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SUBCHAPTER A—FINANCIAL MANAGEMENT SERVICE

PART 202—DEPOSITARIES AND FINANCIAL AGENTS OF THE GOVERNMENT [1]

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AUTHORITY: 12 U.S.C. 90; 12 U.S.C. 265–266; 12 U.S.C. 391; 12 U.S.C. 1452(d); 12 U.S.C. 1464(k); 12 U.S.C. 1789a; 12 U.S.C. 2013; 12 U.S.C. 2122; 12 U.S.C. 3101–3102; 31 U.S.C. 3303; 31 U.S.C. 3336.

§ 202.1 Scope of regulations.

The regulations in this part govern the designation of Depositaries and Financial Agents of the Federal Government (hereinafter referred to as depositaries), and their authorization to accept deposits of public money and to perform other services as may be required of them. Public money includes, but is not limited to, revenue and funds of the United States, and any funds the deposit of which is subject to the control or regulation of the United States or any of its officers, agents, or employees. The designation and authorization of Treasury Tax and Loan depositaries for the receipt of deposits representing Federal taxes are governed by the regulations in part 203 of this chapter.

[62 FR 45520, Aug. 27, 1997]

§ 202.2 Designations.

(a) Financial institutions of the following classes are designated as Depositaries and Financial Agents of the Government if they meet the eligibility requirements stated in paragraph (b) of this section:

(1) Financial institutions insured by the Federal Deposit Insurance Corporation.

(2) Credit unions insured by the National Credit Union Administration.

(3) Banks, savings banks, savings and loan, building and loan, and homestead associations, credit unions created under the laws of any State, the deposits or accounts of which are insured by a State or agency thereof or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts of such financial institutions, United States branches of foreign banking corporations authorized by the State in which they are located to transact commercial banking business, and Federal branches of foreign banking corporations, the establishment of which has been approved by the Comptroller of the Currency.

(b) In order to be eligible for designation, a financial institution is required to possess, under its charter and the regulations issued by its chartering authority, either general or specific authority to perform the services outlined in § 202.3(b). A financial institution is required also to possess the authority to pledge collateral to secure public funds.

[44 FR 53066, Sept. 11, 1979, as amended at 46 FR 28152, May 26, 1981; 62 FR 45521, Aug. 27, 1997]

§ 202.3 Authorization.

(a) *To accept deposits covered by the appropriate Federal or State insurer.* Every depositary is authorized to accept a deposit of public money in an official account, other than an account in the name of the United States Treasury, in which the maximum balance does not exceed the ''Recognized Insurance Coverage.'' ''Recognized Insurance Coverage'' means the insurance provided by the Federal Deposit Insurance Corporation, the National Credit Union Administration, and by insurance organizations specifically qualified by the Secretary of the Treasury.

[1] The regulations, which previously appeared in this part, governing payment of checks drawn on the United States Treasury now appear in revised form in part 240 of this chapter (Department Circular 21 (Second Revision)).

(b) *To perform other services.* (1) The Secretary of the Treasury may authorize a depositary to perform other services including, but not limited to:

(i) The maintenance of official accounts in which balances will be in excess of the applicable Federal or State insurance coverage;

(ii) The maintenance of accounts in the name of the United States Treasury;

(iii) The acceptance of deposits for credit of the United States Treasury;

(iv) The furnishing of bank drafts in exchange for collections.

(2) To obtain authorization to perform services, a depositary must:

(i) File with the Secretary of the Treasury an appropriate agreement and resolution of its board of directors authorizing the agreement (both on forms prescribed by the Financial Management Service and available from Federal Reserve Banks), and

(ii) Pledge collateral security as provided for in § 202.6.

[32 FR 14215, Oct. 13, 1967, as amended at 44 FR 53066, Sept. 11, 1979; 49 FR 47001, Nov. 30, 1984; 62 FR 45521, Aug. 27, 1997]

§ 202.4 Agreement of deposit.

A depositary which accepts a deposit under this part enters into an agreement of deposit with the Treasury Department. The terms of this agreement include:

(a) All of the provisions of this part.

(b) Any instructions issued pursuant to this part by the Treasury or by Federal Reserve Banks as Fiscal Agents of the United States or by any other Government agency.

(c) The provisions prescribed in Executive Order 11246, entitled ''Equal Employment Opportunity,'' as amended by Executive Orders 11375 and 12086, and regulations issued thereunder at 41 CFR chapter 60, as amended.

(d) The requirements of section 503 of the Rehabilitation Act of 1973, as amended, and the regulations issued thereunder at 41 CFR part 60–741, requiring Federal contractors to take affirmative action to employ and advance in employment qualified individuals with disabilities.

(e) The requirements of section 503 of the Vietnam Era Veterans' Readjustment Assistance Act of 1972, as amended, 38 U.S.C. 4212, Executive Order 11701, and the regulations issued thereunder at 41 CFR parts 60–250 and 61–250, requiring Federal contractors to take affirmative action to employ and advance in employment qualified special disabled and Vietnam Era veterans.

[44 FR 53067, Sept. 11, 1979, as amended at 62 FR 45521, Aug. 27, 1997]

§ 202.5 Previously designated depositaries.

A depositary previously designated will, by the acceptance or retention of deposits, be presumed to have assented to all the terms and provisions of this part and to the retention of collateral security theretofore pledged.

[32 FR 14215, Oct. 13, 1967]

§ 202.6 Collateral security.

(a) *Requirement.* Prior to receiving deposits of public money, a depositary authorized to perform services under § 202.3(b) must pledge collateral security in the amount required by the Secretary of the Treasury.

(b) *Acceptable security.* Types and valuations of acceptable collateral security will be specified by the Secretary of the Treasury in Treasury procedural instructions.

(c) *Deposits of securities.* Unless the Secretary of the Treasury provides otherwise, collateral security under this part must be deposited with the Federal Reserve Bank or Branch of the district in which the depositary is located (depositaries located in Puerto Rico and the Virgin Islands will be considered as being located in the New York Federal Reserve district), or with a custodian or custodians within the United States designated by the Federal Reserve Bank, under terms and conditions prescribed by the Federal Reserve Bank. Securities deposited with a Federal Reserve Bank must be accompanied by a letter stating specifically the purpose for which the securities are being deposited.

(d) *Assignment.* A depository that pledges securities which are not negotiable without its endorsement or assignment may, in lieu of placing its unqualified endorsement on each security, furnish an appropriate resolution

and irrevocable power of attorney authorizing the Federal Reserve Bank to assign the securities. The resolution and power of attorney shall conform to such terms and conditions as the Federal Reserve Banks shall prescribe.

(e) *Disposition of principal and interest payments of the pledged securities after a depositary is declared insolvent*—(1) *General.* In the event of the depositary's insolvency or closure, or in the event of the appointment of a receiver, conservator, liquidator, or other similar officer to terminate its business, the depositary agrees that all principal and interest payments on any security pledged to protect public money due as of the date of the insolvency or closure, or thereafter becoming due, shall be held separate and apart from any other assets and shall constitute a part of the pledged security available to satisfy any claim of the United States, including those not arising out of the depositary relationship.

(2) *Payment procedures.* (i) Subject to the waiver in paragraph (e)(2)(iii) of this section, each depositary (including, with respect to such depositary, an assignee for the benefit of creditors, a trustee in bankruptcy, or a receiver in equity) shall immediately remit each payment of principal and/or interest received by it with respect to collateral pledged pursuant to this section to the Federal Reserve Bank of the district, as fiscal agent of the United States, and in any event shall so remit no later than ten days after receipt of such a payment.

(ii) Subject to the waiver in paragraph (e)(2)(iii) of this section, each obligor on a security pledged by a depositary pursuant to this section shall make each payment of principal and/or interest with respect to such security directly to the Federal Reserve Bank of the district, as fiscal agent of the United States.

(iii) The requirements of paragraphs (e)(2) (i) and (ii) of this section are hereby waived for only so long as a pledging depositary remains solvent. The foregoing waiver is terminated without further action immediately upon the involvency of a pledging depositary or, if earlier, upon notice by the Treasury of such termination. For purposes of this paragraph, a depositary is insolvent when, voluntarily or by action of competent authority, it is closed because of present or prospective inability to meet the demands of its depositors or shareholders.

[32 FR 14216, Oct. 13, 1967, as amended at 36 FR 6748, Apr. 8, 1971; 36 FR 17995, Sept. 8, 1971; 39 FR 30832, Aug. 26, 1974; 44 FR 53067, Sept. 11, 1979; 46 FR 28152, May 26, 1981; 62 FR 45521, Aug. 27, 1997]

§ 202.7 Maintenance of balances within authorizations.

(a) Federal Government agencies shall contact the Department of the Treasury, Financial Management Service, before making deposits with a financial institution insured by a State or agency thereof or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts. The contact should be directed to the Cash Management Policy and Planning Division, Federal Finance, Financial Management Service, Department of the Treasury, Washington, DC 20227.

(b) Government agencies having control or jurisdiction over public money on deposit in accounts with depositaries are responsible for the maintenance of balances in such accounts within the limits of the authorizations specified by the Secretary of the Treasury.

[44 FR 53067, Sept. 11, 1979, as amended at 49 FR 47001, Nov. 30, 1984; 62 FR 45521, Aug. 27, 1997]

PART 203—PAYMENT OF FEDERAL TAXES AND THE TREASURY TAX AND LOAN PROGRAM

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SOURCE: 63 FR 5650, Feb. 3, 1998, unless otherwise noted.

Subpart A—General Information

§ 203.1 Scope.

The regulations in this part govern the processing of Federal tax payments by financial institutions and the Federal Reserve Banks (FRB) using electronic payment or paper methods; the designation of Treasury Tax and Loan (TT&L) depositaries; and the operation of the Department of the Treasury's (Treasury) investment program.

§ 203.2 Definitions.

As used in this part:

(a) *Advice of credit* means the Treasury form used in the Federal Tax Deposit system that is supplied to depositaries to summarize and report Federal tax deposits. The current form is Treasury Form 2284. Advice of credit information also may be delivered electronically.

(b) *Automated Clearing House (ACH) credit entry* means a transaction originated by a financial institution in accordance with applicable ACH formats and applicable laws, regulations, and procedural instructions.

(c) *Automated Clearing House (ACH) debit entry* means a transaction originated by a Treasury Financial Agent (TFA), in accordance with applicable ACH formats and applicable laws, regulations, and instructions.

(d) *Business day* means any day on which the FRB of the district is open.

(e) *Direct Access transaction* means same-day Federal tax payment information transmitted by a financial institution directly to the Electronic Tax Application at an FRB using the Fedline Taxpayer Deposit Application.

(f) *Direct investment* means placement of Treasury funds with a depositary and a corresponding increase in a depositary's note balance.

(g) *Electronic Federal Tax Payment System (EFTPS)* means the system through which taxpayers remit Federal tax payments electronically.

(h) *Electronic Tax Application (ETA)* means a sub-system of EFTPS that receives, processes, and transmits same-day Federal tax payment information for taxpayers. ETA activity is comprised of Fedwire value transfers, Fedwire non-value transactions, and Direct Access transactions.

(i) *Electronic Tax Application (ETA) reference number* means the unique number assigned to each ETA transaction by an FRB.

(j) *Federal funds rate* means the Federal funds rate published weekly by the Board of Governors of the Federal Reserve System.

(k) *Federal Reserve account* means an account with reserve or clearing balances held by a financial institution at an FRB.

(l) *Federal Reserve Bank of the district* means the FRB that services the geographical area in which the financial institution is located, or such other FRB that may be designated in an FRB operating circular.

(m) *Federal Tax Deposit (FTD)* means a tax deposit or payment made using an FTD coupon.

(n) *Federal Tax Deposit coupon (FTD coupon)* means a paper form supplied to

a taxpayer by the Treasury for use in the FTD system to accompany deposits of Federal taxes. The current paper form is Form 8109.

(o) *Federal Tax Deposit system (FTD system)* means the paper-based system through which taxpayers remit Federal tax payments by presenting an FTD coupon and payment to a depositary or an FRB. The depositary prepares an advice of credit summarizing all FTDs.

(p) *Federal taxes* means those Federal taxes or other payments specified by the Secretary of the Treasury as eligible for payment through the procedures prescribed in this part.

(q) *Fedwire* means the funds transfer system owned and operated by the FRBs.

(r) *Fedwire non-value transaction* means the same-day Federal tax payment information transmitted by a financial institution to an FRB using a Fedwire type 1090 message to authorize a payment.

(s) *Fedwire value transfer* means a Federal tax payment made by a financial institution using a Fedwire type 1000 message.

(t) *Financial institution* means any bank, savings bank, savings and loan association, credit union, or similar institution.

(u) *Fiscal Agent* means the Federal Reserve acting as agent for the Treasury.

(v) *Input Message Accountability Data (IMAD)* means a unique number assigned to each Fedwire transaction by the financial institution sending the transaction to an FRB.

(w) *Note option* means that program available to a TT&L depositary under which Treasury invests in obligations of the depositary. The amount of such investments will be evidenced by an open-ended interest-bearing note balance maintained at the FRB of the district.

(x) *Procedural instructions* means the procedures contained in the Treasury Financial Manual, Volume IV (IV TFM), other Treasury instructions issued through the TFAs, and FRB operating circulars issued consistent with this part.

(y) *Recognized insurance coverage* means the insurance provided by the Federal Deposit Insurance Corporation, the National Credit Union Administration, and by insurance organizations specifically qualified by the Secretary.

(z) *Remittance option* means that program available to a depositary that processes FTD payments, under which the amount of deposits credited by the depositary to the TT&L account will be withdrawn by the FRB for deposit to the Treasury General Account on the day that the FRB receives the advices of credit supporting such deposits.

(aa) *Same-day payment* means the following ETA payment options:

(1) Direct Access transaction;

(2) Fedwire non-value transaction; and

(3) Fedwire value transfer.

(bb) *Secretary* means the Secretary of the Treasury, or the Secretary's delegate.

(cc) *Special direct investment* means the placement of Treasury funds with a depositary and a corresponding increase in a depositary's note balance, where the investment specifically is identified as a ''special direct investment'' and may be secured by collateral retained in the possession of the depositary pursuant to the terms of § 203.24(c)(2)(i).

(dd) *Tax due date* means the day on which a tax payment is due to Treasury, as determined by statute and Internal Revenue Service (IRS) regulations.

(ee) *Transaction trace number* means an identifying number assigned by the taxpayer's financial institution to each ACH credit transaction.

(ff) *Treasury Financial Agent (TFA)* means a financial institution designated as an agent of Treasury for processing EFTPS enrollments, receiving EFTPS tax payment information, and originating ACH debit entries on behalf of Treasury as authorized by the taxpayer.

(gg) *Treasury General Account (TGA)* means an account maintained in the name of the United States Treasury at an FRB.

(hh) *Treasury Tax and Loan (TT&L) account* means the Treasury account maintained by a depositary in which funds are credited by the depositary after receiving and collateralizing FTDs.

(ii) *Treasury Tax and Loan depositary (depositary)* means a financial institution designated as a depositary by the FRB of the district for the purpose of maintaining a TT&L account and/or note balance.

(jj) *Treasury Tax and Loan (TT&L) Program* means the program for collecting Federal taxes and investing the Government's excess operating funds.

(kk) *Treasury Tax and Loan (TT&L) rate of interest* means the Federal funds rate less twenty-five basis points (i.e., ¼ of 1 percent).

§ 203.3 Financial institution eligibility for designation as a Treasury Tax and Loan depositary.

(a) To be designated as a TT&L depositary, a financial institution shall be insured as a national banking association, state bank, savings bank, savings and loan, building and loan, homestead association, Federal home loan bank, credit union, trust company, or a U.S. branch of a foreign banking corporation, the establishment of which has been approved by the Comptroller of the Currency.

(b) A financial institution shall possess the authority to pledge collateral to secure TT&L account balances and/or a note balance.

(c) In order to be designated as a TT&L depositary for the purposes of processing tax deposits in the FTD system, a financial institution shall possess under its charter either general or specific authority permitting the maintenance of the TT&L account, the balance of which is payable on demand without previous notice of intended withdrawal. In addition, note option depositaries shall possess either general or specific authority permitting the maintenance of a note balance, which is payable on demand without previous notice of intended withdrawal.

§ 203.4 Designation of financial institutions as Treasury Tax and Loan depositaries.

(a) *Parties to the agreement.* To be designated as a TT&L depositary, a financial institution shall enter into a depositary agreement with Treasury's fiscal agent, the FRB. By entering into this agreement, the financial institution agrees to be bound by this part, and procedural instructions issued pursuant to this part.

(b)(1) *Application procedures.* An eligible financial institution seeking designation as a depositary and, thereby, the authority to maintain a TT&L account and/or a note balance shall file with the FRB, Financial Management Service Form 458, ''Financial Institution Agreement and Application for Designation as a TT&L Depositary,'' and Financial Management Service Form 459, ''Resolution Authorizing the Financial Institution Agreement and Application for Designation as a TT&L Depositary,'' certified by its board of directors. Financial Management Service Forms 458 and 459 are available upon request from the FRB of the district.

(2) Depositaries processing tax payments in the FTD system are required to elect either the remittance or the note option.

(c) *Designation.* Each financial institution satisfying the eligibility requirements and the application procedures will receive from the FRB notification of its specific designation as a TT&L depositary. A financial institution is not authorized to maintain a TT&L account or note balance until it has been designated as a TT&L depositary by the FRB.

§ 203.5 Obligations of the depositary.

A depositary shall:

(a) Administer a note balance, if not participating in the FTD System.

(b) Administer a TT&L account and, if applicable, a note balance, if participating in the FTD System.

(c) Comply with the requirements of Section 202 of Executive Order 11246, entitled ''Equal Employment Opportunity'' (3 CFR, 1964–1965 Comp. p. 339) as amended by Executive Orders 11375 and 12086 (3 CFR, 1966–1970 Comp., p. 684; 3 CFR, 1978 Comp. p. 230), and the regulations issued thereunder at 41 CFR Chapter 60.

(d) Comply with the requirements of Section 503 of the Rehabilitation Act of 1973, as amended, and the regulations issued thereunder at 41 CFR part 60–741, requiring Federal contractors to take affirmative action to employ and advance in employment qualified individuals with disabilities.

(e) Comply with the requirements of Section 503 of the Vietnam Era Veterans' Readjustment Assistance Act of 1972, as amended, 38 U.S.C. 4212, Executive Order 11701 (3 CFR 1971–1975 Comp. p. 752), and the regulations issued thereunder at 41 CFR parts 60–250 and 61–250, requiring Federal contractors to take affirmative action to employ and advance in employment qualified special disabled veterans and Vietnam-era veterans.

§ 203.6 Compensation for services.

Except as provided in the procedural instructions, Treasury will not compensate financial institutions for servicing and maintaining the TT&L account, or for processing tax payments through the EFTPS or the FTD system.

§ 203.7 Termination of agreement or change of election or option.

(a) *Termination by Treasury.* The Secretary may terminate the agreement of a depositary at any time upon notice to that effect to that depositary, effective on the date set forth in the notice.

(b) *Termination or change of election or option by the depositary.* A depositary may terminate its depositary agreement, or change its option or election, consistent with this part and the procedural instructions, by submitting notice to that effect in writing to the FRB effective at a prospective date set forth in the notice.

