Sr. or Jr., must be included when ordinarily used or when necessary to distinguish the owner from another member of his family. A married woman's own first name, not that of her husband, must be used, for example, Mary A. Jones or Mrs. Mary A. Jones, NOT Mrs. Frank B. Jones. The address must include, where appropriate, the number and street, route, or any other local feature, city, State, and ZIP Code.

(c) *Inscription of bonds purchased as gifts.* If the bonds are purchased as gifts, awards, prizes, etc., and the taxpayer identifying numbers of the intended owners are not known, the purchaser's number must be furnished. Bonds so inscribed will not be associated with the purchaser's own holdings. A bond registered in the name of a purchaser with another person as coowner or beneficiary is not considered a gift or an award. If the purchaser so requests, a bond may be inscribed to provide a "Mail to" instruction, followed by a delivery name and address. No rights of

ownership are conferred on such designee.

§ 360.6 Authorized forms of registration.

Subject to any limitations or restrictions contained in these regulations on the right of any person to be named as owner, coowner, or beneficiary, bonds should be registered as indicated in this section. A savings bond inscribed in a form not substantially in agreement with one of the forms authorized by this subpart is not considered validly issued.

(a) *Natural persons.* A bond may be registered in the names of individuals in their own right, but only in one of the forms authorized by this paragraph (a).

(1) *Single ownership form.* A bond may be registered in the name of one individual.

Example: Julie B. Jones, 123-45-6789.

(2) *Coownership form.* A bond may be registered in the names of two individuals in the alternative as coowners. The form of registration "A and B" is not authorized.

Examples: David R. Johnson 123-45-6789 or Anna B. Johnson. Maria S. Gonzalez 987-65-4321 or Juan C. Gonzalez.

(3) *Beneficiary form.* A bond may be registered in the name of one individual payable on death to another. "Payable on death to" may be abbreviated to "P.O.D.".

Examples: Catherine B. Jordan 123-45-6789 payable on death to Daniel A. Jordan. Henry C. Rodriguez 123-45-6789 P.O.D. Maria S. Rodriguez.

(b) *Fiduciaries (including legal guardians, trustees, and similar representatives).* (1) *General.* A bond may be registered in the name of any person or persons or any organization acting as fiduciary of a single fiduciary estate, but not where the fiduciary will hold the bond merely or principally as security for the performance of a duty, obligation, or service. A bond's registration should conform to a form authorized by this paragraph. A common trust fund established and maintained by a financial institution authorized to act as a fiduciary will be considered a single fiduciary estate within the meaning of the regulations in this part.

(2) *Legal guardians, conservators, similar representatives, certain custodians, etc.* A bond may be registered in the name and fiduciary capacity of the legally appointed or authorized representative of the estate of a minor, incompetent, aged or infirm person, absentee, et al., or of a personal or testamentary trust.

Examples: Tenth National Bank, Guardian (or Conservator, Trustee, etc.) of the Estate of George N. Brown 123-45-6789, a minor (or an incompetent, aged person, infirm person, or absentee). Henry C. Smith, Conservator of the Estate of John R. White 123-45-6789, an adult, pursuant to Sec. 633.572 of the Iowa Code. Juan B. Gonzalez 123-45-6789, a minor (or an incompetent) under custodianship by designation of the Veterans Administration. Frank M. Redd 123-45-6789, an incompetent for whom Eric A. Redd has been designated trustee by the Department of the Army pursuant to 37 U.S.C. 602. Richard A. Rowe 123-45-6789, for whom Reba L. Rowe is representative payee for social security benefits (or black lung benefits, as the case may be). Henry L. Green 123-45-6789 or George M. Brown, a minor under legal guardianship of the Tenth National Bank. Henry L. Green 123-45-6789 P.O.D. George M. Brown, a minor under legal guardianship of the Tenth National Bank. Harbor State Hospital and School, selected payee for Beth R. Weber 123-45-6789, a Civil Service annuitant, pursuant to 5 U.S.C. 8345(e). John F. Green or Mary B. Doe, Trustees of the Estate of Moe Green 123-45-6789. Thomas J. White and Tenth National Bank, Trustees under the Will of Robert J. Benjamin, deceased 12-3456789. Tenth National Bank, Trustee under Agreement with Mark S. Dunston, dated 2/1/98, 12-3456789. Ruth B. Grace and Pat A. Banks, Trustees under Agreement with Susan L. Chambers, dated 7/30/97, 12-3456789. Dennis R. Adams, Trustee under Declaration of Trust, dated 5/1/98, 12-3456789.

(3) *Employee thrift, savings, vacation and similar plans.* Bonds may be registered in the name and title, or title alone, of the trustee of an eligible employee thrift, savings, vacation, 401(k) or similar plan, as defined in § 360.13. If the instrument creating the trust provides that the trustees shall serve for a limited term, their names may be omitted.

Examples: Tenth National Bank, trustee of Pension Fund of Safety Manufacturing Company, U/A with the company, dated March 31, 1996, 12-3456789.

Trustees of Retirement Fund of Safety Manufacturing Company, under directors' resolution adopted March 31, 1996, 12-3456789.

County Trust Company, trustee of the Employee Savings Plan of Jones Company, Inc., U/A dated January 17, 1996, 12-3456789.

Trustees of the Employee Savings Plan of Brown Brothers, Inc., U/A dated January 20, 1996, 12-3456789.

(c) *The United States Treasury.* A person who desires to have a bond become the property of the United States upon his or her death may designate the United States Treasury as beneficiary.

Example: George T. Jones 123-45-6789 P.O.D. the United States Treasury.

§ 360.7 Chain letters prohibited.

The issuance of bonds in the furtherance of a chain letter, pyramid, or similar scheme is against the public interest and is prohibited.

Subpart C—Limitations on Annual Purchases

§ 360.10 Amounts which may be purchased.

The amount of savings bonds of Series I which may be purchased and held, in the name of any one person in any one calendar year, is computed according to the provisions of § 360.11 and is limited as follows:

(a) General annual limitation, \$30,000 (par value).

(b) Special limitation, \$4,000 (par value) multiplied by the highest number of employees participating in an eligible employee plan, as defined in § 360.13, at any time during the calendar year in which the bonds are issued.

§ 360.11 Computation of amount.

(a) *General.* The purchases of bonds in the name of any person in an individual capacity are computed separately from purchases in a fiduciary capacity, e.g., as representative for the estate of an individual.

(b) *Bonds included in computation.* In computing the purchases for each person, the following outstanding bonds are included:

(1) All bonds registered in the name and bearing the taxpayer identifying number of that person alone;

(2) All bonds registered in the name of the representative of the estate of that person and bearing that person's taxpayer identifying number; and

(3) All bonds registered in the name of that person as coowner that also bear that person's taxpayer identifying number.

(c) *Bonds excluded from computation.* In computing the purchases for each person, the following are excluded:

(1) Bonds on which that person is named beneficiary;

(2) Bonds to which that person has become entitled—

(i) Under § 360.70 as surviving beneficiary upon the death of the registered owner;

(ii) As an heir or a legatee of the deceased owner;

(iii) By virtue of the termination of a trust or the happening of a similar event; and

(3) Bonds that are purchased and redeemed within the same calendar year.

§ 360.12 Disposition of excess.

If any person at any time has savings bonds issued during any one calendar

year in excess of the prescribed amount, instructions should be obtained from the Bureau of the Public Debt, Parkersburg, WV 26106-1328, for appropriate adjustment of the excess. Under the conditions specified in § 360.90, the Commissioner of the Public Debt may permit excess purchases to stand in any particular case or class of cases.

§ 360.13 Employee plans—Conditions of eligibility.

(a) *Definition of plan.* Employee thrift, savings, vacation, 401(k), and similar plans are contributory plans established by the employer for the exclusive and irrevocable benefit of its employees or their beneficiaries. Each plan must afford employees the means of making regular savings from their wages through payroll deductions and provide for employer contributions to be added to these savings.

(b) *Definition of terms used in this section.* (1) The term *assets* means all the employees' contributions and assets purchased with them and the employer's contributions and assets purchased with them, as well as accretions, such as dividends on stock, the increment in value on bonds and all other income; but, notwithstanding any other provision of this section, the right to demand and receive all assets credited to the account of an employee shall not be construed to require the distribution of assets in kind when it would not be possible or practicable to make such a distribution; for example, Series I bonds may not be reissued in unauthorized denominations.

(2) The word *beneficiary* means:

(i) The person or persons, if any, designated by the employee in accordance with the terms of the plan to receive the benefits of the plan upon the employee's death; or

(ii) The estate of the employee.

(c) *Conditions of eligibility.* An employee plan must conform to the following rules in order to be eligible for the special limitation provided in § 360.10.

(1) *Crediting of assets.* All assets of a plan must be credited to the individual accounts of participating employees and may be distributed only to them or their beneficiaries, except as provided in paragraph (c)(3) of this section.

(2) *Purchase of bonds.* Bonds may be purchased only with assets credited to the accounts of participating employees and only if the amount taken from any account at any time for that purpose is equal to the purchase price of a \$50 bond or bonds in an authorized denomination or denominations, and shares in the bonds are credited to the

accounts of the individuals from which the purchase price was derived, in amounts corresponding with their shares. For example, if \$100 credited to the account of John Jones is commingled with funds credited to the accounts of other employees to make a total of \$5,000 with which a Series I bond in the denomination of \$5,000 (face amount) is purchased in December 1998 and registered in the name and title of the trustee, the plan must provide, in effect, that John Jones' account be credited to show that he is the owner of a Series I bond in the denomination of \$100 (face amount) bearing an issue date of December 1, 1998.

(3) *Irrevocable right of withdrawal.* Each participating employee has an irrevocable right to request and receive from the trustee all assets credited to the employee's account (or their value, if the employee prefers) without regard to any conditions other than the loss or suspension of the privilege of participating further in the plan. A plan may limit or modify such right in any manner required for qualification of the plan under section 401 of the Internal Revenue Code of 1986, as amended (26 U.S.C. 401).

(4) *Rights of beneficiary.* Upon the death of an employee, his or her beneficiary shall have the absolute and unconditional right to demand and receive from the trustee all assets credited to the account of the employee or their value, if he or she so prefers.

(5) *Reissue or payment upon distribution.* (i) When settlement is made with an employee or his or her beneficiary with respect to any bond registered in the name and title of the plan trustee in which the employee has a share, the bond must be paid or reissued to the extent of the share.

(ii) If an employee or the beneficiary is to receive distribution in kind, bonds bearing the same issue dates as those credited to the employee's account will be reissued in the name of the employee or the employee's beneficiary to the extent entitled, in authorized denominations, in any authorized form of registration, upon the request and certification of the trustee.

(d) *Application for special limitation.* A trustee of an employee plan who desires to purchase bonds under the special limitation should submit to the designated Federal Reserve Bank or Branch a copy of:

- (1) The plan;
- (2) Any instructions issued under the plan that concern Series I bonds; and
- (3) The trust agreement, in order to establish the plan's eligibility.

(e) *Vacation plans.* Savings bonds may be purchased under certain

vacation plans. Questions concerning the eligibility of these plans to purchase bonds in excess of the general limitation should be addressed to the Bureau of the Public Debt, Parkersburg, WV 26106-1328.

Subpart D—Limitations on Transfer or Pledge

§ 360.15 Transfer.

Savings bonds are not transferable and are payable only to the owners named on the bonds, except as specifically provided in these regulations and then only in the manner and to the extent so provided.

§ 360.16 Pledge.

A savings bond may not be hypothecated, pledged, or used as security for the performance of an obligation.

Subpart E—Judicial Proceedings

§ 360.20 General.

(a) The Department of the Treasury will not recognize a judicial determination that gives effect to an attempted voluntary inter vivos transfer of a bond, or a judicial determination that impairs the rights of survivorship conferred by the regulations in this part upon a coowner or beneficiary. All provisions of this subpart are subject to these restrictions, except as provided in § 360.24.

(b) The Department of the Treasury will recognize a claim against an owner of a savings bond and conflicting claims of ownership of, or interest in, a bond between coowners or between the registered owner and the beneficiary, if established by valid judicial proceedings, but only as specifically provided in this subpart. Section 360.23 specifies the evidence required to establish the validity of the judicial proceedings.

(c) The Department of the Treasury and the agencies that issue, reissue, or redeem savings bonds will not accept a notice of an adverse claim or notice of pending judicial proceedings, nor undertake to protect the interests of a litigant not in possession of a savings bond.