§ 203.8 Application of part and procedural instructions.

The terms of this part and procedural instructions issued pursuant to this part shall be binding on financial institutions that process tax payments and/or maintain a note balance under this part. By accepting or originating Federal tax payments, the financial institution agrees to be bound by this part and by procedural instructions issued pursuant to this part.

Subpart B—Electronic Federal Tax Payments

§ 203.9 Scope of the subpart.

This subpart prescribes the rules by which financial institutions shall process Federal tax payment transactions electronically. A financial institution does not need to be designated as a TT&L depositary in order to process electronic Federal tax payments. In addition, a financial institution that does process electronic Federal tax payments under this subpart does not thereby become a Federal Government depositary and shall not advertise itself as one because of that fact.

§ 203.10 Enrollment.

(a) *General.* Taxpayers shall complete an enrollment process with the TFA prior to making their first electronic Federal tax payment.

(b) *Enrollment forms.* The TFA shall provide financial institutions and taxpayers with enrollment forms upon request. The taxpayer is responsible for completing the enrollment form, obtaining the verifications required on the form, and returning the enrollment form to the TFA.

(c) *Verification.* If the taxpayer elects the ACH debit entry method of paying taxes, an authorized representative of the financial institution shall verify the accuracy of the financial institution routing number, taxpayer account number, and taxpayer account type at the request of the taxpayer.

§ 203.11 Electronic payment methods.

(a) *General.* Electronic payment methods for Federal tax payments available under this subpart include ACH debit entries, ACH credit entries, and same-day payments. Any financial institution that is capable of originating and/or receiving transactions for these payment methods, by itself or through a correspondent financial institution, may do so on behalf of a taxpayer.

(b) *Conditions to making an electronic payment.* Nothing contained in this part shall affect the authority of financial institutions to enter into contracts with their customers regarding the terms and conditions for processing payments, provided that such terms and conditions are not inconsistent with this subpart and applicable law governing the particular transaction type.

(c) *Payment of interest for time value of funds held.* Treasury will not pay interest on any payments erroneously paid

to Treasury and subsequently refunded to the financial institution.

§ 203.12 Future-day reporting and payment mechanisms.

(a) *General.* A financial institution may receive an ACH debit entry, originated by the TFA at the direction of the taxpayer; or, a financial institution may originate an ACH credit entry, at the direction of the taxpayer. Taxpayers will be credited for the actual amount received by Treasury.

(b) *ACH debit.* A financial institution receiving an ACH debit entry originated by the TFA shall, as applicable:

(1) Timely verify the account number and account type contained in an ACH prenotification entry;

(2) Timely and properly return a prenotification entry that contains an invalid account number or account type, or otherwise is erroneous or unprocessable;

(3) Timely and accurately notify the TFA of incorrect information on entries received, using a Notification of Change entry; and

(4) Timely and accurately return an entry not posted, including but not limited to, a return or a contested dishonored return for acceptable return reasons, as set forth in the procedural instructions.

(c) *ACH credit.* A financial institution originating an ACH credit entry at the direction of a taxpayer shall:

(1) At the request of the taxpayer, originate either an ACH prenotification containing the taxpayer's identification number or a zero dollar ACH entry with the appropriate addenda record. Additional format information is contained in the procedural instructions;

(2) Format the ACH credit entry in the ACH format approved by Treasury for Federal tax payments;

(3) Originate an ACH credit entry by the appropriate deadline, as specified by the FRB or Treasury, whichever is earlier, in order to meet the tax due date specified by the taxpayer; and

(4) Provide the taxpayer, upon request, a transaction trace number, or some other method to trace the tax payment.

(d) *ACH credit reversals.* Reversals may be initiated for a duplicate or erroneous file or entry. No advance approval from, or notification to, the IRS is required when originating an ACH credit reversal. Documentation of reversals shall be made available as set forth in the procedural instructions.

§ 203.13 Same-day reporting and payment mechanisms.

(a) *General.* A financial institution or its authorized correspondent may initiate same-day reporting and payment transactions on behalf of taxpayers. A same-day payment must be received by the FRB of the district by the deadline established by the Treasury in the procedural instructions. Taxpayers will be credited for the actual amount received by Treasury.

(b) *Fedwire value transfer.* To initiate a Fedwire value tax payment, the financial institution shall be a Fedwire participant and shall comply with the FRB's Fedwire format for tax payments. The taxpayer's financial institution shall provide the taxpayer, upon request, the IMAD and the ETA reference numbers for a Fedwire value transfer. The financial institution may obtain the ETA reference number for Fedwire value transfers from its FRB by supplying the related IMAD number. Fedwire value transfers settle immediately to the TGA and thus are not credited to a depositary's note balance.

(c) *Fedwire non-value transaction.* By initiating a Fedwire non-value transaction, a financial institution authorizes the FRB of the district to debit its Federal Reserve account or, for a TT&L depositary, to debit the Federal Reserve account of the depositary or its designated correspondent financial institution, for the amount of the tax payment specified in the transaction. To initiate a Fedwire non-value transaction, the financial institution shall be a Fedwire participant and shall comply with the FRB's Fedwire format for tax payments. The taxpayer's financial institution shall provide the taxpayer, upon request, the IMAD and ETA reference numbers for the Fedwire non-value transaction. The financial institution may obtain the ETA reference number for Fedwire non-value transactions from its FRB by supplying the related IMAD number.

(1) For a note option depositary using a Fedwire non-value transaction, the tax payment amount will be credited to the depositary's note balance on the day of the transaction.

(2) For a remittance option depositary using a Fedwire non-value transaction, the tax payment amount will be debited from the Federal Reserve account of the depositary or the depositary's designated correspondent and credited to the TGA on the day of the transaction.

(3) For a non-TT&L depositary financial institution using a Fedwire non-value transaction, the tax payment amount will be debited from the financial institution's Federal Reserve account and credited to the TGA on the day of the transaction.

(d) *Direct Access transaction.* By initiating a Direct Access transaction, a financial institution authorizes the FRB of the district to debit its Federal Reserve account or, for a TT&L depositary, to debit the Federal Reserve account of the depositary or its designated correspondent financial institution for the amount of the tax payment specified in the transaction. The taxpayer's financial institution shall provide the taxpayer, upon request, the ETA reference number for the Direct Access transaction.

(1) For a note option depositary using a Direct Access transaction, the tax payment amount will be credited to the depositary's note balance on the day of the transaction.

(2) For a remittance option depositary or a non-TT&L depositary financial institution using a Direct Access transaction, the tax payment amount will be debited from the Federal Reserve account of the financial institution or its designated correspondent financial institution, and credited to the TGA on the day of the transaction.

(e) *Cancellations and reversals.* In addition to cancellations due to insufficient funds in the financial institution's Federal Reserve account, the FRB may reverse a same-day transaction:

(1) If the transaction:

(i) Is originated by a financial institution after the deadline established by the Treasury in the procedural instructions;

(ii) Has an unenrolled taxpayer identification number; or

(iii) Does not meet the edit and format requirements set forth in the procedural instructions; or,

(2) At the direction of the IRS, for the following reasons:

(i) Incorrect taxpayer name;

(ii) Overpayment; or

(iii) Unidentified payment; or,

(3) At the request of the financial institution that sent the same-day transaction, if the request is made prior to the deadline established by Treasury in the procedural instructions on the day the payment was made.

(f) Other than as stated in paragraph (e) of this section, Treasury is not obligated to reverse all or any part of a payment.

§ 203.14 Electronic Federal Tax Payment System interest assessments.

(a) *Circumstances subject to interest assessments.* Treasury may assess interest on a financial institution in instances where a taxpayer that failed to meet a tax due date proves to the IRS that the delivery of tax payment instructions to the financial institution was timely and that the taxpayer satisfied the conditions imposed by the financial institution pursuant to § 203.11(b). Treasury also may assess interest where a financial institution failed to respond to an ACH prenotification entry on an ACH debit as required in § 203.12(b) or failed to originate an ACH prenotification or zero dollar entry on an ACH credit as described in § 203.12(c) which then resulted in a late payment.

(b) *Calculation of interest assessment.* Any interest assessed under this section will be at the TT&L rate. The interest will be assessed from the day the taxpayer specified that its payment should settle to the Treasury until the receipt of the payment by Treasury, subject to the following limitations: For ACH debit transactions, interest will be limited to no more than seven calendar days; for ACH credit and same-day transactions, interest will be limited to no more than 45 calendar days. The limitation of liability in this paragraph does not apply to any interest assessment in which there is an indication of fraud, the presentation of a false claim, or misrepresentation or

embezzlement on the part of the financial institution or any employee or agent of the financial institution.

(c) *Authorization to assess interest.* A financial institution that processes Federal tax payments made by electronic payment methods under this subpart is deemed to authorize the FRB to debit its Federal Reserve account or the account of its designated correspondent financial institution for any interest assessed under this section. Upon the direction of Treasury, the FRB shall debit the Federal Reserve account of the financial institution or the account of its designated correspondent financial institution for the amount of the assessed interest.

(d) *Circumstances not subject to the assessment of interest.* (1) Treasury will not assess interest on a taxpayer's financial institution if a taxpayer fails to meet a tax due date because the taxpayer has not satisfied conditions imposed by the financial institution pursuant to § 203.11(b) and the financial institution has not contributed to the delay. The burden is on the financial institution to establish, pursuant to the procedures in § 203.16, that the taxpayer has not satisfied the conditions and that the financial institution has not contributed to the delay.

(2) Treasury will not assess interest on a financial institution if the delay causing the interest assessment is due to the FRB or the TFA and the financial institution did not contribute to the delay. The burden is on the financial institution to establish, pursuant to the procedures in § 203.16, that it did not cause or contribute to the delay.

§ 203.15 Prohibited debits through the Automated Clearing House.

(a) *General.* The Treasury has instituted operational safeguards to scrutinize all entries that remove funds from the TGA. In the event funds are removed from the TGA without authority, this section sets forth the liability of financial institutions originating such entries. Accordingly, a financial institution shall not originate an ACH transaction to debit the TGA without the prior written permission of Treasury. Unauthorized entries under this section do not include reversal entries of previously initiated ACH credits authorized in § 203.12(d).

(b) *Liability.* A financial institution that originates an unauthorized ACH entry that debits the TGA shall be liable to Treasury for the amount of the transaction and shall be liable for interest charges as specified in paragraph (d) of this section.

(c) *Authorization to recover principal and assess interest charge.* By initiating unauthorized debits to the TGA through the ACH, a financial institution is deemed to authorize the FRB to debit its Federal Reserve account or the account of its designated correspondent financial institution for any principal and, if applicable, an interest charge assessed by Treasury under this section.

(d) *Interest charge calculation.* The interest charge shall be at a rate equal to the Federal funds rate plus two percent. The interest charge shall be assessed for each calendar day from the day the TGA was debited to the day the TGA is recredited with the full amount of principal due.

§ 203.16 Appeal and dispute resolution.

(a) *Contest.* A financial institution may contest any interest assessed under § 203.14, any principal or interest assessed under § 203.15, or any late fees assessed under § 203.20. The financial institution shall submit information supporting its position and the relief sought. The information must be received, in writing, by the Treasury officer or fiscal agent identified in the procedural instructions, no later than 90 calendar days after the date the FRB debits the reserve account of the financial institution under §§ 203.14, 203.15, or 203.20. The Treasury officer or fiscal agent will: uphold the assessment, or reverse the assessment, or modify the assessment, or mandate other action.

(b) *Appeal.* The financial institution may appeal the decision to Treasury as set forth in the procedural instructions. No further administrative review of the Treasury's decision is available under this Part.

(c) *Recoveries.* In the event of an over or under recovery of either interest, principal, or late fees, Treasury will instruct the FRB to credit or debit the

Federal Reserve account of the financial institution or its designated correspondent financial institution, as appropriate.

Subpart C—Federal Tax Deposits

§ 203.17 Scope of the subpart.

This subpart applies to all depositaries that accept FTD coupons and governs the acceptance and processing of those coupons.

§ 203.18 Tax deposits using Federal Tax Deposit coupons.

(a) *FTD coupons.* A depositary that accepts FTD coupons, through any of its offices that accept demand and/or savings deposits, shall:

(1) Accept from a taxpayer, cash, a postal money order drawn to the order of the depositary, or a check or draft drawn on and to the order of the depositary, covering an amount to be deposited as Federal taxes when accompanied by an FTD coupon on which the amount of the deposit has been properly entered in the space provided. A depositary may accept, at its discretion, a check drawn on another financial institution, but it does so at its option and absorbs for its own account any float and other costs involved.

(2) Issue a counter receipt when requested to do so by a taxpayer that makes an FTD deposit over the counter.

(3) Place a stamp impression on the face of each FTD coupon in the space provided. The stamp shall reflect the date on which the tax deposit was received and the name and location of the depositary. The timeliness of the tax payment will be determined by reference to the date stamped by the depositary on the FTD coupon.

(4) Credit, on the date of receipt, all FTD deposits to the TT&L account and administer that account pursuant to the provisions of this part.

(5) Forward, each day, to the IRS Center servicing the geographical area in which the depositary is located, the FTD coupons for all FTD deposits received that day. The FTD coupons shall be accompanied by an advice of credit reflecting the total amount of all FTD coupons.

(6) Establish an adequate record of all FTD deposits prior to transmittal to the IRS Center so that the depositary will be able to identify deposits in the event tax deposit coupons are lost in shipment. For tracking purposes, a record shall be made of each FTD deposit showing, at a minimum, the date of deposit, the taxpayer identification number, and the amount of the deposit. The depositary's copy of the advice of credit may be used to provide the necessary information if individual deposits are listed separately, showing date, taxpayer identification number, and amount.

(7) Deliver its advices of credit to the FRB by the cutoff hour designated by the FRB for receipt of advices.

(8) Not accept compensation from taxpayers for accepting FTDs and handling them as required by this section.

(b) *FTD deposits with Federal Reserve Banks.* An FRB shall:

(1) Accept an FTD directly from a taxpayer when such tax deposit is:

(i) Mailed or delivered by a taxpayer; and

(ii) Provided in the form of cash or a check or postal money order payable to the order of that FRB; and,

(iii) Accompanied by an FTD coupon on which the amount of the tax deposit has been properly entered in the space provided.

(2) Issue a counter receipt, when requested to do so by a taxpayer that makes an FTD over the counter; and,

(3) Place, in the space provided on the face of each FTD coupon accepted directly from a taxpayer, a stamp impression reflecting the name of the FRB and the date on which the tax deposit will be credited to the TGA. Timeliness of the Federal tax payment will be determined by this date. However, if a deposit is mailed to an FRB, it shall be subject to the ''Timely mailing treated as timely filing and paying'' clause of the Internal Revenue Code, 26 U.S.C. 7502; and,

(4) Credit the TGA with the amount of the tax payment;

(i) On the date the payment is received, if payment is made in cash; or,

(ii) On the date the proceeds of the tax payment are collected, if payment is made by postal money order or check.

§ 203.19 Note option.

(a) *Late delivery of advices of credit.* If an advice of credit does not arrive at the FRB before the designated cutoff hour for receipt of such advices, the FRB will post the funds to the note balance as of the next business day after the date on the advice of credit. This is the date on which funds will begin to earn interest for Treasury.

(b) *Transfer of funds from TT&L account to the note balance.* For a depositary selecting the note option, funds equivalent to the amount of deposits credited by a depositary to the TT&L account shall be withdrawn by the depositary and credited to the note balance on the business day following the receipt of the tax payment.

§ 203.20 Remittance option.

(a) *FTD late fee.* If an advice of credit does not arrive at the FRB before the designated cutoff hour for receipt of such advices, an FTD late fee in the form of interest at the TT&L rate will be assessed for each day's delay in receipt of such advice. Upon the direction of Treasury, the FRB shall debit the Federal Reserve account of the financial institution or the account of its designated correspondent financial institution for the amount of the late fee.

(b) *Withdrawals.* For a depositary selecting the Remittance Option, the amount of deposits credited by a depositary to the TT&L account will be withdrawn upon receipt by the FRB of the advices of credit. The FRB will charge the depositary's Federal Reserve account or the account of the depositary's designated correspondent financial institution.

Subpart D—Investment Program and Collateral Security Requirements for Treasury Tax and Loan Depositaries

§ 203.21 Scope of the subpart.

This subpart provides rules for TT&L depositaries on crediting note balances under the various payment methods; debiting note balances; and pledging collateral security.

§ 203.22 Sources of balances.

Depositaries electing to participate in the investment program can receive Treasury's investments in obligations of the depositary from the following sources:

(a) FTDs that have been credited to the TT&L account pursuant to subpart C of this part;

(b) EFTPS ACH credit and debit transactions, Fedwire non-value transactions, and Direct Access transactions pursuant to subpart B of this part; and

(c) Direct investments and special direct investments pursuant to subpart D of this part.

§ 203.23 Note balance.

(a) *Additions.* Treasury will invest funds in obligations of depositaries selecting the note option. Such obligations shall be in the form of open-ended, interest-bearing notes; and additions and reductions will be reflected on the books of the FRB of the district.

(1) *FTD system.* A depositary processing tax deposits using the FTD system and electing the note option shall debit the TT&L account and credit its note balance as stated in § 203.19(b).

(2) *EFTPS*—(i) *ACH debit and ACH credit.* A note option depositary processing EFTPS ACH debit entries and/or ACH credit entries shall credit its note balance for the value of the transactions on the date that an exchange of funds is reflected on the books of the Federal Reserve Bank of the district. Financial institutions may refer to the procedural instructions for information on how to ascertain the amount of the credit to the note balance.

(ii) *Fedwire non-value and Direct Access.* A note option depositary processing Fedwire non-value and/or Direct Access transactions pursuant to subpart B of this part shall credit its note balance and debit its customer's account for the value of the transactions on the date ETA receives and processes the transactions.

(b) *Other additions.* Other funds from Treasury may be offered from time to time to certain note option depositaries through direct investments, special direct investments, or other investment programs.

(c) *Note balance withdrawals.* The amount of the note balance shall be

payable on demand without prior notice. Calls for payment on the note will be by direction of the Secretary through the FRBs. On behalf of Treasury, the FRB shall charge the reserve account of the depositary or the depositary's designated correspondent on the day specified in the call for payment.

(d) *Interest.* A note shall bear interest at the TT&L rate. Such interest is payable by a charge to the Federal Reserve account of the depositary or its designated correspondent in the manner prescribed in the procedural instructions.

(e) *Maximum balance*—(1) *Note option depositaries.* A depositary selecting the note option shall establish a maximum balance for its note by providing notice to that effect in writing to the FRB of the district. The maximum balance is the amount of funds for which a note option depositary is willing to provide collateral in accordance with § 203.24(c)(1). The depositary shall provide the advance notice required in the procedural instructions before reducing the established maximum balance unless it is a reduction resulting from a collateral re-evaluation as determined by the depositary's FRB. That portion of any advice of credit or EFTPS tax payment, which, when posted at the FRB, would cause the note balance to exceed the maximum balance amount specified by the depositary, will be withdrawn by the FRB that day.

(2) *Direct investment depositaries.* A note option depositary that participates in direct investment shall set a maximum balance for direct investment purposes which is higher than its peak balance normally generated by the depositary's advices of credit and EFTPS tax payment inflow. The direct investment note option depositary shall provide the advance notice required in the procedural instructions before reducing the established maximum balance.