§ 360.21 Payment to judgment creditors.

(a) *Purchaser or officer under levy.* The Department of the Treasury will pay (but not reissue) a savings bond to the purchaser at a sale under a levy or to the officer authorized under appropriate process to levy upon property of the registered owner or coowner to satisfy a money judgment. Payment will be made only to the extent necessary to satisfy the money

judgment. The amount paid is limited to the redemption value 60 days after the termination of the judicial proceedings. Except in the case of a levy by the Internal Revenue Service, payment of a bond registered in coownership form pursuant to a judgment or a levy against only one coowner is limited to the extent of that coowner's interest in the bond. That interest must be established by an agreement between the coowners or by a judgment, decree, or order of a court in a proceeding to which both coowners are parties. Payment of a bond registered in coownership form pursuant to a levy by the Internal Revenue Service will be made if the levy is against either coowner on the bond.

(b) *Trustee in bankruptcy, receiver, or similar court officer.* The Department of the Treasury will pay, at current redemption value, a savings bond to a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer under the provisions of paragraph (a) of this section.

§ 360.22 Payment or reissue pursuant to divorce.

(a) *Divorce.* (1) The Department of the Treasury will recognize a divorce decree that ratifies or confirms a property settlement agreement disposing of bonds or that otherwise settles the interests of the parties in a bond.

Reissue of a savings bond may be made to eliminate the name of one spouse as owner, coowner, or beneficiary or to substitute the name of one spouse for that of the other spouse as owner, coowner, or beneficiary pursuant to the decree. However, if the bond is registered in the name of one spouse with another person as coowner, there must be submitted either:

(i) A request for reissue by the other person; or

(ii) a certified copy of a judgment, decree, or court order entered in proceedings to which the other person and the spouse named on the bond are parties, determining the extent of the interest of that spouse in the bond. Reissue will be permitted only to the extent of that spouse's interest.

(2) The evidence required under § 360.23 must be submitted in every case. When the divorce decree does not set out the terms of the property settlement agreement, a certified copy of the agreement must be submitted. Payment, rather than reissue, will be made if requested.

(b) *Date for determining rights.* When payment or reissue under this section is to be made, the rights of the parties will be those existing under the regulations

current at the time of the entry of the final judgment, decree, or court order.

§ 360.23 Evidence.

(a) *General.* To establish the validity of judicial proceedings, certified copies of the final judgment, decree, or court order, and of any necessary supplementary proceedings, must be submitted. If the judgment, decree, or court order was rendered more than six months prior to the presentation of the bond, there must also be submitted a certification from the clerk of the court, under court seal, dated within six months of the presentation of the bond, showing that the judgment, decree, or court order is in full force.

(b) *Trustee in bankruptcy or receiver of an insolvent's estate.* A request for payment by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by appropriate evidence of appointment and qualification. The evidence must be certified by the clerk of the court, under court seal, as being in full force on a date that is not more than six months prior to the presentation of the bond.

(c) *Receiver in equity or similar court officer.* A request for payment by a receiver in equity or a similar court officer, other than a receiver of an insolvent's estate, must be supported by a copy of an order that authorizes the presentation of the bond for redemption, certified by the clerk of the court, under court seal, as being in full force on a date that is not more than six months prior to the presentation of the bond.

§ 360.24 Payment pursuant to judicial or administrative forfeiture.

(a) *Definitions.* As used in this part:

(1) *Contact point* means the individual designated to receive referrals from the Bureau of the Public Debt, as provided for in this section, by the Federal investigative agency, United States Attorney's Office, or forfeiting agency specified in Public Debt Form 1522.

(2) *Forfeiting agency* means the federal law enforcement agency responsible for the forfeiture.

(3) *Forfeiture.* (i) *Administrative forfeiture* means the process by which property may be forfeited by a federal agency rather than through judicial proceedings.

(ii) *Judicial forfeiture* means either a civil or a criminal proceeding in a United States District Court that may result in a final judgment and order of forfeiture.

(4) *Public Debt Form 1522* means the written notification of the forfeiture provided by the forfeiting agency to the Bureau of the Public Debt on a Public

Debt Form 1522 SPECIAL FORM OF REQUEST FOR PAYMENT OF UNITED STATES SAVINGS AND RETIREMENT SECURITIES WHERE USE OF A DETACHED REQUEST IS AUTHORIZED. Public Debt Form 1522 must specify: the contact point; the issue date of each bond; the serial number for each bond; the date of forfeiture; the forfeiture fund to which payment is to be made; and be signed by an individual authorized by the forfeiting agency. The forfeited bonds and the completed Public Debt Form 1522 are to be mailed to the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV 26106-1328.

(b) *Forfeiture of bond.* (1) Upon receipt and review of the Public Debt Form 1522, as described in paragraph (a)(4) of this section, the Bureau of the Public Debt will make payment to the forfeiture fund specified on the form.

(2) The Bureau of the Public Debt will record the forfeiture, the forfeiture fund into which the proceeds were paid, the contact point, and any related information.

(3) The Bureau of the Public Debt will rely exclusively upon the information provided by the Federal agency in the Public Debt Form 1522 and will not make any independent evaluation of the validity of the forfeiture order, the request for payment, or the authority of the individual signing the request for payment.

(4) The amount paid is limited to the redemption value of the savings bonds as of the date of forfeiture specified in the Public Debt Form 1522.

(c) *Inquiry from previous owner.* (1) Upon payment made pursuant to paragraph (b) of this section, all inquiries from the previous owner, including requests for payment, reissue, or applications for relief, related to forfeited savings bonds, will be referred by the Bureau of the Public Debt to the contact point named in the Public Debt Form 1522.

(2) The Bureau of the Public Debt will notify the submitter of the inquiry of the referral to the contact point.

(3) The Bureau of the Public Debt will not investigate the inquiry and will defer to the forfeiting agency's determination of the appropriate course of action, including settlement where appropriate. Any settlement will be paid from the forfeiture fund into which the proceeds were deposited.

Subpart F—Relief for Loss, Theft, Destruction, Mutilation, Defacement, or Nonreceipt of Bonds

§ 360.25 General.

Relief, by the issue of a substitute bond or by payment, is authorized for the loss, theft, destruction, mutilation, or defacement of a bond after receipt by the owner or his or her representative. As a condition for granting relief, the Commissioner of the Public Debt, as designee of the Secretary of the Treasury, may require a bond of indemnity, in the form, and with the surety, or security, he or she considers necessary to protect the interests of the United States. In all cases, the claimant or claimants must identify the lost, stolen, destroyed, mutilated, or defaced savings bond or savings bonds by serial number or serial numbers and must submit satisfactory evidence of the loss, theft, or destruction, or a satisfactory explanation of the mutilation or defacement.

§ 360.26 Application for relief; after receipt of bond.

(a) If the serial numbers of the lost, stolen, or destroyed bonds are known, the claimant should execute an application for relief on the appropriate form and submit it to the Bureau of the Public Debt, Parkersburg, WV 26106-1328.

(b) If the bond serial numbers are not known, the claimant must provide sufficient information to enable the Bureau of the Public Debt to identify the bond by serial number. See § 360.29(c). The Bureau will furnish the proper application form and instructions.

(c) A defaced bond and all available fragments of a mutilated bond should be submitted to a Federal Reserve Office listed in § 360.1(b)(2) or the Bureau of the Public Debt.

(d) The application must be made by the person or persons (including both coowners, if living) authorized under the regulations in this part to request payment of the bond. In addition:

(1) If the bond is in beneficiary form and the owner and beneficiary are both living, the application must be made by the owner, and the beneficiary may also be required to join in the application to protect the interests of the United States.

(2) If a minor named on a bond as owner, coowner, or beneficiary is not of sufficient competency and understanding to request payment, the parents or other person authorized to request payment under § 360.63 will ordinarily be required to join in the application.

(e) If the application is approved, relief will be granted either by the issuance of a bond bearing the same issue date as the bond for which the claim was filed or by the issuance of a remittance in payment.

§ 360.27 Application for relief; nonreceipt of bond.

If a bond issued on any transaction is not received, the issuing agent must be notified as promptly as possible and given all information available about the nonreceipt. An appropriate form and instructions will be provided. If the application is approved, relief will be granted by the issuance of a bond bearing the same issue date as the bond that was not received. Also, relief is authorized for the issuance of bonds for which the Secretary has not received payment, in order to preserve public confidence in dealing with issuing agents.

§ 360.28 Recovery or receipt of bond before or after relief is granted.

(a) If a bond reported lost, stolen, destroyed, or not received, is recovered or received before relief is granted, the Bureau of the Public Debt, Parkersburg, WV 26106-1328, must be notified promptly.

(b) A bond for which relief has been granted is the property of the United States and, if recovered, must be promptly submitted to the Bureau of the Public Debt, Parkersburg, 26106-1328, for cancellation.

§ 360.29 Adjudication of claims.

(a) *General.* The Bureau of the Public Debt will adjudicate claims for lost, stolen or destroyed bonds on the basis of records created and regularly maintained in the ordinary course of business.

(b) *Claims filed 10 years after payment.* Any claim filed 10 years or more after the recorded date of redemption or other retirement will be barred.

(c) *Claims filed 10 years after maturity.* Any claim filed 10 years or more after the maturity of a savings bond will be barred.

Subpart G—General Provisions for Payment

§ 360.35 Payment (redemption).

(a) *General.* Payment of a Series I savings bond will be made to the person or persons entitled under the provisions of the regulations in this part, except that the redemption payment will not be delivered to addresses in areas with respect to which the Department of the Treasury restricts or regulates the delivery of remittances, including

checks and electronic payments, drawn against funds of the United States. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211). Payment will be made without regard to any notice of adverse claims to a bond and no stoppage or caveat against payment of a bond will be entered.

(b) *Mandatory initial holding period.* A Series I bond will be paid at any time after six months from issue date at the current redemption value determined in the manner described in Department of the Treasury Circular, Public Debt Series No. 1-98 (31 CFR part 359).

§ 360.36 Payment during life of sole owner.

A savings bond registered in single ownership form (i.e., without a coowner or beneficiary) will be paid to the owner during his or her lifetime upon surrender with an appropriate request.

§ 360.37 Payment during lives of both coowners.

A savings bond registered in coownership form will be paid to either coowner upon surrender with an appropriate request, and upon payment (as determined in § 360.43), the other coowner will cease to have any interest in the bond. If both coowners request payment, the payment will be made in the form, "John A. Jones AND Mary C. Jones".

§ 360.38 Payment during lifetime of owner of beneficiary bond.

A savings bond registered in beneficiary form will be paid to the registered owner during his or her lifetime upon surrender with an appropriate request. Upon payment (as determined in § 360.43) the beneficiary will cease to have any interest in the bond.

§ 360.39 Surrender for payment.

(a) *Procedure for definitive bonds of Series I presented at authorized paying agents.* The owner, coowner, or other person entitled to payment of a definitive Series I bond may present the bond to an authorized paying agent for redemption. The presenter must establish his or her identity and entitlement to payment in accordance with Treasury instructions and identification guidelines. The presenter must sign the request for payment on the bond or, if authorized, on a separate detached request, and add his or her address. If the request for payment has been signed, or signed and certified, before presentation of the bond, the paying agent must be satisfied that the person presenting the bond for payment is the owner, coowner, or other person entitled to payment, and may require

the person to sign the request for payment again. If the bond is in order for payment, the paying agent will make payment at the current redemption value without charge to the presenter. Paying agents are not authorized to process any case involving partial redemption.

(b) *Procedure for all other cases.* In the case of definitive bonds to which the procedure in paragraph (a) of this section, does not apply, or if otherwise preferred, the owner or coowner, or other person entitled to payment should establish his or her identity to the satisfaction of an officer authorized by the regulations in this part to certify requests for payment, sign the requests for payment, and provide delivery information for the payment. The bonds must be forwarded to a designated Federal Reserve Bank or Branch or the Bureau of the Public Debt. Usually, payment will be expedited by submission to a designated Federal Reserve Bank or Branch. In all cases, the cost and risk of presentation of a bond will be borne by the owner. Payment will be made to the registered owner or other person entitled and will be delivered according to the instructions of the owner or the other person entitled and the regulations in this part.

(c) *Date of request.* Requests executed more than six months before the date of receipt of a bond for payment will not be accepted. Neither will a bond be accepted if payment is requested as of a date more than three months in the future.