(3) *Special direct investment depositaries.* Special direct investments, while credited to the note balance, shall not be considered in setting the amount of the maximum balance or in determining the amounts to be withdrawn where a depositary's maximum balance is exceeded.

§ 203.24 Collateral security requirements.

Financial institutions that process EFTPS tax payments, but are not TT&L depositaries, have no collateral requirements under this part. Financial institutions that are note option depositaries or remittance option depositaries have collateral security requirements, as follows:

(a) *Note option*—(1) *FTD deposits and EFTPS tax payments.* A depositary shall pledge collateral security in accordance with the requirements of paragraphs (c)(1), (d), and (e) of this section in an amount that is sufficient to cover the pre-established maximum balance for the note, and, if applicable, the closing balance in the TT&L account which exceeds recognized insurance coverage. Depositaries shall pledge collateral for the full amount of the maximum balance at the time the maximum balance is established. If the depositary maintains a TT&L account, the depositary shall pledge collateral security before crediting deposits to the TT&L account.

(2) *Direct investments.* A note option depositary that participates in direct investment is not required to pledge collateral continuously in the amount of the pre-established maximum balance. However, each note option depositary participating in direct investment shall pledge, no later than the day the direct investment is placed, the additional collateral in accordance with paragraphs (c)(1), (d), and (e) of this section to cover the total note balance including those funds received through direct investment. If a direct investment depositary has a history of frequent collateral deficiencies, it shall fully collateralize its maximum balance at all times.

(3) *Special direct investments.* Before special direct investments are credited to a depositary's note balance, the note option depositary shall pledge collateral security, in accordance with the requirements of paragraphs (c)(2) and (e) of this section, to cover 100 percent of the amount of the special direct investments to be received.

(b) *Remittance option.* Prior to crediting FTD deposits to the TT&L account, a remittance option depositary shall

pledge collateral security in accordance with the requirements of paragraph (c)(1), (d), and (e) of this section in an amount which is sufficient to cover the balance in the TT&L account at the close of business each day, less recognized insurance coverage.

(c) *Deposits of securities.* (1) Collateral security required under paragraphs (a)(1), (2), and (b) of this section shall be deposited with the FRB of the district, or with a custodian or custodians within the United States designated by the FRB, under terms and conditions prescribed by the FRB.

(2)(i) Collateral security required under paragraph (a)(3) of this section shall be pledged under a written security agreement on a form provided by the FRB of the district. The collateral security pledged to satisfy the requirements of paragraph (a)(3) of this section may remain in the pledging depositary's possession and the fact that it has been pledged shall be evidenced by advices of custody to be incorporated by reference in the written security agreement. The written security agreement and all advices of custody covering collateral security pledged under that agreement shall be provided by the depositary to the FRB of the district. Collateral security pledged under the agreement shall not be substituted for or released without the advance approval of the FRB of the district, and any collateral security subject to the security agreement shall remain so subject until an approved substitution is made. No substitution or release shall be approved until an advice of custody containing the description required by the written security agreement is received by the FRB of the district.

(ii) Treasury's security interest in collateral security pledged by a depositary in accordance with paragraph (c)(2)(i) of this section to secure special direct investments is perfected without Treasury taking possession of the collateral security for a period not to exceed 21 calendar days from the day of the depositary's receipt of the special direct investment.

(d) *Acceptable securities.* Unless otherwise specified by the Secretary, collateral security pledged under this section may be transferable securities, owned by the depositary free and clear of all liens, charges, or claims, of any of the classes listed in the procedural instructions. Collateral values will be assigned by the FRB of the district.

(e) *Assignment of securities.* A TT&L depositary that pledges acceptable securities which are not negotiable without its endorsement or assignment may furnish, in lieu of placing its unqualified endorsement on each security, an appropriate resolution and irrevocable power of attorney authorizing the FRB to assign the securities. The resolution and power of attorney shall conform to such terms and conditions as the FRB shall prescribe.

(f) *Effecting payments of principal and interest on securities pledged as collateral*—(1) *General.* If the depositary fails to pay, when due, the whole or any part of the funds received by it for credit to the TT&L account, and/or if applicable, its note balance; or otherwise violates or fails to perform any of the terms of this part, or fails to pay when due amounts owed to the United States or the United States Treasury; or if the depositary is closed for business by regulatory action or by proper corporate action, or in the event that a receiver, conservator, liquidator or any other officer is appointed; then the Treasury, without notice or demand, may sell, or otherwise collect the proceeds of all or part of the collateral, including additions and substitutions; and apply the proceeds, to satisfy any claims of the United States against the depositary. All principal and interest payments on any security pledged to protect the note balance (if applicable) and/or the TT&L account (if applicable), due as of the date of the insolvency or closure, or thereafter becoming due, shall be held separate and apart from any other assets and shall constitute a part of the pledged security available to satisfy any claim of the United States.

(2) *Payment procedures.* (i) Subject to the waiver in paragraph (f)(2)(iii) of this section, each depositary (including, with respect to such depositary, an assignee for the benefit of creditors, a trustee in bankruptcy, or a receiver in equity) shall immediately remit each payment of principal and/or interest received by it with respect to collateral pledged pursuant to this section to the

FRB of the district, as fiscal agent of the United States, and in any event shall so remit no later than 10 days after receipt of such a payment.

(ii) Subject to the waiver in paragraph (f)(2)(iii) of this section, each obligor on a security pledged by a depositary pursuant to this section, upon notification that the Treasury is entitled to any payment associated with that pledged security, shall make each payment of principal and/or interest due with respect to such security directly to the FRB of the district, as fiscal agent of the United States.

(iii) The requirements of paragraphs (f)(2)(i) and (ii) of this section are hereby waived for only so long as a pledging depositary avoids both termination from the program under §203.7; and also, those circumstances identified in paragraph (f)(1) which may lead to the collection of the proceeds of collateral or the waiver is otherwise terminated by Treasury.

PART 204 [RESERVED]

PART 205—RULES AND PROCEDURES FOR FUNDS TRANSFERS

Sec.

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APPENDIX A TO SUBPART A TO PART 205—DEFINITION OF MAJOR FEDERAL ASSISTANCE PROGRAM

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Subpart C [Reserved]

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3335, 6501, 6503.

SOURCE: 57 FR 60676, Dec. 21, 1992, unless otherwise noted.

§ 205.1 Purpose.

Subparts A and B of this part implement the Cash Management Improvement Act and prescribe rules and procedures for the transfer of funds between the Federal Government and the States for Federal grant and other programs. Subpart C of this part is reserved and, if issued, may implement other authorities and govern transactions outside the scope of subparts A and B.

§ 205.2 Scope of part.

(a) Subparts A and B apply to programs listed in the Catalog of Federal Domestic Assistance, Pursuant to chapter 61 of title 31, United States Code.

(b) This part does not generally apply to direct loan programs.

(c) This part does not apply to payments made to States acting as vendors on Federal contracts, which are subject to the Prompt Payment Act of 1982, as amended, 31 U.S.C. 3901 *et seq.*, Office of Management and Budget (OMB) Circular A–125 ''Prompt Payment,'' and 48 CFR part 32.

(d) This part does not apply to the Tennessee Valley Authority (TVA) or programs administered by the TVA.

§ 205.3 Definitions.

For the purpose of this part:

Administrative cost grant means a grant exclusively for administrative expenses under a program with separate grant awards for benefit payments and administrative expenses.

Auditable means the sources of data and information for a calculation are readily available, fully documented, and verifiable, such that the calculation can be replicated and proven to comply with all pertinent standards.

Authorized State official means a person with the authority under the laws of a State to make commitments on behalf of the State for the purposes of this regulation, or that person's official designee as certified in writing.

Check means a negotiable demand draft or warrant.

Clearance pattern means a frequency distribution showing the proportion of a total amount disbursed that is debited against the payor's bank account each day after the disbursement.

Current project cost means a cost for which the liability has been recorded on or after the day on which a State last requested funds for the project.

Day means a calendar day unless otherwise specified.

Disburse means to issue a check or initiate an electronic funds transfer payment.

Discretionary grant project means a project for which a Federal agency is statutorily authorized to exercise judgment in awarding a grant and in selecting a grantee, generally through a competitive process.

Drawdown means a process whereby a State requests and receives Federal funds.

Electronic funds transfer (EFT) means, in the context of Federal payments to States, the delivery of funds through wire transfer or the Automated Clearing House.

Equivalent rate means auction average equivalent yield, also known as the auction average investment rate of 13-week Treasury bills.

Federal agency means an executive agency as defined by section 102 of title 31, United States Code, exclusive of the TVA.

Federal-State agreement means an agreement between a State and a Federal program agency specifying terms and conditions for carrying out a program or group of programs, but does not mean a Treasury-State Agreement described in § 205.9.

Fiscal year means, unless otherwise indicated, a State's budget year ending in the specified calendar year.

Issue checks means to release or distribute checks to the payees.

Major Federal assistance program is defined in appendix A to subpart A of this part.

Obligational authority means the existence of a definite commitment on the part of the Federal Government to provide appropriated funds to a State to carry out specified programs, whether the commitment is executed before or after a State pays out funds for program purposes. This term means that an obligation to a State has been executed and does not refer to the amount of budgetary resources available.

Pay out means to debit the payor's bank account.

Pay out funds for program purposes means, in the context of State payments, to debit a State account for the purpose of making a payment to:

(1) A person or entity that is not considered part of the State pursuant to the definition of ''State'' in this section, or

(2) A State entity for the procurement of goods or services for the direct benefit or use of the payor State entity or the Federal Government.

Program means the range of activities encompassed under, and classified by, a Catalog of Federal Domestic Assistance number (CFDA #).

Refund means a recovery of funds previously paid out for program purposes.

Related banking costs means standalone, non-credit services which are considered necessary and/or customary for sustaining an account in a financial institution, whether in commercial financial institutions or State Treasurer accounts. Investment service fees are not related banking costs.

Request for funds means a solicitation for funds that is completed and submitted in accordance with Federal agency guidelines.

Secretary means the Secretary of the United States Department of the Treasury. The Financial Management Service (FMS) is the Secretary's representative in all matters concerning this part, unless otherwise specified.

State means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the Virgin Islands, and an agency, instrumentality, or fiscal agent of a State so defined, but does not mean a local government or an Indian tribal government.

(1) A State agency or instrumentality is any organization of the primary government of the State financial reporting entity, as defined by Generally Accepted Accounting Principles, excluding institutions of higher education, hospitals, and nonprofit organizations.

(2) A fiscal agent of a State is an entity that pays, collects, or holds Federal funds on behalf of the State in furtherance of a Federal program, excluding private nonprofit community organizations.

Trust fund for which the Secretary is the trustee means a trust fund administered by the Secretary.

[57 FR 60676, Dec. 21, 1992, as amended at 59 FR 28262, June 1, 1994]

Subpart A—Negotiation of Intergovernmental Agreements for Financing Federal Assistance Programs—Interest Liabilities on Intergovernmental Funds Transfers

§ 205.4 Scope of subpart.

(a) *Initial programs.* From the later of July 1, 1993, or the first day of a State's 1994 fiscal year, to the end of a State's 1994 fiscal year, this subpart applies, at a minimum, to the following programs, provided they meet the threshold for major Federal assistance programs in the State:

Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA 93.992);

Chapter 1 Programs—Local Educational Agencies (CFDA 84.010);

Child Support Enforcement (CFDA 93.023);

Family Support Payments to States (CFDA 93.020);

Foster Care—Title IV–E (CFDA 93.658);

Highway Planning and Construction (CFDA 20.205);

Job Opportunities and Basic Skills Training (CFDA 93.021)

Job Training Partnership Act (CFDA 17.250);

Low-Income Home Energy Assistance (CFDA 93.028);

Medical Assistance Program (CFDA 93.778);

National School Lunch Program (CFDA 10.555);

Nutrition Assistance for Puerto Rico (CFDA 10.566).

Pell Grant Program (CFDA 84.063);

Rehabilitation Services—Basic Support (CFDA 84.126);

Social Services Block Grant (CFDA 93.667);

Special Education—State Grants (CFDA 84.027);

Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557);

State Administration Matching Grants—Food Stamp Program (CFDA 10.561);

Supplemental Security Income (CFDA 93.807);

Unemployment Insurance (CFDA 17.225);

(b) *Threshold of materiality.* From the later of July 1, 1994, or the beginning of a State's 1995 fiscal year, and thereafter, this subpart applies, at a minimum, to all programs that meet the threshold for major Federal assistance programs in a State.

(c) *Determining major Federal assistance programs.* Unless otherwise specified in a Treasury-State Agreement, major Federal assistance programs will be determined from the most recent Single Audit data available from the U.S. Bureau of the Census and, if necessary, other data from the most recent fiscal year for which funding can be documented.

(d) *Covering additional programs.* A State and the FMS may agree, in a Treasury-State Agreement, to cover additional programs under this subpart. However, the FMS has unilateral authority to require a State and a Federal agency to cover additional programs under this subpart if a State or a Federal agency fails to comply with subpart B of this part, as set forth in §§ 205.22 and 205.23.

(e) *Programs not covered by this subpart.* Programs in the Catalog of Federal Domestic Assistance that are not covered by this subpart are subject to subpart B of this part.

(f) *Grace period for colleges and universities.* Unless otherwise specified in a Treasury-State Agreement, this subpart does not apply to a State institution of higher education prior to a State's 1995 fiscal year, notwithstanding any other provision of this section.

[57 FR 60676, Dec. 21, 1992, as amended at 59 FR 51855, Oct. 13, 1994]

§ 205.5 [Reserved]

§ 205.6 Funding techniques.

(a) *Zero balance accounting.* Zero balance accounting is a method of transferring Federal funds to a State based on the actual amount of funds that are paid out by the State each day after a disbursement. Neither the Federal Government nor a State will incur an interest liability when this funding technique is properly applied.

(b) *Estimated clearance.* Estimated clearance is a method of transferring Federal funds to a State based on the estimated amount of funds that are paid out by the State each day after a disbursement. Neither the Federal Government nor a State will incur an interest liability when this funding technique is properly applied.

Example: A State mails $1 million in checks to benefit recipients under a Federally funded program. The State has developed the following clearance pattern for the program, based on when checks historically have been presented for payment:

Day	Percentage of dollars paid out
0 (checks mailed)	0
1	0
2	0
3	0
4	40
5	30
6	15
7	10
8	5

On Day 3, the State requests 40 percent of the funds disbursed, or $400,000, and the Federal agency deposits funds in the State account on Day 4 to coincide with the expected presentment of 40 percent of the total disbursement. On Day 4, the State requests 30 percent of the funds to pay for checks presented on Day 5, and so on. Furthermore, if the State draws down $400,000 to pay for checks presented on Day 4, neither the State nor the Federal Government will incur an interest liability if the amount of checks actually presented is more or less than $400,000. Over the long term, the amounts drawn down and the amounts of checks presented for payment will converge to the historical clearance pattern.

(c) *Pre-issuance funding.* Pre-issuance funding is a method of transferring Federal funds to a State prior to the day the State issues checks or initiates EFT payments. When this funding technique is applied, a State will incur an interest liability to the Federal Government from the day Federal funds are credited to a State account to the day the State pays out the funds for programs purposes.

Example: Three business days before a State issues $1 million in checks, it requests $1 million from a Federal agency, which deposits the funds in a State account the next day. The State has developed the following clearance pattern, based on when the State's checks historically have been presented for payment:

Day	Percent of dollars paid out
0 (funds deposited)	0
1	0
2 (checks issued)	0
3	0
4	0
5	40
6	30
7	15
8	10
9	5

The State will owe the Federal Government 5 days of interest on 40 percent of the funds, or $400,000, since that amount will be paid out for checks presented 5 days after Federal funds are deposited in a State account. The State will owe 6 days of interest on 30 percent of the funds, or $300,000, 7 days of interest on 15 percent of the funds, and so on.

(d) *Average clearance.* Average clearance is a method of transferring funds to a State based on the dollar-weighted average number of days required for funds to be paid out by the State after a disbursement. Neither the Federal Government nor a State will incur an interest liability when this funding technique is properly applied.

Example: A State mails $1 million in checks to contractors for a Federally funded program. The State has developed the following clearance pattern, based on when checks historically have been presented for payment, and has determined the average day of clearance, weighted by dollar amount, to be 5 days after checks are issued:

Day	Percent of dollars paid out	Factor (day x percentage)
0 (checks issued)	0	
1	0	
2	0	
3	0	
4	40	1.60
5	30	1.50
6	15	0.90
7	10	0.70
8	5	0.40
Average day of clearance	.....	5.10

The State requests $1 million on day 4 and receives that amount on day 5, which is the dollar-weighted average number of days required for checks to be presented at the State's bank, and neither the State nor the Federal Government incurs an interest liability.

(1) In determining a dollar-weighted average day of clearance, fractions of days are rounded to the nearest whole number.

(2) The standards and maintenance requirements for clearance patterns, as set forth in § 205.8, apply for average day of clearance calculations.

(e) *Reimbursable funding.* Reimbursable funding is a method of transferring Federal funds to a State after the State has paid out its own funds for program purposes. After June 30, 1994, reimbursable funding is prohibited, except where mandated by Federal law.

§ 205.7 Requesting and transferring funds.

(a) *Electronic funds transfer.* To the maximum extent practicable, a Federal agency shall use EFT for transfers of funds to a State.

(b) *Minimizing the time between transfer and payment.* A State and a Federal agency shall minimize the time elapsing between the transfer of funds from the United States Treasury and the pay out of funds for program purposes by a State, whether the transfer occurs before or after the pay out.

(c) *Procedures for funding techniques.* Unless otherwise specified in a Treasury-State Agreement, a State and a Federal agency shall adhere to the following procedures for each funding technique:

(1) *Zero balance accounting.* A State shall request funds the same day it pays out funds for program purposes, and a Federal agency shall deposit funds in a State account the same day it receives a request for funds.

(2) *Estimated clearance.* A State shall request funds 1 business day prior to the day it expects to pay out funds, in accordance with a clearance pattern, and a Federal agency shall deposit funds in a State account the next business day after receiving a request for funds.

(3) *Average clearance.* A State shall request funds 1 business day prior to the dollar-weighted average number of days required for funds to be paid out after a disbursement, and a Federal agency shall deposit funds in a State account the next business day after receiving a request for funds.

(4) *Pre-issuance funding.* A State shall request funds not more than 3 business days prior to the day on which it makes a disbursement, and a Federal agency shall deposit funds in a State account the next business day after receiving a request for funds.

(5) *Reimbursable funding.* A State shall request funds only after it has paid out its own funds for programs purposes, and a Federal agency shall deposit funds in a State account the next business day after receiving a request for funds.

(d) *Limiting the amount transferred.* Consistent with a funding technique and with funds transfer procedures in a Treasury-State Agreement, a State and a Federal agency shall limit the amount of funds transferred to a State to the minimum required to meet a State's actual, immediate cash needs.

(e) *Frequency of requests for funds.* A Federal agency shall allow a State to submit requests for funds, or bills, as often as daily. However, this requirement shall not be construed to change Federal agency guidelines defining a properly completed request for funds.