§ 360.40 Special provisions for payment.

(a) *Owner's signature not required.* A bond may be paid by a paying agent or a designated Federal Reserve Bank or Branch without the owner's signature to the request for payment if the bond bears the special endorsement of a paying agent specifically qualified to place such an endorsement on savings bonds.

(b) *Signature by mark.* A signature by mark (X) must be witnessed by at least one disinterested person and a certifying officer. See subpart I of this part. The witness must attest to the signature by mark substantially as follows: "Witness to signature by mark", followed by his or her signature and address.

(c) *Name change.* If the name of the owner, coowner, or other person entitled to payment, as it appears in the registration or in any related evidence or documents has been changed in any legal manner, the signature to the request for payment must show both names and the manner in which the change was made; for example, "Mary

T. Jones Smith (Mary T. J. Smith or Mary T. Smith) changed by marriage from Mary T. Jones", or "John R. Young, changed by order of court from Hans R. Jung". See § 360.50.

(d) *Attorneys-in-fact.* A request for payment executed by an attorney-in-fact on behalf of the bond owner or other person entitled to payment of the bond will be recognized if it is accompanied by a copy of the power of attorney which meets the following requirements:

(1) The power of attorney must bear the grantor's signature, properly certified or notarized, in accordance with applicable State law;

(2) The power of attorney must grant, by its terms, authority for the attorney-in-fact to sell or redeem the grantor's securities, sell his or her personal property, or otherwise contain similar authority; and

(3) In the case of a grantor who has become incapacitated, the power of attorney must conform with pertinent provisions of State law concerning its durability. Generally, in such circumstances, the power of attorney should provide that the authority granted will not be affected by the subsequent incompetence or incapacity of the grantor. Medical evidence or other proof of the grantor's condition may be required in any case.

§ 360.41 Partial redemption.

A bond may be redeemed in part at current redemption value, but only in amounts corresponding to authorized denominations, upon surrender of the bond to a designated Federal Reserve Bank or Branch or to the Bureau of the Public Debt in accordance with § 360.39(b). In any case in which partial redemption is requested, the phrase "to the extent of \$ _____ (face amount) and reissue of the remainder" should be added to the request. Upon partial redemption of the bond, the remainder will be reissued as of the original issue date, as provided in subpart H of this part.

§ 360.42 Nonreceipt or loss of remittance issued in payment.

If a remittance in payment of the redemption value of a bond surrendered for redemption is not received within a reasonable time or is lost after receipt, notice should be given to the same agency to which the bond was surrendered for payment. The notice should give the date the bond was surrendered for payment and describe the bond by series, denomination, serial number, and registration, including the taxpayer identifying number of the owner.

§ 360.43 Effective date of request for payment.

The Department of the Treasury will treat the receipt of a bond with an appropriate request for payment by:

(a) A Federal Reserve Bank or Branch;

(b) The Bureau of the Public Debt; or

(c) A paying agent authorized to pay that bond, as the date upon which the rights of the parties are fixed for the purpose of payment.

§ 360.44 Withdrawal of request for payment.

(a) *Withdrawal by owner or coowner.*

An owner or coowner, who has surrendered a bond to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt or to an authorized paying agent with an appropriate request for payment, may withdraw the request if notice of intent to withdraw is received by the same agency prior to payment.

(b) *Withdrawal on behalf of deceased owner or incompetent.* A request for payment may be withdrawn under the same conditions as in paragraph (a) of this section by the executor or administrator of the estate of a deceased owner or by the person or persons who could have been entitled to the bond under Subpart K of this part, or by the legal representative of the estate of a person under legal disability, unless surrender of the bond for payment has eliminated the interest of a surviving coowner or beneficiary. See § 360.70(b) and (c).

Subpart H—Reissue and Denominational Exchange

§ 360.45 General

Reissue of a bond may be made only under the conditions specified in these regulations, and only at: A designated Federal Reserve Bank or Branch, or the Bureau of the Public Debt. Reissue will not be made if the request is received less than one full calendar month before the maturity date of a bond. See 31 CFR part 359. The request, however, will be effective to establish ownership as though the requested reissue had been made.

§ 360.46 Effective date of request for reissue.

The Department of the Treasury will treat the receipt by: A Federal Reserve Bank or Branch, or the Bureau of the Public Debt of a bond and an acceptable request for reissue as determining the date upon which the rights of the parties are fixed for the purpose of reissue. For example, if the owner or either coowner of a bond dies after the bond has been surrendered for reissue, the bond will be regarded as having been reissued in the decedent's lifetime.

§ 360.47 Authorized reissue; during lifetime.

A bond belonging to a living individual may be reissued in any form of registration authorized by the regulations in this part upon an appropriate request under the conditions and for the purposes outlined in this section.

(a) *Single ownership.* A bond registered in single ownership form may be reissued:

(1) To add a coowner or beneficiary;

or

(2) To name a new owner, with or without a coowner or beneficiary as requested by the new owner, but only if the previous owner and the new owner are parties to a divorce or annulment; or

(3) To name as new sole owner the personal trust estate created by the previous owner or which designates as beneficiary the previous owner.

(b) *Coownership.* During the lifetime of both coowners:

(1) A coownership bond may be reissued to name a new owner, with or without a coowner or beneficiary as requested by the new owner, but only if at least one of the coowners and the new owner are parties to a divorce or annulment, but reissue is limited to the extent of that coowner's interest in the bond (See § 360.22(a)); or

(2) To name as new sole owner the personal trust estate created by at least one of the coowners or which designates as beneficiary at least one of the coowners.

(c) *Beneficiary.* A bond registered in beneficiary form may be reissued:

(1) To substitute another individual as beneficiary; or

(2) To eliminate the beneficiary, and, if the beneficiary is eliminated, to effect any of the reissues authorized by paragraph (a) of this section.

§ 360.48 Restrictions on reissue; denominational exchange.

Reissue is not permitted solely to change denominations.

§ 360.49 Correction of errors.

A bond may be reissued to correct an error in registration upon appropriate request supported by satisfactory proof of the error.

§ 360.50 Change of name.

An owner, coowner, or beneficiary whose name is changed by marriage, divorce, annulment, order of court, or in any other legal manner after the issue of the bond should submit the bond with a request for reissue to substitute the new name for the name inscribed on the bond. Documentary evidence may be required in any appropriate case.