(f) *Prohibition of reimbursable funding requirements.* A Federal agency may not require a State to use reimbursable funding, unless mandated by Federal law.

§ 205.8 Clearance patterns.

(a) *Use and basis of development.* When required by a funding technique, a clearance pattern will be used to schedule the transfer of funds to a State and to support the calculation of interest. A State may:

(1) Develop a separate clearance pattern for an individual program; or

(2) Develop a composite clearance pattern for a logical group of programs that have the same disbursement method and that reasonably can be expected to have comparable clearance activity. A composite clearance pattern for a group of programs must be applied separately to each program in the group when scheduling funds transfers or calculating interest; or

(3) Develop a clearance pattern on another basis that is agreed upon by the FMS.

(b) *Standards for clearance patterns.* A State shall ensure that a clearance pattern accurately represents the flow of Federal funds and that a clearance pattern reflects seasonal or other periodic variations in clearance activity. A State shall ensure that a clearance pattern is auditable.

(c) *Maintaining clearance patterns.* (1) If a State has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity, or if a program undergoes operational changes that may affect clearance activity, the State shall:

(i) Immediately notify the FMS in writing of the program requiring a new clearance pattern, and

(ii) Develop a new clearance pattern and certify that it corresponds to a program's clearance activity.

(2) If a Federal agency has actual or constructive knowledge, at any time, that a State's clearance pattern does not correspond to a program's clearance activity, the agency shall notify the FMS in writing of the State and the program. The FMS shall immediately notify the State of the programs, and the State shall either:

(i) Develop a new clearance pattern and certify that it corresponds to a program's clearance activity, or

(ii) Re-certify the accuracy of the existing clearance pattern.

(d) *Certification for accuracy.* An authorized State official shall certify that a clearance pattern corresponds to a program's clearance activity. If a State develops a clearance pattern for a program or a group of programs, as set forth in paragraphs (a)(1) and (a)(2) of this section, an authorized State official shall re-certify the accuracy of the clearance pattern at least every 5 years. If a State develops a clearance pattern on another basis, as set forth in paragraph (a)(3) of this section, the FMS may prescribe requirements for re-certifying the accuracy of the clearance pattern.

§ 205.9 Treasury-State agreements.

(a) *Purpose.* A State may enter into a Treasury-State Agreement with the FMS to set forth terms and conditions for implementing this subpart.

(b) *Components.* A Treasury-State Agreement pursuant to this subpart must include, but will not be limited to, the following:

(1) *Programs.* Consistent with § 205.4, a Treasury-State Agreement must indicate the programs subject to this subpart.

(2) *Funding techniques.* A Treasury-State Agreement must indicate the funding techniques to be applied to the programs subject to this subpart, in accordance with the following:

(i) Zero Balance Accounting, Estimated Clearance, and Pre-Issuance Funding are techniques available for selection by a State, subject to the approval of the FMS.

(ii) A State may request approval to use the Average Clearance funding technique, but must provide the FMS with adequate justification for its use in lieu of Estimated Clearance.

(iii) Reimbursable funding is available for selection by a State, subject to the approval of the FMS, only for a program for which the State used reimbursable funding prior to the later of July 1, 1993, or the first day of a State's 1994 fiscal year. However, reimbursable funding is not available for selection by a State for the programs listed in § 205.4(a).

(iv) A State and the FMS may negotiate the use of other mutually agreed upon funds transfer procedures.

(v) A State may apply more than one funding technique or funds transfer procedure to a program with multiple cash flows.

(3) *Interest calculation method.* Consistent with § 205.13, a Treasury-State Agreement must indicate the method a State will use to calculate and document interest liabilities pursuant to this subpart.

(4) *Clearance pattern method.* Consistent with § 205.8, a Treasury-State Agreement must indicate the method and standards a State will use to develop and maintain clearance patterns pursuant to this subpart.

(5) *Direct costs.* Consistent with § 205.14, a Treasury-State Agreement must specify the types of direct costs a State expects to incur.

(6) *Reverse flow programs.* Consistent with §§ 205.8 and 205.13, with respect to programs for which the Federal Government makes payments on behalf of a State, a Treasury-State Agreement must indicate the methods a Federal agency will use to calculate and document interest liabilities and to develop and maintain clearance patterns pursuant to this subpart.

(c) *Consultation with Federal agencies.* The FMS will consult with Federal program agencies as necessary and appropriate when negotiating a Treasury-State Agreement.

(d) *Amendment.* A Treasury-State Agreement may be amended by the mutual written consent of the State and the FMS.

(e) *Five-year expiration.* A Treasury-State Agreement expires if it is not amended for 5 years.

(f) *Default provisions for a State without a Treasury-State Agreement.* With respect to a State that does not have a Treasury-State Agreement in effect after the later of June 30, 1993, or the last day of the State's 1993 fiscal year, the following apply:

(1) The FMS shall prescribe funds transfer procedures to be used by the State and the Federal agency in implementing this subpart, consistent with Federal and State law.

(2) The FMS shall prescribe the method for calculating interest liabilities pursuant to this subpart.

§ 205.10 Funding of indirect costs and administrative cost grants.

(a) A State and the FMS may agree, in a Treasury-State Agreement, to the following funding conventions for indirect costs and administrative cost grants:

(1) The State will draw down a prorated amount of an administrative cost grant on the date of the State payday. For example, the State would draw one-third of a quarterly administrative cost grant if payroll is monthly, or one-sixth of a quarterly administrative cost grant if payroll is semi-monthly.

(2) If an indirect cost rate is applied to a program, the State will include a proportionate share of the indirect cost allowance in each drawdown by applying the indirect cost rate to the appropriate direct costs of each drawdown.

(3) If costs must be allocated to various programs pursuant to a labor distribution or other system under an approved cost allocation plan, the State will draw down funds to meet cash outlay requirements based on the most recent, certified cost allocations, with subsequent adjustments pursuant to the actual allocation of costs.

(b) A State and the FMS may agree, in a Treasury-State Agreement, that no interest liabilities will be incurred or calculated for indirect costs and administrative cost grants, notwithstanding any other provision of this subpart.

§ 205.11 Federal interest liabilities.

(a) *General.* The Federal Government will incur an interest liability to a State if the State pays out its own funds for program purposes with valid obligational authority under Federal law, Federal regulation, or Federal-State agreement. A Federal interest liability will accrue from the day a State pays out its own funds for program purposes to the day Federal funds are credited to a State account.

(b) *Late appropriations.* If a State pays out its own funds for program purposes due to delay in passage of a Federal appropriations act, the Federal Government will incur an interest liability if an appropriations act, as enacted, covers the period of the State's expenditure and permits payment for expenses already incurred by the State.

(c) *Lack of obligational authority other than occurring through late appropriations.* If a State pays out its own funds for program purposes without obligational authority, the Federal Government will incur an interest liability if the lack of obligational authority is not the result of limitation, reduction, or termination of the program and where obligational authority is subsequently established to permit payment for the State's expenditure.

(d) *Federal Highway Trust Fund.* The following applies to programs and projects funded out of the Federal Highway Trust Fund, notwithstanding any other provision of this section:

(1) If a State does not request funds at least weekly for current project costs, a Federal interest liability will not accrue prior to the day a State submits a request for funds.

(2) If a State pays out its own funds in the absence of a project agreement or in excess of the Federal obligation in a project agreement, the Federal Government will not incur an interest liability.

(e) *Discretionary grant project approval.* If a State pays out its own funds prior to the earlier of:

(1) The day a Federal agency officially notifies the State in writing that a discretionary grant project has been approved, or

(2) The date that a Federal agency is otherwise obligated in law to pay the discretionary grant project to the State, the Federal Government will not incur an interest liability, notwithstanding any other provision of this section.

(f) *Authorizations and appropriations for future years.* If a State pays out its own funds prior to the availability of Federal funds that have been authorized or appropriated for a future Federal fiscal year, the Federal Government will not incur an interest liability, notwithstanding any other provision of this section.

(g) *Reverse flow programs.* With respect to programs for which the Federal Government makes payments on behalf of a State, such as Supplemental Security Income, the Federal Government will incur an interest liability if State funds are in a Federal Government account prior to the day a Federal agency pays out funds for program purposes. A Federal interest liability will accrue from the day State funds are credited to the Federal Government's account to the day the Federal agency pays out the State funds for program purposes.

§ 205.12 State interest liabilities.

(a) *General.* A State will incur an interest liability to the Federal Government if Federal funds are in a State account prior to the day the State pays out funds for program purposes. A State interest liability will accrue from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for program purposes.

(b) *Refunds.* A State will incur an interest liability to the Federal Government on a refund transaction of Federal funds. A State interest liability will accrue from the day the refund is credited to a State account to the day the refund is either paid out for program purposes or credited to a Federal Government account. However, a State may adopt a transaction threshold not exceeding $10,000, below which the State will not incur an interest liability on a refund transaction.

(c) *Reverse flow programs.* With respect to programs for which the Federal Government makes payments on behalf of a State, such as Supplemental Security Income, a State will incur an interest liability to the Federal Government if a Federal agency pays out Federal funds for program purposes on behalf of the State. A State interest liability will accrue from the day the Federal agency pays out Federal funds for program purposes to the day State funds are credited to the Federal Government's account.

(d) *Exception.* Notwithstanding any other provision in this section, a State will not incur an interest liability to the Federal Government if Federal law requires that the interest a State earns on Federal funds must be retained by the State or used for program purposes. This exception shall not be construed to exempt a program from any other provision of this subpart.

§ 205.13 Interest calculation.

(a) *State responsibilities.* A State shall calculate Federal interest liabilities and State interest liabilities for each program subject to this subpart, except as provided for in paragraph (b) of this section.

(b) *Reverse flow programs.* A Federal agency shall calculate Federal interest liabilities and State interest liabilities for a program subject to this subpart for which the Federal agency makes payments on behalf of a State, such as Supplemental Security Income.

(c) *Start date.* Interest liabilities begin accruing the later of July 1, 1993, or the first day of a State's 1994 fiscal year.

(d) *Interest rate.* The interest rate for all interest liabilities pursuant to this subpart is the annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State's fiscal year, except as provided for in paragraph (i) of this section. The FMS will provide this rate to each State.

(e) *Interest calculation method and standards.* A State shall calculate and report interest liabilities on the basis of its fiscal year. A State shall ensure that its interest calculations are auditable. As set forth in § 205.9, a Treasury-State Agreement must include the method a State will use to calculate and document interest liabilities pursuant to this subpart.

(f) *Statistical sampling.* If a State uses statistical sampling to calculate interest, the State must randomly sample transactions for each program subject to this subpart to ensure, at a minimum, a 95 percent confidence interval subject to a .3 dollar-weighted day bound of error estimate.

(g) *Transactions prior to a State's 1994 fiscal year.* A State shall not include in an interest calculation a transaction in which either the transfer of funds to the State or the pay out of funds for program purposes by the State occurs prior to the later of July 1, 1993, or the first day of the State's 1994 fiscal year.

(h) *Funds withdrawn from a State account in the Unemployment Trust Fund (UTF).* A State shall account for the actual interest earnings and the related banking costs attributable to funds withdrawn from the State's account in the UTF.

(1) If funds withdrawn from the several accounts in the UTF are commingled in the State's Unemployment Insurance benefit payment account, the funds withdrawn from the State's account must be allocated a pro rata share of the actual interest earnings and related banking costs of the benefit payment account. Funds withdrawn from the State's account in the UTF that are included in investment pools must be allocated a pro rata share of interest earnings of the investment pool.

(2) Notwithstanding any other provision of this subpart, a State's interest liability on funds withdrawn from its account in the UTF consists of the actual interest earnings less the related banking costs of such funds, and shall be deposited in the State's account in the UTF.

(3) This paragraph (h) does not apply to funds withdrawn from the Federal Employees Compensation Account and the Extended Unemployment Compensation Account in the UTF.

§ 205.14 Direct costs of implementation.

(a) *Definition.* Direct costs of implementing this subpart are those costs necessary for the development and maintenance of clearance patterns and those costs necessary to perform the actual calculation of interest liabilities. Direct costs do not include expenses incurred for upgrading or modernizing of accounting systems.

(b) *Reimbursement of direct costs.* A State will be compensated annually for the direct costs of implementing this subpart, subject to the following conditions and limitations.

(1) *Treasury-State Agreement.* A State must have a Treasury-State Agreement with the FMS, as set forth in § 205.9.

(2) *Direct cost claim.* A State must submit a claim for direct costs with its Annual Report, as set forth in § 205.15(c).

(3) *Documentation.* A State must maintain documentation to substantiate its claim for direct costs.

(4) *Eligibility of costs.* Direct costs in excess of $50,000 in any year are not eligible for reimbursement, unless a State

can justify to the FMS that it would be unable to develop clearance patterns or perform the actual calculation of interest without incurring such costs.

(5) *Costs incurred in prior years.* Direct costs incurred prior to a State's most recently completed fiscal year are not eligible for reimbursement, excepting costs incurred prior to the first day of a State's 1994 fiscal year and claimed for reimbursement with the State's first Annual Report submitted pursuant to this subpart.

(6) *Costs incurred prior to July 22, 1991.* Direct costs incurred prior to July 22, 1991, are not eligible for reimbursement, unless a State makes separate application for such costs, with adequate justification and documentation.

(7) *Review by the FMS.* The FMS will review all direct cost claims for reasonableness. Unreasonable cost claims, as determined by the FMS, will not be reimbursed, notwithstanding any other provision of this section.

(8) *Method of reimbursement.* The FMS will effect direct cost reimbursement by reducing the State interest liability and adjusting the Federal interest liability for each State, to the extent allowed by the following limitations:

(i) Interest liabilities for programs funded out of trust funds for which the Secretary is trustee may not be reduced or adjusted; and

(ii) The aggregate Federal interest liability for all States may not increase.

(c) *Application of cost principles.* A State shall not include direct costs of implementing this subpart, as defined in paragraph (a) of this section, in the development of its Statewide cost allocation plan, as provided for in OMB Circular A–87. All other costs incurred by a State to implement this subpart are subject to the procedures and principles of OMB Circular A–87.

(d) *Sunset review.* By July 1, 1996, the FMS will review the policies in this section to determine their effectiveness.

§ 205.15 Annual reports.

(a) A State shall submit an Annual Report to the FMS by December 31 accounting for the interest liabilities of the State's most recently completed fiscal year. The format of the Annual Report will be prescribed by the FMS and will include, at a minimum, the following:

(1) The Federal interest liability for each program subject to this subpart;

(2) The State interest liability for each program subject to this subpart, with the State interest liability on refunds for each program reported separately;

(3) The total Federal interest liability for all programs subject to this subpart;

(4) The total State interest liability for all programs subject to this subpart;

(5) The net total interest owed by the State or the Federal Government;

(6) For information purposes, not for the calculation of interest, the actual interest earnings on and the related banking costs for funds drawn from the State's account in the UTF.

(b) A State shall submit its Annual Report both in hard copy and either on computer diskette or by other electronic means prescribed by the FMS.

(c) A State may submit as part of its Annual Report a claim for reimbursement of the direct costs of implementing this subpart, in accordance with § 205.14. An authorized State official shall certify the accuracy of a State's direct cost claim.

(d) An authorized State official shall certify the accuracy of a State's Annual Report.

(e) *Reverse flow programs.* With respect to a program for which the Federal Government makes payments on behalf of a State, a Federal agency shall provide an interest report to a State by December 1 for the State's most recently completed fiscal year. The interest report will include the State interest liability and the Federal interest liability for the program, including the Federal interest liability on refund transactions of $10,000 or more. The Federal agency shall certify the accuracy of the interest report. A State shall incorporate the interest report in its Annual Report.

(f) The FMS will distribute Annual Reports to Federal agencies.

§ 205.16 Interest payment.

(a) *Adjusted interest liabilities.* The FMS will adjust a State's total interest liability and the Federal Government's

total interest liability to a State to effect direct cost reimbursement, as set forth in § 205.14(b)(8).

(b) *Net interest payment.* The adjusted total State interest liability and the adjusted total Federal interest liability for each State will be offset to determine the net interest payable to or from a State. The payment of net interest to or from a State for its most recently completed fiscal year will occur no later than March 1.

(c) *Disputed amounts.* If the amount of interest payable is disputed according to the provisions of § 205.18, payment must occur for any undisputed portions. The interest in dispute must be paid within 14 days of receipt of the decision by the Assistant Commissioner, Federal Finance, as set forth in § 205.18.

§ 205.17 Compliance and oversight.

(a) *State coordinator.* A State shall designate an official representative with the statutory or administrative authority to coordinate all interaction with the Federal Government concerning this subpart, and shall notify the FMS of the representative's name and title in writing.

(b) *Federal agency coordinator.* A Federal Agency shall designate an official representative to coordinate all interaction with the FMS and the States concerning this subpart, and shall notify the FMS of the representative's name and title in writing.

(c) *Recordkeeping.* A State shall maintain records supporting interest calculations, clearance patterns, direct costs, and other functions directly pertinent to the implementation and administration of this subpart.

(d) *Record retention.* A State shall retain the records related to implementation of this subpart of each fiscal year for 3 years from the date the State submits its Annual Report, or until any dispute or action involving the records and documents is completed, whichever is later.

(e) *Availability of records.* The FMS, the Comptroller General, and a Federal agency shall have the right of access to all records for the purpose of verifying interest calculations, clearance patterns, direct cost claims, and the State's accounting for Federal funds.

(f) *Records for reverse flow programs.* With respect to programs for which the Federal Government makes payment on behalf of a State, a Federal agency shall maintain records supporting interest calculations and clearance patterns. A Federal agency shall retain such records for 3 years from the date the Federal agency submits its interest calculations to a State, as set forth in § 205.15(e), or until any dispute or action involving the records is completed, whichever is later. The FMS, the Comptroller General, and a State shall have the right of access to all records for the purpose of verifying interest calculations, clearance patterns, and the Federal agency's accounting for State funds.

(g) *State audits.* A State's implementation of this subpart is subject to audit in accordance with chapter 75 of title 31, United States Code, ''Requirements for Single Audits.''

(h) *Federal agency compliance reviews.* A Federal agency's implementation of this subpart is subject to review pursuant to procedural instructions issued by the FMS.

(i) *Reviewing Annual Reports.* The FMS will distribute Annual Reports to Federal agencies, as set forth in § 205.15(f). Upon request by the FMS, a Federal agency shall review a State's Annual Report for accuracy and reasonableness and shall report its findings to the FMS.

(j) *Federal agency noncompliance.* If a Federal agency egregiously or repeatedly causes Federal interest liabilities or fails to comply with this subpart, the FMS may collect a charge from the Federal agency in an amount the FMS determines to be the cost to the general fund of the Treasury caused by such noncompliance, in accordance with the following:

(1) The FMS will issue a Notice of Assessment to the Federal agency, indicating the nature of the noncompliance, the amount of the charge, the manner in which it was calculated, and the right to file an appeal.

(2) A charge for noncompliance, to the maximum extent practicable, will be paid out of appropriations available for the Federal agency's operations and

will not be paid from amounts available for funding the programs of the Federal agency.

(3) If a Federal agency does not pay a charge for noncompliance within 45 days after receiving a Notice of Assessment, the FMS will debit the appropriate Federal agency account.

(4) A Federal interest liability resulting from circumstances beyond the control of a Federal agency does not constitute noncompliance.

(k) *State noncompliance.* If a State materially fails to comply with this subpart, the FMS may take one or more of the following actions, as appropriate in the circumstances:

(1) Request a Federal agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal Government, and implement procedures to recover such interest; or

(2) Deny the reimbursement of all or a part of the State's direct cost claim; or

(3) Take other remedies legally available.

(l) *Failure to request funds.* If a State repeatedly or deliberately fails to request funds in accordance with the procedures established for its funding techniques, as set forth in § 205.7 or in a Treasury-State Agreement, the FMS may deny the State payment or credit for any resultant Federal interest liability, notwithstanding any other provision of this part.

§ 205.18 Appeals and dispute resolution.

(a) *Appeal by a Federal agency.* A Federal agency may appeal any charge assessed by the FMS for noncompliance by submitting an appeal in writing to the Assistant Commissioner, Federal Finance (hereinafter Assistant Commissioner), of the FMS, within 45 days of the date of the Notice of Assessment. The appeal shall include a concise factual statement of the conditions leading to the Notice of Assessment, the basis of the appeal, and the action requested by the agency. In the event of an appeal, the charge imposed under the Notice of Assessment will be deferred pending the results of the appeal.

(1) *Appeal review process.* The Assistant Commissioner will review the Notice of Assessment, any documentation supporting the Notice, and the written appeal from the agency. If based on this review, the Assistant Commissioner finds that additional information is required, the Assistant Commissioner may request to meet with the agency, as well as other parties selected by the Assistant Commissioner, as part of the review process.

(2) *Decision.* The Assistant Commissioner will issue a written decision within 30 days of receipt of the appeal. The Assistant Commissioner may unilaterally extend this period for an additional 30 days if required. The decision of the Assistant Commissioner whether to uphold the Notice of Assessment, to overturn the Notice, or to mandate some other action will be stated in the written decision. Other actions mandated may include a reduced charge, a deferral of the charge, an alternate solution to cash management improvement, or any combination thereof. The basis of the decision, the amount of the charge and the effective date of the charge will be stated in the written decision. The effective date of the charge may be retroactive to the date indicated in the Notice of Assessment.

(b) *Resolution of disputes.* If a dispute arises from the implementation or administration of this subpart, the following resolution mechanism is available:

(1) The aggrieved party may submit a written appeal to the Assistant Commissioner. The aggrieved party shall concurrently serve a copy of the written appeal to the other concerned parties.

(2) Within 30 days of the submission of the written appeal, the aggrieved party shall submit to the Assistant Commissioner a written statement not exceeding 15 pages, with supporting documentation in appendices, that articulates the dispute, the aggrieved party's position, and the relief sought. The aggrieved party shall concurrently serve its statement upon the other concerned parties.

(3) Within 30 days of receipt of the aggrieved party's statement, the responding party may submit a response statement not exceeding 15 pages, with

supporting documentation in appendices, to the Assistant Commissioner. The responding party shall concurrently serve its response statement to the other concerned parties.

(4) The Assistant Commissioner will issue a written decision within 30 days after the period for the submission of the response statement. The Assistant Commissioner may unilaterally extend the deadline for issuing a decision by 30 days if required. The Assistant Commissioner's decision shall be the final agency action on the part of the FMS for the purposes of judicial review procedures under the Administrative Procedures Act, 5 U.S.C. 701–706, unless either party invokes the provisions of the Administrative Dispute Resolution Act of 1990, 5 U.S.C. 581–593 (ADRA), in accordance with the following.

(i) Either party may seek to invoke the assistance of a neutral party appointed under the provisions of the ADRA within 30 days of receipt of the Assistant Commissioner written decision. The party invoking the ADRA shall notify both the Assistant Commissioner and the responding party in writing. With the written mutual consent of the parties and the Assistant Commissioner, a neutral party appointed under the provisions of the ADRA may assist in resolving the dispute through the use of alternate means of dispute resolution as defined in the ADRA.

(ii) If the party invoking the ADRA is unable to reach a satisfactory resolution of the problem using the ADRA, the Assistant Commissioner's decision shall be the final agency action on the part of the FMS for purposes of the judicial review procedures under the Administrative Procedure Act, 5 U.S.C. 701–706.

[57 FR 60676, Dec. 21, 1992; 58 FR 4460, Jan. 14, 1993]

APPENDIX A TO SUBPART A TO PART 205—DEFINITION OF MAJOR FEDERAL ASSISTANCE PROGRAM

Major Federal Assistance Program, for State governments having Federal assistance expenditures between $100,000 and $100,000,000 means any program for which Federal expenditures during the applicable year exceed the larger of $300,000, or 3 percent of such total expenditures. Where total expenditures during the applicable year exceed $100,000,000, the following criteria apply:

Total expenditure of Federal financial assistance for all programs		Major Federal Assistance Program means any program that exceeds (million)
More than	But less than (billion)	
$100 million	$1	$3
1 billion	2	4
2 billion	3	7
3 billion	4	10
4 billion	5	13
5 billion	6	16
6 billion	7	19
Over 7 billion		20

Subpart B—Potential Liabilities on Intergovernmental Funds Transfers Included in the Catalog of Federal Domestic Assistance but Otherwise Generally Excluded From Subpart A

§ 205.19 Scope of subpart.

This subpart applies to programs in the Catalog of Federal Domestic Assistance that are not subject to subpart A.

§ 205.20 Cash advances.

(a) Cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs.

(b) Neither a State nor the Federal Government will incur an interest liability on the transfer of funds for a program subject to this Subpart.

§ 205.21 Federal agency oversight responsibilities.

(a) A Federal agency shall review the practices of States as necessary to ensure compliance with this Subpart. A Federal agency shall notify the FMS if a State demonstrates an unwillingness or inability to comply with this Subpart.

(b) A Federal agency shall formulate procedural instructions specifying the methods for carrying out the responsibilities of this section.

§ 205.22 State noncompliance.

If a State demonstrates an unwillingness or inability to comply with this Subpart, the FMS may require the State and a Federal agency to cover additional programs under subpart A of this part, notwithstanding any other provision of this part.

§ 205.23 Failure to make funds available.

Consistent with program purposes and regulations, if a Federal agency demonstrates an unwillingness or inability to make Federal funds available to a State as needed to carry out a program, the FMS may require the State and the Federal agency to cover additional programs under subpart A of this part, notwithstanding any other provision of this part.

Subpart C [Reserved]

PART 206—MANAGEMENT OF FEDERAL AGENCY RECEIPTS, DISBURSEMENTS, AND OPERATION OF THE CASH MANAGEMENT IMPROVEMENTS FUND

Sec.
206.1 Scope and application.
206.2 Definitions.
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206.4 Collection and payment mechanisms.
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206.6 Cash management planning and review.
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206.8 Appeals.
206.9 Charges.
206.10 Operation of and payments from the Cash Management Improvements Fund.

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3301, 3302, 3321, 3327, 3328, 3332, 3335, 3720, and 6503.

SOURCE: 59 FR 4538, Jan. 31, 1994, unless otherwise noted.

§ 206.1 Scope and application.

(a) This subpart applies to all Government departments and agencies in the executive branch (except the Tennessee Valley Authority) and all monies collected and disbursed by these departments and agencies. This subpart does not apply to interagency transfers of funds, except that agencies are to use the Treasury's On-Line Payment and Collection (OPAC) system for interagency payments between executive agencies, when cost-effective.

(b) Policies and guidelines are prescribed for promoting efficient, effective cash management through improved billing, collection, deposit, and payment of funds. These objectives seek to improve funds availability and the efficiency and effectiveness with which funds are transferred.

(c) Authority to implement this regulation has been delegated within the Department of the Treasury (hereinafter, ''Treasury'') to the Commissioner (hereinafter, ''the Commissioner'') of the Financial Management Service (hereinafter, ''the Service).'' The Service maintains the final authority as granted under the Deficit Reduction Act of 1984 to specify use of a particular method or mechanism of collection and deposit and to recover costs that result from noncompliance. Authority is also granted to the Service, under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act Amendments of 1992, to provide for the timely disbursement of funds. An agency will require the collection or disbursement of funds by the agency via EFT as a provision of new contractual agreements or renewal of existing contracts that impact agency collection or payment mechanisms.

§ 206.2 Definitions.

For the purpose of this part, the following definitions apply:

Agency means any department, instrumentality, office, commission, board, service, Government corporation, or other establishment in the executive branch, except the Tennessee Valley Authority.

Billing means any of a variety of means by which the Government places a demand for payment against an entity that is indebted to the Government. The term encompasses invoices, notices, initial demand letters, and other forms of notification.

Cash management means practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances. ''Cash Management Review Process'' means periodic examinations of collection and disbursement cash flows to ensure that the most effective mechanisms are used to process the funds.

Collection means the transfer of monies from a source outside the Federal Government to an agency or to a financial institution acting as an agent of the Government.

Collection mechanism means any one of a number of tools or systems by which monies are transferred to the Government from a source outside the Government.

Cutoff time means a time predesignated by a financial institution beyond which transactions presented or actions requested will be considered the next banking day's business.

Day means a calendar day unless otherwise specified.

Deposit means as a noun, money that is being or has been presented for credit to the Treasury. Deposits can be made by an agency or directly by the remitter. All such transfers are effected through a Federal Reserve Bank or other financial institution. As a verb, deposit means the act of presenting monies for credit to the Treasury by an official of an agency.

Depositary means a bank or other financial institution that has been authorized by the Treasury to receive monies for credit to the Treasury.

Disburse means the initiation of an Electronic Funds Transfer (EFT) transaction or other methods of drawing funds from accounts maintained by the Government.

Electronic funds transfer (EFT) means any transfer of funds, other than a transaction originated by cash, check or similar paper instrument, that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, Fed Wire transfers, Automated Clearing House (ACH) transfers, transfers made at automatic teller machines (ATM) and Point-of-Sale (POS) terminals (to include use of the Government small purchase card), and other means of credit card transactions.

Fund means the Cash Management Improvements Fund.

Monies (or ''receipts'') means EFT transactions, currency, negotiable instruments, and/or demand deposits owed to or collected by an agency.

Next-day deposit means a deposit made before the cutoff time on the day following the day on which the funds were received by an agency. For example, if an agency receives funds for deposit at 3 p.m. on Monday and transmits the deposits to the depositary by 2 p.m. on Tuesday (the depositary's next cutoff time), then next-day deposit requirements are met.

Payment means a sum of money transferred to a recipient in satisfaction of an obligation. A payment includes any Federal Government benefit or nonbenefit payment.

(1) A benefit payment is a disbursement for a Federal Government entitlement program or annuity. Benefit payments may be one-time or recurring payments including, but not limited to, payments for Social Security, Supplemental Security Income, Black Lung, Civil Service Retirement, Railroad Retirement Board Retirement/Annuity, Department of Veterans Affairs Compensation/Pension, Central Intelligence Agency Annuity, Military Retirement Annuity, Coast Guard Retirement, and Worker's Compensation.

(2) A nonbenefit payment is a Federal Government disbursement other than a benefit payment. Nonbenefit payments may be one-time or recurring payments including, but not limited to, payments for vendors, Internal Revenue Service tax refunds, Federal salaries and allotments therefrom, grants, travel disbursements and reimbursements, loans, principal and/or interest related to U.S. savings bonds, notes, and other savings-type securities, and payments of service fees to organizations qualified to issue and/or redeem savings bonds.

Point-of-sale (POS) terminal means an automated credit card or debit card transaction device.

Presumed EFT means that agencies will presume that new payment recipients will elect EFT as the means of payment delivery. Enrollment forms for use in establishing routine payments will be designed with this approach in mind, to obtain the required written consent of the recipient.

Recipient means a person, corporation, or other public or private entity receiving benefit or nonbenefit payments from the Government.

Same-day deposit means a deposit made before the cutoff time on the day on which the funds were received by an agency. For example, if an agency receives funds for deposit at 10 a.m. on Monday and transmits the deposits by 2 p.m. on Monday (the depositary's cutoff time), then a same-day deposit has been achieved.

Service means the Financial Management Service, Department of the Treasury.

Treasury Financial Manual (TFM) means the manual issued by the Service containing procedures to be observed by all Government departments and agencies in relation to central accounting, financial reporting, and other Governmentwide fiscal responsibilities of the Department of the Treasury. Volume I, Chapter 6–8000 (I TFM 6–8000) contains agency cash management procedures to be followed pertaining to these regulations.

Copies of the TFM are available free to Government agencies. Others who are interested in ordering a copy may call (202) 208–1819 or write the Directives Management Branch, Financial Management Service, Department of the Treasury, Liberty Center (UCP–741), Washington, DC 20227 for further information.

§ 206.3 Billing policy and procedures.

The billing process is considered an integral part of an effective cash management collection program. In those situations where bills are required and the failure to bill would affect the cash flow, bills will be prepared and transmitted within 5 business days after goods have been shipped or released, services have been rendered, or payment is otherwise due. An agency may prepare and transmit bills later than the 5-day timeframe if it can demonstrate that it is cost-effective to do so. In addition, the bill must include the terms and dates of payments, and late payment provisions, if applicable. Terms and dates of payments will be consistent with industry practices. I TFM 6–8000 describes detailed billing policies, procedures, and industry standards for agencies.

§ 206.4 Collection and payment mechanisms.

(a) All funds are to be collected and disbursed by EFT when cost-effective, practicable, and consistent with current statutory authority.

(b) Collections and payments will be made by EFT when cost- effective, practicable, and consistent with current statutory authority. When consistent with these criteria, specific cash flows will utilize EFT as follows:

(1) *Fees/fines.* EFT will be adopted as the presumed method of collecting fees and fines, especially when these collection cash flows are recurring or of large dollar amounts.

(2) *Tax collections.* EFT will be adopted as the primary method for collecting taxes. EFT mechanisms may include ACH credit or debit cards.

(3) *Salary payment.* Presumed EFT will be adopted as the method for paying employees, and entrance enrollment forms for establishing regular payments will be designed to use this approach.

(4) *Vendor and miscellaneous payments.* Each department and agency will exercise its authority under the Federal Acquisition Regulation to require that all contractors are paid by EFT, unless a determination is made that it is not in the best interest of the Federal Government to do so. EFT will be adopted as the standard method of payment for all Federal program payments originated by agencies or their agents.

(5) *Benefit payments.* EFT will be presented to new beneficiaries as the presumed method for receiving benefits. EFT payment methods, such as Electronic Benefit Transfer, will be adopted and implemented to make EFT accessible to all benefit recipients.

(c)(1) Selection of the best collection and payment mechanism is a joint responsibility of an agency and the Service. An agency has responsibility for

conducting cash management reviews; gathering volume and dollar data relative to the operation of the systems; and funding any implementation and operational costs above those normally funded by Treasury. The Service is the required approval authority when an agency desires to convert from one collection mechanism to another. The Service's written approval is required prior to an agency entering into new contractual agreements or renewing existing contracts for agency collections or payments systems. Agencies will follow guidelines for the cost-effective usage of collection and payment mechanisms, published in the TFM, Volume I, Part 6-8000, in their selection and recommendation to the Service of an appropriate funds transfer mechanism. The agency will provide the Service with a recommended mechanism for any new or modified cash flows. The Service will review the recommendations, approve a mechanism, and assist with implementation.

(2) If an agency proposes a collection or payment mechanism other than EFT, it may be required to provide a cost-benefit analysis to justify its use. Cost/benefit analyses must include, at a minimum, known or estimated agency personnel costs, costs of procurement, recurring operational costs, equipment and system implementation and maintenance costs, costs to payment recipients, and costs to remitters. Agencies should consult with Treasury to determine the need to include interest costs associated with float in their computations of benefits and costs.

(d) An agency will require the collection of funds by the agency to be made via EFT and the disbursement of funds by the agency to be made via EFT as a provision of new contractual agreements or renewal of existing contracts that impact agency collection or payment mechanisms, when cost-effective, practicable, and consistent with current statutory authority.

§ 206.5 Collection and deposit procedure exceptions.

(a) The following collection and deposit timeframe requirements are to be followed in exception cases where EFT mechanisms are not utilized:

(1) An agency will achieve same-day deposit of monies. Where same day deposit is not cost-effective or is impracticable, next day deposit of monies must be achieved except in those cases covered by I TFM 6–8000.

(2) Deposits will be made at a time of the day prior to the depositary's specified cutoff time, but as late as possible in order to maximize daily deposit amounts.

(3) When cost-beneficial to the Government, an agency may make multiple deposits.

(b) Any additional exceptions to the above policies are listed in I TFM 6–8000.

§ 206.6 Cash management planning and review.

(a) An agency shall periodically perform cash management reviews to identify areas needing improvement.

(b) As part of its cash management review process, an agency is expected to document cash flows in order to provide an overview of its cash management activities and to identify areas that will yield savings after cash management initiatives are implemented. The Service will evaluate an agency's EFT policy and application, to include mitigating circumstances that may prevent the use of EFT, as part of the cash management reviews.

(c) An agency's cash management reviews will provide the basis for identification of improvements and preparation of cash flow reports for submission to the Service as prescribed by I TFM 6–8000. That Chapter provides requirements for an agency in performing periodic cash management reviews, identifying improvements, and preparing cash flow reports. In addition, the Chapter describes the timing and content of periodic reports that must be submitted by an agency to the Service on progress made in implementing cash management initiatives and associated savings.

(d) The Service will periodically review an agency's cash management program to ensure that adequate progress is being made to improve overall cash management at an agency. As part of its oversight authority, the Service may visit an agency and review

all or specific cash management activities of an agency. An agency will be notified in advance of the Service's review and will be required to provide the Service with documentation of the agency cash management review within the timeframes required by I TFM 6–8000.

§ 206.7 Compliance.

(a) The Service will monitor agency cash management performance. Part of the monitoring process will include establishing implementation end dates for conversion to, or expansion of, EFT mechanisms, as well as the identification of mitigating circumstances that may prevent the use of EFT.

(b) In cases where an agency fails to meet a scheduled date within its control, or where an agency converts to a less cost-effective transfer mechanism without prior, written Service approval as determined in accordance with § 206.4(c), the Service will send a formal Notice of Deficiency to an agency's designated cash management official. A separate Notice will be sent for each initiative.

(1) *Collections cash flows.* For collections cash flows, the Notice of Deficiency will include the nature of the deficiency, the amount of the proposed charge, the method of calculation, the right to file an appeal, and the date the charge will be imposed in the absence of an appeal. The amount of the charge will be equal to the cost of such noncompliance to the Treasury's General Fund.

(2) *Payments cash flows.* [Reserved]

§ 206.8 Appeals.

(a) An agency that chooses to file an appeal must submit the appeal in writing to the Commissioner within 45 days of the date of the Notice of Deficiency. In the event of an appeal, the charge imposed under Notice of Deficiency will be deferred pending the results of the appeal. If an appeal is not submitted (i.e., received by the Commissioner) within 45 days, the amount indicated in the Notice of Deficiency will be charged per § 206.9(a).

(b) The appeal will contain the elements and follow the submission procedures specified in I TFM 6-8000. The appeal will include the background leading to the Notice of Deficiency, the basis of the appeal, and the action requested by an agency. An agency should state its disagreements with the Notice of Deficiency which may include cost-benefit factors, the amount of the charge, and other items.