§ 360.51 Requests for reissue.

Subject to the conditions set out in this subpart, a request for reissue of bonds in coownership form must be signed by both coowners, except that a request solely to eliminate the name of one coowner may be signed by that coowner only. A bond registered in beneficiary form may be reissued upon the request of the owner, without the consent of the beneficiary. Public Debt forms are available for requesting reissue.

Subpart I—Certifying Officers**§ 360.55 Individuals authorized to certify.**

The following individuals are authorized to act as certifying officers for the purpose of certifying a request for payment, reissue, or a signature to a Public Debt form:

- (a) *Officers generally authorized—(1) Banks, trust companies, and member organizations of the Federal Home Loan Bank System.* (i) Any officer of a bank incorporated in the United States, the territories or possessions of the United States, or the Commonwealth of Puerto Rico.
- (ii) Any officer of a trust company incorporated in the United States, the territories or possessions of the United States, or the Commonwealth of Puerto Rico.
- (iii) Any officer of an organization that is a member of the Federal Home Loan Bank System. This includes Federal savings and loan associations.
- (iv) Any officer of a foreign branch or domestic branch of an institution indicated in paragraphs (a)(1)(i) through (iii) of this section.
- (v) Any officer of a Federal Reserve Bank, a Federal Land Bank, or a Federal Home Loan Bank.
- (vi) Any employee of an institution in paragraphs (a)(1)(i) through (v) of this section, who is expressly authorized to certify by the institution.

(2) *Credit unions.* Any officer or employee of a credit union, who is expressly authorized to certify by the institution. Certification by these officers or designated employees must be authenticated by a legible imprint of either the corporate seal of the institution or of the issuing or paying agent's stamp. The employee expressly authorized to certify by an institution must sign his or her name over the title "Designated Employee".

(3) *Issuing and paying agents.* Any officer or expressly authorized employee of an organization that is not included in paragraphs (a)(1)(i) through (v) of this section but is qualified as an issuing or paying agent for savings bonds of Series E, EE, or I. The agent's

stamp must be imprinted in the certification.

(4) *By United States officials.* Any judge, clerk, or deputy clerk of a United States court, including United States courts for the territories and possessions of the United States and the Commonwealth of Puerto Rico; any United States Commissioner, United States Attorney, or United States Collector of Customs, including their deputies; in the Internal Revenue Service, any Regional Commissioner, District Director, Service Center Director, or Internal Revenue agent.

(b) *Officers with limited authority—(1) In the Armed Forces.* Any commissioned officer or warrant officer of the Armed Forces of the United States, but only for members of the respective services, their families, and civilian employees at posts, bases, or stations. The certifying officer must indicate his or her rank and state that the individual signing the request is one of the class whose request the certifying officer is authorized to certify.

(2) *Veterans Administration, Federal penal institutions, and United States Public Health Service hospitals.* Any officer in charge of a home, hospital or other facility of the Veterans Administration, but only for the patients, or employees of the facility; any officer of a Federal penal institution or a United States Public Health Service hospital expressly authorized to certify by the Secretary of the Treasury or his designee, but only for the inmates, patients or employees of the institution involved. Officers of Veterans Administration facilities, Federal penal institutions, and Public Health Service hospitals must use the stamp or seal of the particular institution or service.

(c) *Authorized officers in foreign countries.* Any United States diplomatic or consular representative, or the officer of a foreign branch of a bank or trust company incorporated in the United States whose signature is attested by an imprint of the corporate seal or is certified to the Department of the Treasury. If none of these individuals is available, a notary public or other officer authorized to administer oaths may certify, but, if not in a country that is a party to the Hague Convention, his or her official character and jurisdiction must be certified by a United States diplomatic or consular officer under seal of his or her office.

(d) *Authorized officers in particular localities.* The Governor and the Treasurer of Puerto Rico; the Governor and the Commissioner of Finance of the Virgin Islands; the Governor and the Director of Finance of Guam; or the Governor and the Director of

Administrative Services of American Samoa.

(e) *Special provisions.* If no certifying officer is readily accessible, the Commissioner of the Public Debt, Deputy Commissioner, any Assistant Commissioner, or other designated official of the Bureau or of a Federal Reserve Bank or Branch is authorized to make special provision for any particular case.

§ 360.56 General instructions and liability.

(a) The certifying officer must:

(1) Require the person presenting a bond, or an appropriate Public Debt transaction form, to establish his or her identity in accordance with Department of the Treasury instructions and identification guidelines;

(2) Place a notation on the back of the bond or on the appropriate Public Debt transaction form, or in a separate record, showing exactly how identification was established; and

(3) Affix, as part of the certification, his or her official signature, title, seal or issuing or paying agent's stamp, address, and the date of execution.

(b) The certifying officer and, if such person is an officer or an employee of an organization, the organization will be held fully responsible for the adequacy of the identification.

(c) A signature guaranteed stamp under the Securities Transfer Agents Medallion Program (STAMP) is an acceptable official seal.

§ 360.57 When a certifying officer may not certify.

Certifying officers may not certify the requests for payment or reissue of bonds, or appropriate Public Debt transaction forms if, in their own right or in a representative capacity, they:

- (a) Have an interest in the bonds; or
- (b) Will, by virtue of the requests being certified, acquire an interest in the bonds.

§ 360.58 Forms to be certified.

When required in the instructions on a Public Debt transaction form, the form must be signed before an authorized certifying officer.

Subpart J—Minors, Incompetents, Aged Persons, Absentees, et al.**§ 360.60 Payment to representative of an estate.**

(a) The representative of an estate of an owner who is a minor, an aged person, incompetent, absentee, et al., may receive payment upon request:

- (1) If the registration shows the name and capacity of the representative;
- (2) If the registration shows the capacity but not the name of the

representative and the request is accompanied by appropriate evidence; or

(3) If the registration includes neither the name of the representative nor his or her capacity but the request is accompanied by appropriate evidence.

(b) (1) Appropriate evidence for paragraphs (a) (2) and (3) of this section includes Public Debt Forms 5385 (redemption) and 5386 (reissue) completed and signed by the representative in accordance with the proper form's instructions, which are incorporated herein, or a certified copy of the letters of appointment or, if the representative is not appointed by a court, other proof of qualification.