(c) An agency must state what action it requests in its appeal. An agency may request that the Notice of Deficiency be completely overturned for cost-benefit or other considerations. Alternatively, an agency may request a reduced charge, deferral of the charge, an alternative solution to cash management improvement, or a combination of these actions.

(d) *Appeals Board.* The Commissioner will refer the appeal to an Appeals Board. The Appeals Board will consist of three members—two permanent members and one temporary member. The permanent members will be the Deputy Chief Financial Officer, Department of the Treasury, and the Assistant Commissioner, Federal Finance, of the Service. The temporary board member will be a cash management official from an agency other than the agency appealing the Notice of Deficiency. The Board will be convened on an as-needed basis. The order of agency assignment to the Board will be published by Treasury in Volume I, Chapter 6-8000 of the TFM. The Deputy Chief Financial Officer, Department of the Treasury, the Assistant Commissioner, Federal Finance, and the designated agency cash management official may delegate their responsibility to a staff subordinate having sufficient experience in cash management matters. The Assistant Commissioner's designee may be from any area other than that which issued the Notice of Deficiency.

(e) *Appeal review process.* The Appeals Board will review the Notice of Deficiency, any additional information submitted by the Service, and the written appeal from an agency. Based on this review, the Board may decide additional investigation is required. The Board may request an agency and/or the Service to meet with the Board as part of the review process.

(f) *Appeal finding.* A written majority decision will be rendered by the Appeals Board within 30 days of receipt of

the appeal. The Board may extend this period for an additional period, not to exceed 30 days, if required. The Appeals Board will notify the Commissioner and the agency of the decision. The decision of the Board whether to uphold the Notice of Deficiency, to overturn the Notice of Deficiency, or to mandate some other action will be stated in the finding. Other action mandated may include a reduced charge, a deferral of the charge, an alternate solution to cash management improvement, or a combination of these actions. The basis of the decision, the amount of the charge, and the effective date of the charge will be stated in the finding. The effective date of the charge may be retroactive to the date indicated in the Notice of Deficiency.

(g) Any terms related to charge deferral shall be stated; the Service and an agency will be required to submit evidence of compliance to such terms at a future specified date. At this future time, the Appeals Board will review the evidence of compliance. Based on this evidence, the Board will decide whether to impose a charge.

§ 206.9 Charges.

(a) Within 30 days of the effective date of the charge or the appeals decision, an agency must submit appropriate accounting information to the Service's Assistant Commissioner, Federal Finance. The charge will be calculated following procedures outlined in I TFM 6–8000, and will be assessed for each month that noncompliance continues.

(b) *Collection noncompliance.* In the case of cash management collection noncompliance, an agency will absorb the charge from amounts appropriated or otherwise made available to carry out the program to which the collections relate. Charges collected from an executive agency in the case of cash management collection noncompliance will be deposited in the Cash Management Improvements Fund as outlined in § 206.10.

(c) *Payment noncompliance.* [Reserved]

(d) If an agency does not voluntarily pay the charge assessed under § 206.9(a), the Service will debit the appropriate account automatically. By failing to pay voluntarily the charges as required by the Deficit Reduction Act of 1984, an agency will be deemed to authorize the automatic debit to its account.

(e) The Commissioner will formally terminate the charge when the Commissioner has determined that an agency has complied. In addition, on an annual basis, the Commissioner will review an agency's performance and calculation of the charge, and will notify an agency in writing of any changes to the amount being charged.

§ 206.10 Operation of and payments from the Cash Management Improvements Fund.

(a) The Cash Management Improvements Fund (Fund) will be operated as a revolving fund by the Service. Charges assessed under § 206.9(a) for cash management collection noncompliance will be deposited into the Fund according to the Deficit Reduction Act of 1984. The Service will also disburse any payments from the Fund based on projects selected by a project selection and approval committee.

(b) *Committee composition.* The committee will consist of three members—two permanent members and one temporary member. The permanent members will be the Commissioner and the Assistant Commissioner, Federal Finance, of the Service. The temporary committee member will be a cash management official from an agency other than an agency being considered for funds. The order of agency assignment to the Committee will be published in a TFM Bulletin, when funds are first deposited to the Fund. Decisions of the project selection and approval committee cannot be appealed. Agencies will be notified of any available amounts in the Fund and requirements to apply for such monies through a TFM bulletin.

(c) As provided by 31 U.S.C. 3720, sums in the Fund will be available without fiscal year limitation for the payment of expenses incurred in developing improved methods of collection and deposit and the expenses incurred in carrying out collections and deposits using such methods, including the costs of personal services and the costs of the lease or purchase of equipment and operating facilities.

(d) In addition to all reports required by law and regulation, for each fiscal

year during which there is a balance in Fund, the Service will prepare and publish, by the 60th day following the close of the fiscal year, a full report on payments, receipts, disbursements, balances of the Fund, and full disclosure on projects financed by the Fund.

PART 208—FEDERAL AGENCY DISBURSEMENTS

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208.4 Recipient responsibilities.
APPENDIX A TO PART 208—MODEL CERTIFICATION

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3301, 3302, 3321, 3325, 3327, 3328, 3332, 3335, and 6503.

SOURCE: 61 FR 39258, July 26, 1996, unless otherwise noted.

§ 208.1 Scope and application.

This part applies to all Federal payments made by an agency and requires such payments to be made by electronic funds transfer, unless a waiver is granted. This part does not apply to payments under the Internal Revenue Code of 1986.

§ 208.2 Definitions.

(a) *Agency* means any department, agency, or instrumentality of the United States Government, or a corporation owned or controlled by the Government of the United States.

(b) *Benefit payment* means a payment for a Federal Government entitlement program or for an annuity (other than a Federal retirement payment), including, but not limited to, payments for Social Security, Supplemental Security Income, Black Lung, Railroad Retirement Board Retirement and Annuity, Department of Veterans Affairs Compensation and Pension, and Worker's Compensation.

(c) *Electronic funds transfer* means any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument, that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, Automated Clearing House transfers, Fedwire transfers, and transfers made at automated teller machines and point-of-sale terminals.

(d) *Federal payment* means any payment made by an agency.

(1) The term includes, but not is limited to:

(i) Federal wage, salary, and retirement payments;

(ii) Vendor and expense reimbursement payments;

(iii) Benefit payments; and

(iv) Miscellaneous payments, including but is not limited to, interagency payments, grants, loans, fees, principal, interest, and discounts related to U.S. transferable and non-transferable securities, overpayment reimbursements, and payments under Federal insurance or guarantee programs for loans.

(2) The term ''Federal payment'' does not apply to payments under the Internal Revenue Code of 1986.

(e) *Financial institution* means any bank, savings bank, savings and loan association, credit union, or similar institution.

(f) *Payment* means a sum of money transferred to a recipient in satisfaction of an obligation.

§ 208.3 Agency responsibilities.

(a) *Paying by electronic funds transfer.* Subject to § 208.3 (b), and notwithstanding any other provision of law, all Federal payments made by an agency to a recipient who becomes eligible for the payment on or after July 26, 1996, shall be made by electronic funds transfer. For purposes of this subsection, ''becomes eligible for'' means:

(1) In the case of benefit payments, the recipient applies for that type of benefit on or after July 26, 1996;

(2) In the case of Federal wage or salary payments, the recipient has a date of entry on duty with the agency on or after July 26, 1996;

(3) In the case of Federal retirement payments, a recipient applies for retirement from an agency on or after July 26, 1996;

(4) In the case of vendor payments, the payment is made under a contract or purchase order resulting from a solicitation issued on or after July 26, 1996;

(5) In the case of grants, an application is filed or renewed on or after July 26, 1996; and

(6) For all other Federal payments, as determined by the agency.

(b) *Waiver.* The head of an agency shall waive the application of subsection 208.3 (a) only upon receipt of written certification that the recipient does not have an account with a financial institution or an authorized payment agent.

(c) *Agency implementation plan.* If the head of an agency determines that the agency cannot make a Federal payment or class of Federal payment in accordance with §208.3 (a) due to the inability of the agency's system to make the payment(s) by electronic funds transfer, then the agency shall notify the Service immediately in writing and shall submit an implementation plan to the Service no later than January 1, 1997. The plan shall:

(1) Identify the specific type of payment(s) that cannot be made by electronic funds transfer;

(2) Describe the system problem that prevents the agency from making the payment(s) by electronic funds transfer; and

(3) Outline a proposed solution and provide a time table for solving the problem.

§208.4 Recipient responsibilities.

Each recipient of a Federal payment shall designate a financial institution or authorized payment agent through which a Federal payment may be made or certify in writing that such recipient does not have an account with a financial institution or an authorized payment agent; and provide the agency with the information requested by the agency in order to effect the payment.

APPENDIX A TO PART 208—MODEL CERTIFICATION

This appendix contains model language which may be used to qualify for a waiver under §208.3(b). Use of the model language is optional. An agency may customize the model language by making appropriate changes.

Any payment that we make to you will be made by electronic funds transfer unless you certify in writing that you do not have an account with a financial institution or an authorized payment agent.

I certify that I do not have an account with a financial institution or an authorized payment agent.

Signature

PART 210—FEDERAL PAYMENTS THROUGH FINANCIAL INSTITUTIONS BY THE AUTOMATED CLEARING HOUSE METHOD

Subpart A—General

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AUTHORITY: 5 U.S.C. 5525; 12 U.S.C. 391; 31 U.S.C. 321; and other provisions of law.

SOURCE: 52 FR 2406, Jan. 22, 1987, unless otherwise noted.

Subpart A—General

§210.1 Scope of regulations.

This part governs Federal Government payments (benefit and nonbenefit) made by the Automated Clearing House (ACH) Method through Federal

Reserve Banks, and financial institutions to recipients maintaining accounts at financial institutions. It describes the procedures to be used, defines the obligations and responsibilities of the participants in ACH payments, and states terms of a contract between the Federal Government and those participants. It also prescribes the liabilities of financial institutions to the Federal Government arising from payments to deceased or incompetent recipients, and deceased beneficiaries of Federal benefit payments. Regulations promulgated by the Bureau of the Public Debt governing *Treasury Direct* payments made by the ACH Method for principal and interest on Government securities can be found at part 357 of this title; regulations promulgated by the Bureau of the Public Debt governing State and Local Government series payments made by the ACH for principal and interest on Government securities can be found at part 344 of this title.

[54 FR 20569, May 12, 1989]

§ 210.2 Definitions.

As used in this part, unless the context otherwise requires:

Account, recipient's account, designated account and *appropriate account* mean the account specified by a recipient or beneficiary into which payments under this part shall be deposited. These terms also include an account on which the financial institutions has, after execution of an enrollment, made changes to the account number of the type of account as authorized by § 210.4(f).

Automated Clearing House (ACH) means a payment mechanism through which participating institutions exchange funds electronically.

Allotment means a recurring specified deduction from pay of an employee for a legal purpose authorized by an employee to be paid to a recipient.

Allotter means the employee from whose pay an allotment is made.

Banking day means that part of any business day on which an office of a financiaI institution is open to the public for carrying out its banking functions.

Beneficiary means a person other than a recipient who is entitled to receive the benefit of all or part of a benefit payment from the Federal Government.

Benefit Payment is a payment of money for any Federal Government entitlement program or annuity. It can be either a one-time or recurring payment. These payments include, but are not limited to, the following nine:

(1) Social Security.

(2) Supplemental Security Income.

(3) Black Lung.

(4) Civil Service Retirement.

(5) Railroad Retirement Board Retirement/Annuity.

(6) Veterans Administration Compensation/Pension.

(7) Central Intelligence Agency Annuity.

(8) Military Retirement Annuity.

(9) Coast Guard Retirement.

Business day means any day other than a Saturday, Sunday or legal holiday.

Discretionary allotment means an amount that a Federal Government employee is permitted, by the employing Federal agency, to direct voluntarily to be deducted from his or her net salary amount and paid to a recipient. The aggregate amount of discretionary allotments may not exceed the net pay due the employee for each pay period after all deductions required by law are subtracted.

Employee means an employee of a Federal Government agency, unless otherwise provided.

Federal Reserve Bank means any Federal Reserve District Head Office, branch, or regional check processing center that processes ACH payments for the Federal Government.

Financial Institution means any bank, savings bank, savings and loan association, credit union, or similar institution.

Nonbenefit Payment means any Federal Government payment other than a benefit payment. Nonbenefit payments can be one-time or recurring payments, including but not limited to: vendor payments, Internal Revenue Service tax refunds, Federal Government salary payments, and allotments therefrom, grants, travel disbursements and reimbursements, loans, and payments of principal and/or interest related to United States savings bonds, notes, and

other savings-type securities, and payments of service fees to organizations qualified to issue and/or redeem savings bonds.

Outstanding Total means the sum of all benefit payments received pursuant to an enrollment, after death or legal incapacity, minus any amount returned to or recovered by the Federal Government.

Payment means a sum of money which is transferred to a recipient in satisfaction of an obligation. A payment includes any Federal Government benefit, or nonbenefit payment.

Payment Date means the date specified in the payment instruction for a payment. It is the date on which the funds specified in the payment instruction are to be available for withdrawal from the recipient's account with the financial institution specified by the recipient, and on which the funds are to be made available to the financial institution by the Federal Reserve Bank with which the financial institution maintains or utilizes an account. If the payment date is not a business day for the financial institution receiving a payment, or for the Federal Reserve Bank from which it received such payment, then the next succeeding business day for both shall be deemed to be the payment date.

Payment instruction means an order issued by the Federal Government for the payment of money under this part. A payment instruction may be contained on:

(1) A letter, memorandum, telegram, bill, invoice, computer printout or similar record, or

(2) Any form of nonverbal communication, registered upon magnetic tape, disc or any other medium designed to capture and contain in durable form conventional signals used to electronically communicate messages.

Prenotification means a zero dollar ACH payment instruction. It is used to ensure that, before actual payment instructions are sent through a Federal Reserve Bank, the financial institution will be able to credit payments accurately to the designated account. A prenotification, if used, will precede the relevant first dollar payment instruction by at least ten (10) days and is constructed from a recipient's enrollment to receive an ACH payment.

Program Agency means an agency of the Federal Government responsible for determining and initiating a payment to be made, and includes any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branches of the Federal Government and any wholly-owned or -controlled Federal Government corporation.

Recipient means a person, corporation, or other public or private entity which is authorized by a program agency to receive benefit or nonbenefit payments from the Federal Government. Recipient includes a natural person or entity authorized by a program agency to receive benefit or nonbenefit payments from the Federal Government.

[52 FR 2406, Jan. 22, 1987, as amended at 54 FR 20569, May 12, 1989]

§ 210.3 Policy for payments by the Automated Clearing House method.

Once an ACH enrollment has been completed, all payments covered by that enrollment shall be made by the ACH method unless the United States Department of the Treasury (hereafter referred to as Treasury) determines that conditions exist that make payment by check or other means more appropriate.

§ 210.4 Recipients.

(a) In order for a recipient to receive a payment by the ACH method, the recipient shall designate the desired financial institution and account identification at that financial institution using an enrollment procedure prescribed by the Financial Management Service for such payments. The title of the account so designated shall include the name of the recipient.

(b) In executing an enrollment, a recipient:

(1) Agrees to the provisions of this part; and

(2) Authorizes the termination of any inconsistent previously executed enrollment or inconsistent payment instructions.

(c) Once an ACH enrollment has been effected, it shall remain in effect until

it is terminated by one of the following events:

(1) A request from the recipient to the program agency to terminate the enrollment;

(2) A change in the title of an account which removes the name of the recipient, removes or adds the name of a beneficiary, or alters the interest of the beneficiary;

(3) The death or legal incapacity of a recipient, or the death of the beneficiary of a benefit payment; or

(4) The closing of the account.

Upon the occurrence of any of the foregoing events, except the death of the recipient or beneficiary, the recipient or representative payee shall execute a new enrollment before further payments may be credited to that account.

(5) The closing of a financial institution, whether voluntarily or involuntarily, without successor.

(d) A recipient who wishes to change the account or financial institution to which payment is directed shall execute a new enrollment.

(e) A recipient of a benefit payment made under this part may request only that the full amount of the payment be credited to one account on the books of a financial institution. Except as authorized by law or other regulations, the procedures set forth in this part shall not be used to effect an assignment of a payment.

(f) A financial institution may change the account numbers or, at the request of the recipient, the type of the recipient's account without executing a new enrollment provided no change is made to the title of the account or the interest of the recipient or beneficiary in the account. These changes must be communicated to the appropriate program agency or agencies in accordance with implementing instructions issued by the Federal Government.

[52 FR 2406, Jan. 22, 1987, as amended at 54 FR 20570, May 12, 1989]

§ 210.5 The Federal Government.

(a) The Federal agencies that perform disbursing functions will, in accordance with the provisions of this part, issue and direct payment instructions to the Federal Reserve Bank on whose books the financial institution named therein maintains or utilizes an account in sufficient time for the Federal Reserve Bank to carry out its responsibilities under this part.

(b) Procedural instructions will be issued by the Financial Management Service for the guidance of program agencies, Federal agencies that perform disbursing functions, Federal Reserve Banks, and financial institutions in the implementation of these regulations.

§ 210.6 Federal Reserve Banks.

(a) Each Federal Reserve Bank as Fiscal Agent of the United States shall receive payment instructions from the Federal Government and shall make available and pay to financial institutions amounts specified in these payment instructions, and shall otherwise carry out the procedures and conduct the operations contemplated under this part. Each Federal Reserve Bank may issue operating circulars (sometimes referred to as operating letters or bulletins) not inconsistent with this part, governing the details of its handling of payments under this part and containing such provisions as are required and permitted by this part.

(b) The Federal Government by its action of issuing and sending any payment instruction contained in the media specified in § 210.2(k) shall be deemed to authorize the Federal Reserve Banks to:

(1) Pay the amount specified in the payment instruction to the debit of the general account of the Treasury on the payment date; and

(2) Handle and act upon the payment instruction.

(c) Upon receipt of a payment instruction, a Federal Reserve Bank, either directly or through another Federal Reserve Bank, correspondent financial institution or service provider, shall deliver or make available to the financial institution identified in the payment instruction the information contained in the payment instruction no later than the opening of business on the payment date on a medium as prescribed by the Federal Reserve Bank.

(d) A financial institution by its action in maintaining or utilizing an account at a Federal Reserve Bank shall be deemed to authorize that Federal

Reserve Bank to credit the amount of the payment to the account of the financial institution on its books, or the account of its designated correspondent maintaining an account with the Federal Reserve Bank.

(e) A Federal Reserve Bank receiving a payment instruction from the Federal Government shall make the amount specified in the payment instruction available to the financial institution, referred to in paragraph (d) of this section, on the payment date. In the case of a Federal Government benefit or salary payment, the amount of the payment shall be made available by the opening of business on the payment date.

(f) Each Federal Reserve Bank shall be responsible only to the Treasury and shall not be liable to any other party for any loss resulting from the Federal Reserve Bank's action under this section.

[52 FR 2406, Jan. 22, 1987, as amended at 54 FR 20570, May 12, 1989; 58 FR 21636, Apr. 22, 1993]

§ 210.7 Financial institutions.