(2) Except in the case of corporate fiduciaries, the evidence must show that the appointment is in full force and is dated not more than one year prior to the presentation of the bond for payment. The request for payment appearing on the back of a bond must be signed by the representative as such, for example, "John S. Jones, guardian (committee) of the estate of Henry W. Smith, a minor (an incompetent)".

§ 360.61 Payment after death.

After the death of the ward, and at any time prior to the representative's discharge, the representative of the estate will be entitled to obtain payment of a bond to which the ward was solely entitled.

§ 360.62 Payment to minor.

If the owner of a savings bond is a minor and the form of registration does not indicate that there is a representative of the minor's estate, payment will be made to the minor upon his or her request, provided the minor is of sufficient competency to sign the request for payment and to understand the nature of the transaction. In general, the fact that the request for payment has been signed by a minor and certified will be accepted as sufficient proof of competency and understanding.

§ 360.63 Payment to a parent or other person on behalf of a minor.

(a) If the owner of a savings bond is a minor and the form of registration does not indicate that there is a representative of his or her estate, and if the minor is not of sufficient competency to sign the request for payment and to understand the nature of the transaction, payment will be made to either parent with whom the minor resides or to whom legal custody has been granted. If the minor does not reside with either parent, payment will be made to the person who furnishes the chief support for the minor.

(b) The request must appear on the back of the bond in one of the following forms:

(1) Request by parent:

I certify that I am the mother of John C. Jones (with whom he resides) (to whom legal custody has been granted). He is ___ years of age and is not of sufficient understanding to make this request.

Mary Jones on behalf of John C. Jones

(2) Request by other person:

I certify that John C. Jones does not reside with either parent and that I furnish his chief support. He is ___ years of age and is not of sufficient understanding to make this request.

Alice Brown, grandmother, on behalf of John C. Jones

§ 360.64 Payment or reinvestment—voluntary guardian of an incapacitated person.

(a) *Payment of bonds.* (1) When an adult owner of bonds is incapable of requesting payment as a result of incapacity and there is no other person legally qualified to do so, the relative, or other person, responsible for the owner's care and support may submit an application for recognition as voluntary guardian for the purpose of redeeming the owner's bonds, if the total redemption value of all of the owner's bonds does not exceed \$20,000. The bonds and application should be submitted to a designated Federal Reserve Bank or the Bureau of the Public Debt.

(2) The redemption value of the bonds shall be determined as of the date the bonds are received, accompanied by an appropriate request for payment. If the total redemption value exceeds \$20,000, a legal representative must be appointed, as set forth in § 360.60.

(b) *Reinvestment of bonds.* (1) If the bonds have matured and ceased earning interest, they may be redeemed and the proceeds reinvested in any other savings bonds available. The new bonds must be registered in the name of the incapacitated person, followed by words showing that he or she is under voluntary guardianship; for example, "John Jones 123-45-6789, under voluntary guardianship". A living coowner or beneficiary named on the matured bonds must be designated on the new bonds, unless such person furnishes a certified statement consenting to omission of his or her name.

(2) If an amount insufficient to purchase an additional bond of any authorized denomination of savings bond remains after the reinvestment, the voluntary guardian may furnish additional funds sufficient to purchase another savings bond of the lowest

available denomination. If additional funds are not furnished, the remaining amount will be paid to the voluntary guardian for the use and benefit of the incapacitated person.

§ 360.65 Reissue.

A bond on which a minor or other person under legal disability is named as the owner or coowner, or in which he or she has an interest, may be reissued under the following conditions, but only in accordance with subpart H of this part:

(a) A minor for whose estate no representative has been appointed may request reissue if the minor is of sufficient competency to sign his or her name to the request and to understand the nature of the transaction.

(b) Except to the extent provided in paragraph (a) of this section, reissue will be restricted to a form of registration which does not adversely affect the existing ownership or interest of a minor or other person under legal disability. Requests for reissue should be executed by the person authorized to request payment under §§ 360.60 and 360.63, or the person who may request recognition as voluntary guardian under § 360.64.

Subpart K—Deceased Owner, Coowner or Beneficiary

§ 360.70 General rules governing entitlement.

The rules in this section govern ownership or entitlement where one or both of the persons named on a bond have died without the bond having been surrendered for payment or reissue. Proof of death may be in the form of a properly completed Public Debt Form or death certificate, or other evidence as required by the Bureau of the Public Debt.

(a) *Single owner bond.* If the owner of a bond registered in single ownership form has died, the bond becomes the property of that decedent's estate, and payment or reissue will be made as provided in this subpart.

(b) *Coowner bond—(1) One coowner deceased.* If one of the coowners named on a bond has died, the surviving coowner will be recognized as the sole and absolute owner, and payment or reissue will be made as though the bond were registered in the name of the survivor alone. Any request for reissue by the surviving coowner must be supported by proof of death of the other coowner.

(2) *Both coowners deceased.* If both coowners named on a bond have died, the bond becomes the property of the estate of the coowner who died last, and

payment or reissue will be made as if the bond were registered in the name of the last deceased coowner alone. Proof of death of both coowners will be required to establish the order of death.

(3) *Simultaneous death of both coowners.* If both coowners die under conditions where it cannot be established, either by presumption of law or otherwise, which coowner died first, the bond becomes the property of the estates of both equally, and payment or reissue will be made accordingly.

(c) *Beneficiary bond*—(1) *Owner deceased.* If the owner of a bond registered in beneficiary form has died and is survived by the beneficiary, upon proof of death of the owner, the beneficiary will be recognized as the sole and absolute owner of the bond. Payment or reissue will be made as though the bond were registered in the survivor's name alone. A request for payment or reissue by the beneficiary must be supported by proof of death of the owner.

(2) *Beneficiary deceased.* If the beneficiary's death occurs before, or simultaneously with, that of the registered owner, payment or reissue will be made as though the bond were registered in the owner's name alone. Proof of death of the owner and beneficiary is required to establish the order of death.

(d) *Nonresident aliens.* If the person who becomes entitled to a bond because of the death of an owner is an alien who is a resident of an area with respect to which the Department of the Treasury restricts or regulates the delivery of remittances, including checks and electronic payments, drawn against funds of the United States or its agencies or instrumentalities, delivery of the redemption payment will not be made so long as the restriction applies. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211).