(a) A financial institution's execution of actions required of it in connection with an enrollment shall constitute its agreement to the terms of this part with respect to each payment received by it pursuant to the enrollment. Regardless of whether it has executed an enrollment, a financial institution's acceptance and handling of a payment issued pursuant to this part shall constitute its agreement to the provisions of this part.

(b) A financial institution in executing an enrollment shall be responsible for:

(1) The completeness and accuracy of the data provided by it with respect to the enrollment, and

(2) Verifying that the account number entered by the recipient during enrollment corresponds to an account bearing the name of the recipient.

(c) A financial institution wishing to terminate an enrollment shall do so by giving written notice to the recipient. The termination shall become effective 30 days after the financial institution has sent the notice to the recipient. However, terminations for reasons of fraud shall be effective immediately.

(d) A financial institution receiving a nonbenefit (except Federal salary) payment instruction under this part shall credit the amount of the payment to the designated account of the recipient on its books, and it shall make the amount available on the payment date. In the case of a Federal Government salary or benefit payment instruction, the financial institution shall make the amount of the payment available for withdrawal not later than the opening of business on the payment date. *Available* in this paragraph means accessible through any means of access provided by a financial institution to its customers for the recipients' type of account, for example, automated teller machines owned by the financial institution, or automatic transfers from the recipient's account. If the payments or any related information received by the financial institution from a Federal Reserve Bank do not balance; are incomplete; are clearly erroneous on their face; or are incapable of being processed, the financial institution, after assuring itself that neither it nor any of its agents are responsible, shall immediately notify the Federal Reserve Bank in order that it may deliver corrected information to the financial institution.

(e) A financial institution receiving a payment under this part shall credit the amount of the payment to the account specified in the payment instruction. If the financial institution is unable to credit the amount of the payment to the account indicated in the payment instruction because, for example, such an account does not exist on its books, or because in processing the payment it has reason to believe the account indicated in the payment instruction is not the account designated by the recipient, it shall either:

(1) Return the payment to the Federal Reserve Bank with a statement identifying the reason therefor; or

(2) Credit the amount of the payment to the account designated by the recipient.

A credit to any other account by a financial institution shall constitute a breach of its warranty made by reason of paragraph (i) of this section.

(f) A financial institution shall immediately return to the Federal Government through the Federal Reserve Bank any payment received by the financial institution:

(1) After termination of the enrollment pursuant to § 210.4(c)(2) and before the execution of a new enrollment;

(2) After termination of the enrollment pursuant to § 210.7(c) has become effective;

(3) After the financial institution learns of the death or legal incapacity of the recipient, or the death of the beneficiary, of a benefit payment, regardless of whether or not notice has been received from the Federal Government; or

(4) After the closing of the recipient's account.

(g) A financial institution to which a payment is sent under this part does not thereby become a Federal Government depositary and shall not advertise itself as one because of that fact.

(h) If any change in account numbers permitted by § 210.4(f) is made by a financial institution, the financial institution shall be liable to the recipient for any lost or late payment caused by the financial institution's actions in processing the change.

(i) Each financial institution by its action of handling a payment under this part shall be deemed to warrant to the Federal Government that it has handled the payment in accordance with the requirements of this part. In addition to the liability which may be imposed pursuant to § 210.11, if the foregoing warranty is breached, the financial institution shall be liable to the Federal Government for any loss sustained by the Federal Government, but only to the extent that the loss was the result of the breach. Except as provided in this section §§ 210.10(b) and 210.11, a financial institution shall not be liable under this part to any party for its handling of a payment.

[52 FR 2406, Jan. 22, 1987, as amended at 54 FR 20570, May 12, 1989]

§ 210.8 Prenotification.

(a) Regardless of whether it has participated in an enrollment, a financial institution's acceptance and handling of a prenotification or a payment issued pursuant to this part shall constitute its agreement to the provisions of this part.

(b) At the discretion of the Service, a prenotification may be originated for any ACH payment.

(c) The financial institution shall respond to the prenotification message by midnight of the banking day following the banking day of receipt of such prenotification if the information contained in the message does not agree with the corresponding record of the financial institution, or if for any reason the financial institution will not be able to credit the payment in accordance with this part.

(d) If a financial institution does not respond to a prenotification message within the specified time period, the financial institution shall be deemed to have accepted the prenotification and to have warranted to the Federal Government that it shall make the payment available on time to the account specified in the prenotification.

[54 FR 20570, May 12, 1989]

§ 210.9 Timeliness of action.

If, because of circumstances beyond its control, action by the Federal Government, a Federal Reserve Bank, or a financial institution is delayed beyond the time prescribed for the action (including the payment date) by this part, by the operating circulars of the Federal Reserve Banks, or by applicable law, the time within which the action shall be completed shall be extended for such time after the cause of the delay ceases to operate as shall be necessary to take or complete the action, provided the Federal Government, the Federal Reserve Bank, or the financial institution exercises such diligence as the circumstances require.

[52 FR 2406, Jan. 22, 1987, redesignated at 54 FR 20570, May 12, 1989]

§ 210.10 Liability of, and acquittance to, the United States.

(a) The United States shall be liable to a recipient for the failure to credit the proper amount of a payment to the appropriate account of the recipient as required by this part. This liability shall be limited to the amount of the payment.

(b) The United States shall be liable to the financial institution, up to the amount of the payment, for a loss sustained by the financial institution as a result of its crediting the amount of the payment to the account specified in the payment instruction, if the financial institution has handled the payment in accordance with this part. The foregoing does not extend to benefit payments received by the financial institution after the death or legal incapacity of the recipient or death of the beneficiary, in which event § 210.11 shall govern.

(c) The crediting of the amount of a payment to the appropriate account of a recipient on the books of the appropriate financial institution shall constitute a full acquittance to the United States for the amount of the payment.

[52 FR 2406, Jan. 22, 1987. Redesignated at 54 FR 20570, May 12, 1989]

§ 210.11 Fraud.

(a) The False Claims Act, 31 U.S.C. 3729, *et seq.*, provides for the recovery of damages and a civil penalty from any person who knowingly presents to the Federal Government, or causes to be presented, a false or fraudulent claim for payment, or uses a false record or statement in connection with such a claim. In addition, criminal penalties are provided in 18 U.S.C. 1001 for knowingly making false or fraudulent statements or representations to agencies of the Federal Government, and in 18 U.S.C. 1002 for knowingly possessing false documents for the purpose of enabling another to receive a payment from the Federal Government. These provisions are in addition to the Federal Government's remedies under common law.

(b) A financial institution shall verify the identity of any person who initiates and executes an enrollment through such financial institution. The Federal Government shall verify the identity of any person who presents an enrollment to the Federal Government without prior review or execution by a financial institution. A financial institution that executes an enrollment in which the recipient's or beneficiary's signature is forged or other information is falsified shall be liable to the Federal Government for all payments made in reliance thereon, except for the case where the beneficiary was deceased at the time the recipient executed the enrollment and if the financial institution had no knowledge of the beneficiary's death. However, once the financial institution has provided written or electronic notice to the program agency that a payment certified by the program agency has not been received by the correct recipient or beneficiary, it shall not be liable for any payments based on the forged, false, or fraudulent information which are certified for payment after the date such written or electronic notice is received by the program agency.

[52 FR 2406, Jan. 22, 1987. Redesignated and amended at 54 FR 20570, May 12, 1989; 54 FR 50618, Dec. 8, 1989]

Subpart B—Repayment of Benefit Payments

SOURCE: 52 FR 2406, Jan. 22, 1987, unless otherwise noted. Redesignated at 54 FR 50618, Dec. 8, 1989.

§ 210.12 Death or legal incapacity of recipients or death of beneficiaries.

(a) A financial institution shall be liable to the Federal Government for the total amount of all benefit payments received after the death or legal incapacity of the recipient or the death of the beneficiary, except as provided in paragraph (f) of this section. However, a financial institution may limit its liability if the financial institution did not have knowledge of the death or legal incapacity at the time of the deposit or withdrawal of any of the benefit payments made after the death or legal incapacity, and if it fulfills the requirements of this section and those of §§ 210.12 and 210.13.

(b) Except as provided in paragraph (f) of this section, if limitation of liability is available to a financial institution under this part, the amount of its liability shall be:

(1) An amount equal to the amount in the recipient's or beneficiary's account as defined in § 210.12(b)(2)(i), plus.

(2) An amount equal to the benefit payments received by the financial institution within 45 days after the death or legal incapacity of the recipient or the death of the beneficiary; *Provided*,

that the financial institution will be liable only for the 45-day amount to the extent described in § 210.12(d).

(c) Although a financial institution shall be liable for an amount equal to the amount in the recipient's or beneficiary's account, plus the amount of benefit payments received within 45 days after the death or legal incapacity of the recipient or the beneficiary, this part does not authorize or direct a financial institution to debit the account of any customer, living or deceased, including that of the recipient or beneficiary, for the financial institution's liability to the Federal Government under this part. The amount in the recipient's or beneficiary's account is only a measure of the financial institution's liability. Nothing in this part shall be construed to affect any right a financial institution may have under State law or the financial institution's contract with a customer to recover from the customer's account an amount returned to the Federal Government in compliance with this part.

(d) A financial institution shall be deemed to have knowledge of the death or legal incapacity of the recipient or beneficiary when it is brought to the attention of a financial institution employee who handles benefits payments, or when it would have been brought to that person's attention if the financial institution had exercised due diligence. The financial institution will be considered to have exercised due diligence only if it maintains procedures under which, once it learns of the death of a depositor, it determines whether its deceased depositor is a recipient or beneficiary of benefit payments under this part, and immediately communicates such information to the appropriate employees, and it complies with such procedures. This obligation does not impose a duty on a financial institution to learn of the deaths of its customers by searching obituaries or any other means, unless it does so for purposes other than its participation in the payment system governed by this part.

(e) A financial institution that fails to comply timely with the collection procedures set forth in § 210.12 or the Notice to Account Owners requirement of § 210.13 may not limit its liability in accordance with paragraph (a) of this section.

(f) A financial institution will not be liable under this part for benefit payments made after the death of a beneficiary if the beneficiary was deceased at the time the recipient executed an enrollment and if the financial institution had no knowledge of the beneficiary's death.

§ 210.13 Collection procedures.

The amount for which the financial institution is liable under § 210.11 shall be collected as follows:

(a) For each type of benefit payment, the Federal Government will send a Notice of Reclamation to the financial institution. The Notice of Reclamation will identify benefit payments sent to the financial institution for credit to the account of a recipient or beneficiary which should have been returned by the financial institution because of the death or legal incapacity of a recipient or the death of a beneficiary.

(b) Upon receipt of the Notice of Reclamation, the financial institution must do one of the following:

(1) If the financial institution had knowledge of the death or legal incapacity and did not immediately return to the Federal Government all benefit payments received after it acquired that knowledge, the financial institution shall immediatelly return to the Federal Government an amount equal to the outstanding total of benefit payments listed on the notice that it received after it learned of the death. With respect to any benefit payments received prior to learning of the death that have not been returned, the financial institution shall certify on the Notice of Reclamation the date it learned of the death and follow the procedure in paragraph (b)(2) of this section.

(2) If the financial institution had no knowledge of the death or legal incapacity at the time any benefit payments made after the death or legal incapacity were credited to the recipient's or beneficiary's account, an appropriate official of the financial institution shall certify on the Notice of Reclamation that it had no knowledge of the death or legal incapacity and

fully complete the Notice of Reclamation in accordance with its instructions and do the following:

(i) The financial institution shall return to the Federal Government both the executed Notice of Reclamation and an amount equal to the amount in the account or the outstanding total, whichever is less. The amount in the account is the balance when the financial institution has received the Notice of Reclamation and has had a reasonable time to take action based on its receipts, plus any additions to the account balance made before the financial institution returns the completed Notice of Reclamation to the Federal Government. For the purposes of this paragraph, action is taken within a reasonable time if it is taken not later than the close of business day following the receipt of the Notice of Reclamation.

(ii) If the amount returned is less than the amount requested in the notice, the financial institution shall include with the Notice of Reclamation the name and the most current address on its records of any person(s) who withdrew funds from the account after the death or legal incapacity. If the financial institution is unable to supply the name(s) of the withdrawer(s), it shall provide the names and most current addresses on its records of any co-owners of the account or other persons authorized to withdraw. If it is unable to supply the names or addresses of the withdrawers or co-owners, it shall state the reason for its inability on the Notice of Reclamation.

(3) If the Federal Government issues a second or subsequent Notice of Reclamation for the same type of payment for the same recipient or beneficiary, the financial institution shall be liable with respect to such second or subsequent Notice only for an amount equal to the amount in the account at the time it receives a second or subsequent Notice of Reclamation, plus any further additions to the account balance up to the date it returns these subsequent Notices of Reclamation. For a second or subsequent Notice of Reclamation for the same type of payment for the same recipient or beneficiary, the financial institution shall not be liable for an amount in excess of the amount determined under the first sentence of this paragraph, attributable to benefit payments received within 45 days after the death or legal incapacity if it complied properly and timely to the first Notice of Reclamation.

(c) If the Federal Government does not receive a response to the Notice of Reclamation within 30 days, it will issue a follow-up to ensure that the original Notice of Reclamation was received. If the Federal Government does not receive from the financial institution the fully completed and properly executed Notice of Reclamation along with the amount due under § 210.11(b)(1) within 60 days of the issue date of the original Notice of Reclamation, the financial institution shall be liable for the outstanding total listed on the Notice of Reclamation. Following the sixtieth day after the date of the original Notice of Reclamation, the Federal Government will instruct the appropriate Federal Reserve Bank to debit the account utilized by the financial institution for receipt of benefit payments in the amount of the outstanding total. By receiving benefit payments under this part, the financial institution is deemed to authorize this debit. The Federal Reserve Bank will provide advice of the debit to the financial institution.

(d) After the financial institution has paid to the Federal Government an amount equal to the amount in the recipient's account as provided in § 210.11(b)(1), if the program agency is unable to collect the entire outstanding total from the withdrawer(s), the financial institution shall be liable for an additional amount equal to the benefit payment received by it within 45 days after the death or legal incapacity, or the balance of the outstanding total, whichever is less. The Federal Government will instruct the appropriate Federal Reserve Bank to debit the account utilized by the financial institution for receipt of benefit payments in the amount of the outstanding total. By receiving benefit payments under this part, the financial institution is deemed to authorize this debit. The Federal Reserve Bank will provide advice of the debit to the financial institution.

(e) Immediately upon learning of the death or legal incapacity regardless of whether there has been notification from the Federal Government, the financial institution shall return to the Federal Government any further benefit payments it receives and notify the Federal Government that it has learned of the death or legal incapacity in order that the above collection procedures can be commenced. See § 210.7(f)(3).

§ 210.14 Notice to Account Owners of collection action.

(a) Upon receipt by a financial institution of the Notice of Reclamation as described in § 210.12(a), the financial institution shall immediately mail to the current address(es) of the account owner(s) of record a copy of the Notice to Account Owners included with the Notice of Reclamation.

(b) The financial institution shall indicate with the Notice to Account Owners any action it has taken or intends to take with respect to the recipient's or beneficiary's account in connection with the Federal Government's collection action against the financial institution.

(c) The financial institution is not authorized by this part to debit the account of any party or to deposit any funds from any account in a suspense account or escrow account or the equivalent. If such action is taken, it must be under authority of State law or the financial institution's contract with its depositor(s).

(d) The financial institution's liability under this part is not affected by any action taken by it to recover from any party the amount of the financial institution's liability to the Federal Government.

(e) Failure to mail the Notice to Account Owners, or failure to certify on the Notice of Reclamation that it has done so, shall result in the forfeiture by the financial institution of its ability under this part to limit its liability. See § 210.11(e).

§ 210.15 Erroneous death information.

(a) In the event that the financial institution is advised that the Federal Government's information that the recipient or beneficiary is deceased is incorrect, or that the date of death is incorrect, the financial institution shall certify the correct information to the Federal Government by one of the following means:

(1) Certify on the ''Notice of Reclamation'' that the person whose name is reflected on the notice is alive, or that the date of death is incorrect, and that the financial institution took prudent measures to assure that the person was alive or that the date of death was erroneous. Prudent measures to assure that the person was alive include, but are not limited to, the named person providing the financial institution adequate identification, or obtaining through a third person a signed, dated and notarized statement from the named person. Prudent measures to assure the correct date of death include obtaining a death certificate.

(2) If there is any question regarding the sufficiency of the evidence presented to demonstrate that the date or fact of death is incorrect, the individual presenting the evidence should be referred by the financial institution to the agency making the payment, e.g., the Social Security Administration or the Veterans Administration. The agency will certify in writing to the financial institution the corrected information. The financial institution shall then return the agency's certification with the Notice of Reclamation.

(b) If the Federal Government's informaion that the recipient or beneficiary is deceased is in error, the financial institution shall be relieved of its liability, and shall no longer be subject to collection procedures under this part, if an accurate certification in accordance with paragraph (a) of this section is received by the Federal Government, on or with a properly completed Notice of Reclamation, within 60 days of the date of the original Notice of Reclamation to the financial institution.

(c) If the date of the death on the Notice of Reclamation is in error, the financial institution shall be relieved of an appropriate part of its liability if an accurate certification in accordance with paragraph (a) of this section is received by the Federal Government, on or with properly completed Notice of Reclamation, within 60 days of the date

of the original Notice of Reclamation to the financial institution. In that event, the financial institution shall adjust the outstanding total on the Notice of Reclamation to exclude benefit payments made before the corrected date of death. The financial institution shall include an explanation of the adjustment with the Notice of Reclamation. If correction of an error relating to the date of death shown on the Notice of Reclamation would result in additional payments being due to the Federal Government, the financial institution shall so notify the Federal Government when it returns the Notice of Reclamation.

(d) If after the financial institution has returned to the Federal Government a completed Notice of Reclamation and had made payment of its liability, the financial institution learns that the fact of death or date of death was in error, it should bring the information to the attention of the agency which made the benefit payments, e.g., the Social Security Administration or the Railraod Retirement Board. The agency will refund to the financial institution, without interest, the appropriate amount of funds paid by the financial institution pursuant to §210.12, including funds debited from its Federal Reserve account under §210.12 (c) or (d).

[52 FR 2406, Jan. 22, 1987; 52 FR 3917, Feb. 6, 1987. Redesignated at 54 FR 50618, Dec. 8, 1989]

Subpart C—Discretionary Salary Allotments

SOURCE: 54 FR 20571, May 12, 1989, unless otherwise noted.

§210.16 General.

This subpart applies only to discretionary allotments. This regulation does not supersede, and shall not be used to circumvent, the requirements of particular statutes, Executive orders or other executive branch regulations; for example, see Office of Personnel Management regulations at 5 CFR part 550, subpart C implementing 5 U.S.C. 5525. Savings allotments are governed under the regulations at 31 CFR part 209.

§210.17 Criteria and standards.

(a) Discretionary allotments may be made for any purpose determined appropriate by the head of an agency and which are consistent with subchapter III of chapter 55 of title 5, United States Code, and part 550, subpart C of chapter 1 of title 5, Code of Federal Regulations.

(b) Discretionary allotment payments shall be made in accordance with the schedule established by the program agency, provided such allotment payments are not issued until the related earnings have accrued.

§210.18 Method of payment.

(a) Payment of discretionary allotments shall be made following the policy and procedures outlined in 31 CFR part 210, subpart A.