§ 360.71 Estate administered.

(a) *During administration.* The court-appointed or otherwise legally qualified representative of an estate may request payment of bonds, including any bond redemption proceeds, that are the property of the estate or may have the bonds reissued in the names of persons entitled to share in the estate. The representative should use the procedure and Public Debt Form referred to in § 360.72 to request payment or reissue. The representative's request may instead be supported by evidence of authority in the form of a court certificate or a certified copy of the representative's letters of appointment which must be dated within six months

of the date of presentation of the bond, unless the evidence shows that the appointment was made within one year prior to presentation of the bond.

(b) *After administration.* If the decedent's estate has been settled through judicial proceedings, bonds, including any bond redemption proceeds, that are the estate's property, will be paid, or the bonds will be reissued, upon the request of persons entitled. Persons entitled should use the procedure and the Public Debt Form referred to in § 360.72 to request payment or reissue. A request by persons entitled may be supported by a certified copy of the court-approved final account for the estate, the court's decree of distribution, or other pertinent court records.

§ 360.72 Procedures for the payment or reissue of bonds that are property belonging to a decedent's estate.

(a) If bonds are the property of the estate of a decedent in accordance with § 360.70, the bonds and any redemption proceeds shall be paid, or the bonds shall be reissued, in accordance with the rules in this part, pursuant to an appropriate request.

(b) Bonds shall be reissued or proceeds distributed in the following order of precedence:

(1) To the court-appointed or otherwise legally qualified representative of the last deceased bond registrant's estate;

(2) To the persons entitled after the estate of the last deceased bond registrant has been settled, and the court has discharged the representative;

(3) To the persons entitled to share in the estate of the last deceased bond registrant's estate in accordance with State law relating to summary settlement of decedents' estates or settlement of small estates of decedents when no representative has been appointed by the court and none is to be appointed;

(4) To the surviving spouse if no representative has been appointed by the court, none is to be appointed, and there is no surviving child or descendant of a deceased child of the decedent;

(5) To the surviving spouse to the extent of one-half and the child or children of the decedent, and the descendants of deceased children by representation, to the extent of one-half if there are both a surviving spouse and a child, children, or descendants of deceased children, no representative has been appointed by the court, and none is to be appointed, or by the agreement of all the persons entitled in this class;

(6) To the child or children of the decedent, and the descendants of deceased children by representation, if there is no surviving spouse, no representative has been appointed by the court, and none is to be appointed;

(7) To the parents if none of the above;

(8) To the brothers and sisters and descendants of deceased brothers and sisters by representation if none of the above;

(9) To other next-of-kin as determined by the laws of the domicile at the time of death if none of the above;

(10) To persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last deceased registrant where such spouse predeceased that registrant, if none of the above;

(11) To the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent and to the proportion the person has not been reimbursed, and reissue will not be permitted, if none of the above;

(12) Escheat.

(c) Payments made pursuant to this section shall be made as set out in paragraph (b) of this section either to a person individually, or individually and for the account of other persons entitled of the same class. A person receiving payment of bond proceeds individually and for the account of other persons shall agree, and be obligated, to make fair and proper distribution of such proceeds to such other persons. The provisions of this section are for the convenience of the Department of the Treasury and do not purport to determine ownership of the bonds or of their proceeds. The Department of the Treasury, Bureau of the Public Debt, Federal Reserve Banks, and any authorized paying agents may rely on the information provided by the person who requests payment or reissue, and shall not be liable for any action taken as set out in this section, in accordance with the information so furnished.

Subpart L—Fiduciaries

§ 360.75 Payment or reissue during the existence of the fiduciary estate.

(a) *Request from the fiduciaries named in the registration.* A request for reissue or payment signed by at least one, but less than all, of the fiduciaries named in the registration shall be deemed sufficient and acceptable proof that less than all of the fiduciaries may properly execute the request. If the fiduciaries named in the registration are still acting, no further evidence will be required. In other cases, *i.e.*, cases in which the fiduciary is not designated by

name and title in the bond registration or a fiduciary designated in the bond registration is no longer acting, the request must be made in accordance with Subparts J and K of this part.

(b) *Corporate fiduciaries.* If a bond is registered in the name of a public or private corporation, such as a financial institution, or a governmental body as fiduciary, the request must be signed by an authorized officer in the name of the organization as fiduciary. Ordinarily, a signed and certified request will be accepted without further evidence.

(c) *Trustee of a common trust fund.* A bond held by a financial institution as a trustee may be reissued in the name of the institution as trustee of its common trust fund to the extent that participation in the common trust fund is authorized by law or regulation. The request for reissue should be executed by the institution and any co-trustee.

(d) *Successor fiduciary.* If the fiduciary in whose name the bond is registered has been replaced by another fiduciary, a properly executed form or satisfactory evidence of successorship should be furnished.

§ 360.76 Payment or reissue after termination of the fiduciary estate.

A bond registered in the name or title of a fiduciary may be paid or reissued to the person who has become entitled by reason of the termination of an estate, other than a decedent's estate (see Subpart K of this part). Requests for reissue made by a fiduciary pursuant to the termination of a fiduciary estate should be made on the appropriate form. Requests for payment or reissue by other than the fiduciary must be accompanied by evidence to show that the person has become entitled in accordance with applicable State law or otherwise. When two or more persons have become entitled, the request for payment or reissue must be signed by each of them.

Subpart M—Miscellaneous Provisions

§ 360.90 Waiver of regulations.

The Commissioner of the Public Debt, as designee of the Secretary of the Treasury, may waive or modify any provision or provisions of the regulations in this part. He or she may do so in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

(a) If such action would not be inconsistent with law or equity;

(b) If it does not impair any material existing rights; and

(c) If he or she is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 360.91 Additional requirements; bond of indemnity.

The Commissioner of the Public Debt, as designee of the Secretary of the Treasury, may require:

(a) Such additional evidence as he or she may consider necessary or advisable; or

(b) A bond of indemnity, with or without surety, in any case in which he or she may consider such a bond necessary for the protection of the interests of the United States.

§ 360.92 Supplements, amendments, or revisions.

The Secretary of the Treasury may at any time, or from time to time, prescribe additional, supplemental, amendatory, or revised rules and regulations governing United States Savings Bonds.

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