(b) Discretionary allotments shall be made available by the allotter to the recipient on the payment date in accordance with §210.7(d).

PART 211—DELIVERY OF CHECKS AND WARRANTS TO ADDRESSES OUTSIDE THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS

Sec.

211.1 Withholding delivery of checks.
211.2 Claims for the release of withheld checks or for the proceeds thereof.
211.3 Exceptions.
211.4 Implementing instructions.

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321 and 3329.

§211.1 Withholding delivery of checks.

(a) It is hereby determined that postal, transportation or banking facilities in general or local conditions in the Republic of Cuba, Democratic Kampuchea, and the Democratic People's Republic of Korea (North Korea) are such that there is not a reasonable assurance that a payee in those areas will actually receive checks or warrants drawn against funds of the United States, or agencies or instrumentalities thereof, and be able to negotiate the same for full value.

(b) A check or warrant intended for delivery in any of the areas named in paragraph (a) of this section shall be withheld unless the check or warrant is

specifically released by the Secretary of the Treasury.

(c) Before a check or warrant drawn against funds blocked pursuant to the provisions of Executive Order No. 8389 (3 CFR, 1943 Cum. Supp.), as amended, and which remain blocked under the proviso clause of General License No. 101 of the Foreign Funds Control Regulations (31 CFR 520.101) may be released, it will be necessary for a license authorizing the release to be issued by the Department of the Treasury, Office of Foreign Assets Control, pursuant to E.O. 8389, as amended. In this regard, attention is also directed to the following regulations issued by the Secretary of the Treasury:

(1) The Foreign Assets Control Regulations issued on December 17, 1950 (31 CFR part 500), pursuant to Executive Order 9193 (3 CFR, 1943 Cum. Supp.), which prohibit transactions involving payments to nationals of the Democratic People's Republic of Korea (North Korea), the Socialist Republic of Vietnam, and Democratic Kampuchea, except to the extent that any such payments have been authorized by appropriate license,

(2) The Cuban Assets Control Regulations issued on July 8, 1963 (31 CFR part 515), pursuant to the same authority, which prohibit similar transactions with nationals of Cuba unless licensed, and

(3) The Iranian Assets Control Regulations issued on November 14, 1979 (31 CFR part 535), as amended on April 17, 1980, pursuant to Executive Orders 12170 and 12211, which prohibit transactions in property of the Iranian Government or its instrumentalities and transfers of funds to persons in Iran, except as authorized by appropriate license.

(d) Powers of attorney for the receipt or collection of checks or warrants or for the proceeds of checks or warrants included within the determination of the Secretary of the Treasury set forth in paragraph (a) of this section will not be recognized.

[41 FR 15847, Apr. 15, 1976, as amended at 44 FR 51568, Sept. 4, 1979; 45 FR 47678, July 16, 1980; 61 FR 41739, Aug. 12, 1996]

§ 211.2 Claims for the release of withheld checks or for the proceeds thereof.

Claims for the release of checks or warrants withheld from delivery or for the proceeds thereof, shall be filed with the administrative agency which would have originally authorized such issuance, e.g., claims arising out of checks or warrants representing payments under laws administered by the Department of Veterans Affairs shall be filed with the Secretary of Veterans Affairs, Department of Veterans Affairs, Washington, DC 20420.

[61 FR 41739, Aug. 12, 1996]

§ 211.3 Exceptions.

The regulations of this part do not apply to payments to foreign governments, nor to checks or warrants issued in payment of salaries or wages, or for goods or services purchased by the Government of the United States in foreign countries, unless such payments are subject to the Foreign Funds Control Regulations (31 CFR part 520), the Foreign Assets Control Regulations (31 CFR part 500), the Cuban Assets Control Regulations (31 CFR part 515), or the Iranian Assets Control Regulations (31 CFR part 535).

[45 FR 47678, July 16, 1980]

§ 211.4 Implementing instructions.

Implementing instructions will be issued in Part IV, ''Disbursing,'' of the Treasury Fiscal Requirements Manual for Guidance of Departments and Agencies.

[41 FR 15847, Apr. 15, 1976]

PART 215—WITHHOLDING OF DISTRICT OF COLUMBIA, STATE, CITY AND COUNTY INCOME OR EMPLOYMENT TAXES BY FEDERAL AGENCIES

Subpart A—General Information

Sec.
215.1 Scope of part.
215.2 Definitions.

Subpart B—Procedures

215.3 Relationship of Standard Agreement to existing agreements.

215.4 Procedures for entering into a Standard Agreement.
215.5 Procedures for an agreement other than a Standard Agreement.

Subpart C—Standard Agreement

215.6 In general.
215.7 Parties.
215.8 Compliance by agencies.
215.9 Withholding certificates.
215.10 Change of legal residence by members of the Armed Forces.
215.11 Agency withholding procedures.
215.12 Miscellaneous provisions.
215.13 Supersession, amendment and termination provisions.

AUTHORITY: 5 U.S.C. 5516, 5517, and 5520 and section 4 of Executive Order 11997, June 22, 1977 (42 FR 31759).

SOURCE: 42 FR 33731, July 1, 1977, unless otherwise noted.

Subpart A—General Information

§ 215.1 Scope of part.

This part relates to agreements between the Secretary of the Treasury and States (including the District of Columbia), cities or counties for withholding of State, city or county income or employment taxes from the compensation of civilian Federal employees, and for the withholding of State income taxes from the compensation of members of the Armed Forces. Subpart A contains general information and definitions. Subpart B prescribes the procedures to be followed in entering into an agreement for the withholding of State, city or county income or employment taxes. Subpart C is the Standard Agreement which the Secretary will enter into with any State, city or county which qualifies to have tax withheld. Requests for deviations from this Standard Agreement will be agreed to by the Secretary only if the State, city or county's unique circumstances require it.

§ 215.2 Definitions.

As used in this part:

(a) *Agency* means each of the executive agencies and military departments (as defined in 5 U.S.C. 105 and 102, respectively) and the United States Postal Service; and in addition, for city or county withholding purposes only, all elements of the judicial branch.

(b) *City* means any unit of general local government.

(1) Which:

(A) Is classified as a municipality by the United States Bureau of the Census, or

(B) Is a town or township which, in the determination of the Secretary of the Treasury,

(i) Possesses powers and performs functions comparable to those associated with municipalities,

(ii) Is closely settled, and

(iii) Contains within its boundaries no incorporated places as defined by the United States Bureau of the Census; and

(2) Within the political boundaries of which five hundred or more persons are regularly employed by all agencies of the Federal Government.

(c) *City income or employment taxes* means any form of tax for which, under a city ordinance:

(1) Collection is provided by imposing on employers generally the duty of withholding sums from the pay of employees and making returns of the sums to a designated city officer, department, or instrumentality; and

(2) The duty to withhold generally is imposed on the payment of compensation earned within the jurisdiction of the city in the case of employees whose regular place of employment is within such jurisdiction. Whether the tax is described as an income, wage, payroll, earnings, occupational license, or otherwise, is immaterial.

(d) *Compensation* as applied to employees of an agency and members of the Armed Forces means *wages* as defined in 26 U.S.C. 3401(a) and regulations issued thereunder.

(e) *County* means any unit of local general Government which is classified as a county by the Bureau of the Census and within the political boundaries of which 500 or more persons are regularly employed by all agencies of the Federal Government.

(f) *County income or employment taxes* means any form of tax for which, under a county ordinance:

(1) Collection is provided by imposing on employers generally the duty of withholding sums from the pay of employees and making returns of the

sums to a designated county officer, department, or instrumentality; and

(2) The duty to withhold generally is imposed on the payment of compensation earned within the jurisdiction of the country in the case of employees whose regular place of employment is within such jurisdiction. Whether the tax is described as an income, wage, payroll, earnings, occupational license, or otherwise, is immaterial.

(g) *District of Columbia income tax* means the income tax imposed under 47 District of Columbia Code, chapter 15, subchapter II.

(h)(1) *Employees* for the purpose of State income tax withholding, means all employees of an agency, other than members of the armed forces. For city and county income or employment tax withholding, it means:

(i) Employees of an agency;

(ii) Members of the National Guard, participating in exercises or performing duty under 32 U.S.C. 502; or

(iii) Members of the Ready Reserve, participating in scheduled drills or training periods, or serving on active duty for training under 10 U.S.C. 270(a).

The term does not include retired personnel, pensioners, annuitants, or similar beneficiaries of the Federal Government, who are not performing active civilian service or persons receiving remuneration for services on a contract-fee basis.

(2) *Employees* for purposes of District of Columbia income tax withholding, means employees as defined in 47 District of Columbia Code 1551c(z).

(i) *Members of the Armed Forces* means all individuals in active duty status (as defined in 10 U.S.C. 101(22)) in regular and reserve components of the Army, Navy, Air Force, Marine Corps, and Coast Guard, including members of the National Guard while participating in exercises or performing duty under 32 U.S.C. 502, and members of the Ready Reserve while participating in scheduled drills or training periods or serving on active duty for training under 10 U.S.C. 270(a).

(j) *Ordinance* means an ordinance, order, resolution, or similar instrument which is duly adopted and approved by a city or county in accordance with the constitution and statutes of the state in which it is located and which has the force of law within such city or county.

(k) *Regular place of Federal employment* means the official duty station, or other place, where an employee actually and normally (i.e., other than in a travel or temporary duty status) performs services, irrespective of residence.

(l) *Secretary* means Secretary of the Treasury and Fiscal Assistant Secretary or his designee.

(m) *State* means a State of the United States or the District of Columbia, unless otherwise specified.

(n) *State income tax* means any form of tax for which, under a State status:

(1) Collection is provided, either by imposing on employers generally the duty of withholding sums from the compensation of employees and making returns of such sums to the State or by granting to employers generally the authority to withhold sums from the compensation of employees, if any employee voluntarily elects to have such sums withheld; and

(2) The duty to withhold generally is imposed, or the authority to withhold generally is granted, with respect to the compensation of employees who are residents of such State.

[42 FR 33731, July 1, 1977, as amended at 55 FR 3590, Feb. 2, 1990; 55 FR 7494, Mar. 2, 1990]

Subpart B—Procedures

§ 215.3 Relationship of Standard Agreement to existing agreements.

(a) Subpart C of this part is the Standard Agreement which the Secretary will enter into with a State, city or county. This Standard Agreement replaces all prior agreements between the Secretary and the State or city covering the withholding of income or employment taxes from the compensation of Federal employees. The Standard Agreement is essentially the same as the prior agreements. A State of city which currently is a party to an agreement with the Secretary covering the withholding of income or employment taxes from the compensation of Federal employees does not need to apply for a new agreement under this part. A State or city currently a party to an agreement will be presumed to have consented to be

bound by the terms of the Standard Agreement (subpart C). If a State or city, which is currently a party, does not want to be bound by the Standard Agreement, it shall notify the Fiscal Assistant Secretary, Department of the Treasury, Washington, DC 20220, in writing over the signature of an officer authorized to bind contractually the State or city within 90 days of the effective date of this part. The procedures of §215.5 shall be followed by a State or city which proposes to be bound by an agreement other than the Standard Agreement.

(b) The effective date for the replacement of existing State or city Standard Agreements by the Standard Agreement appearing as subpart C of this part is the effective date of this part. For current other-than-Standard-Agreements, it is 120 days after the effective date of this part unless an earlier effective date is specifically agreed to or a new agreement which is other than the Standard Agreement of subpart C, is entered into as provided in this subpart.

§215.4 Procedures for entering into a Standard Agreement.

(a) A State, city or county which does not have an existing agreement and wishes to enter into a Standard Agreement shall indicate in a letter its agreement to be bound by the provisions of subpart C. The letter shall be addressed to the Fiscal Assistant Secretary, Department of the Treasury, Washington, DC 20220, and be signed by an officer authorized to bind contractually the State, city or county. Copies of all applicable State laws, city or county ordinances and implementing regulations, instructions, and forms shall be enclosed. The letter shall also indicate the title and address of the official whom Federal agencies may contact to obtain forms and other information necessary to implement withholding.

(b) Within 120 days of the receipt of the letter from the State, city or county official, the Fiscal Assistant Secretary will, by letter, notify the State, city or county:

(1) That the Standard Agreement has been entered into as of the date of the Fiscal Assistant Secretary's letter, or

(2) That an agreement cannot be entered into with the State, city or county and the reasons for that determination.

The withholding of the State, city or county income or employment tax shall commence within 90 days after the effective date of the agreement.

§215.5 Procedures for an agreement other than a Standard Agreement.

(a) If a State, city or county proposes an agreement which varies from the Standard Agreement, the State, city or county shall follow the procedure in §215.4(a), except that its letter shall indicate which provisions of the Standard Agreement are not acceptable and the basis therefor, and propose substitute provisions.

(b) Within 60 days of the receipt of the letter from the State, city or county official, the Fiscal Assistant Secretary will notify the State, city or county which substitute provisions may be included in the agreement. The State, city or county shall, by letter, notify the Fiscal Assistant Secretary if it accepts such an agreement. When accepted by the State, city or county the effective date of that agreement shall be the date such acceptance letter is received by the Fiscal Assistant Secretary. The withholding of the State, city or county income or employment tax shall commence within 90 days after the effective date of the agreement.

Subpart C—Standard Agreement

§215.6 In general.

This subpart is the text of the Standard Agreement between the Secretary and the State, city or county. The terms used in this agreement are defined in §215.2 of this part.

§215.7 Parties.

The parties to this agreement are the Secretary and the State, city or county which has entered into this agreement pursuant to 5 U.S.C. 5516, 5517, or 5520 and Executive Order 11997 (June 22, 1977).

§ 215.8 Compliance by agencies.

(a) In the case of an agreement with a State, the head of each agency is required to withhold State income taxes from the compensation of:

(1) Employees of such agency who are subject to such taxes and whose regular place of Federal employment is within the State, and

(2) Members of the Armed Forces who are subject to such taxes and who are legal residents of the State.

The foregoing is also applicable with respect to a State whose statutes permit but do not require withholding by employers, provided the employee voluntarily elects to have such tax withheld.

(b) In the case of an agreement with a city or county, the head of each agency is required to withhold city or county income or employment taxes from the compensation of any employee of the agency who is subject to the tax, and

(1) Whose regular place of Federal employment is within the city or county, or

(2) Is a resident of the city or county.

(c) In withholding taxes, the head of each agency, except as otherwise provided in this agreement, shall comply with the withholding provisions of the State, city or county income or employment tax statute, regulations, procedural instructions and reciprocal agreements related thereto.

(Pub. L. 95–365, 92 Stat. 599 (5 U.S.C. 5520))

[42 FR 33731, July 1, 1977, as amended at 44 FR 4670, Jan. 23, 1979]

§ 215.9 Withholding certificates.

Each agency may require employees or members of the Armed Forces under its jurisdiction to complete a withholding certificate in order to calculate the amount to be withheld. The agency shall use the withholding certificate which the State, city or county has prescribed. Where the State, city or county has not prescribed a certificate, the agency may use a certificate approved by the Department of the Treasury. The agency may rely on the information in the certificate. Copies of completed certificates shall be provided to the taxing authority by agencies upon request.

§ 215.10 Change of legal residence by members of the Armed Forces.

(a) In determining the legal residence of a member of the Armed Forces for tax withholding purposes, the head of an agency at all times may rely on the agency's current records, which may include a certificate of legal residence. The form of the certificate of legal residence shall be approved by the Department of the Treasury. A change of legal residence of a member of the Armed Forces shall become effective for tax withholding purposes only after a member of the Armed Forces completes a certificate indicating a new legal residence and delivers it to the agency.

(b) Heads of agencies shall notify the State of prior legal residence of the member of the Armed Forces involved on a monthly basis concerning the change of the member's legal residence. The notification shall include the name, social security number, current mailing address and the new legal residence of such member of the Armed Forces. The effective date of the change in legal residence shall also be included in the notification.

§ 215.11 Agency withholding procedures.

(a) State income tax shall be withheld only on the entire compensation of Federal employees and members of the Armed Forces. Nonresident employees, who under the State income tax law are required to allocate at least three-fourths of their compensation to the State, shall be subject to withholding on their entire compensation. Nonresident employees, who under the State income tax law are required to allocate less than three-fourths of their compensation to the State, may elect to:

(1) Have State income tax withheld on their entire compensation, or

(2) Have no income tax withheld on their compensation.

(b) In calculating the amount to be withheld from an employee's or a member's compensation, each agency shall use the method prescribed by the State income tax statute or city or county ordinance or a method which produces approximately the tax required to be withheld:

(1) By the State income tax statute from the compensation of each employee or member of the Armed Forces subject to such income tax, or

(2) By the city or county ordinance from the compensation of each employee subject to such income or employment tax.

(c) Where it is the practice of a Federal agency under Federal tax withholding procedure to make returns and payment of the tax on an estimated basis, subject to later adjustment based on audited figures, this practice may be applied with respect to the State, city of county income or employment tax where the agency has made appropriate arrangements with the State, city or county income tax authorities.

(d) Copies of Federal Form W–2, ''Wage and Tax Statement'', may be used for reporting withheld taxes to the State, city or county.

(e) Withholding shall not be required on wages earned but unpaid at the date of an employee's or member's death.

(f) Withholding of District of Columbia income tax shall not apply to pay of employees who are not residents of the District of Columbia as defined in 47 District of Columbia Code, chapter 15, subchapter II.

§ 215.12 Miscellaneous provisions.

Nothing in this agreement shall be deemed:

(a) To require collection by agencies of the United States of delinquent tax liabilities of Federal employees or members of the Armed Forces, or

(b) To consent to the application of any provision of law of the State, city or county which has the effect of:

(1) Imposing more burdensome requirements upon the United States than it imposes on other employers, or

(2) Subjecting the United States or any of its officers or employees to any penalty or liability, or

(c) To consent to procedures for withholding, filing of returns, and payment of the withheld taxes to a State, city or county that do not conform to the usual fiscal practices of agencies, or

(d) To permit withholding of a city or county tax from the pay of a Federal employee who is not a resident of, or whose regular place of Federal employment is not within, the State in which the city or county is located, unless the employee consents to the withholding, or

(e) To permit the withholding of city or county income or employment taxes from the pay of members of the Armed Forces of the United States, or

(f) To allow agencies to accept compensation from a State, city or county for services performed in withholding of State or city or county income or employment taxes.

(Pub. L. 95–365, 92 Stat. 599 (5 U.S.C. 5520))

[42 FR 33731, July 1, 1977, as amended at 44 FR 4670, Jan. 23, 1979]

§ 215.13 Supersession, amendment and termination provisions.

(a) This agreement supersedes any prior agreement between the Secretary of the Treasury and a State or city pursuant to 5 U.S.C. 5516, 5517, or 5520.

(b) This agreement shall be subject to any amendment of 5 U.S.C. 5516, 5517, 5520 or Executive Order 11997, and any rules and regulations issued prusuant to them and amendments thereto.

(c) This agreement may be terminated as to a specific State or city or county which is a party to this agreement by providing written notice to that effect to the Secretary at least 90 days prior to the proposed termination.

PART 223—SURETY COMPANIES DOING BUSINESS WITH THE UNITED STATES

Sec.

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AUTHORITY: 80 Stat. 379; 5 U.S.C. 301; 6 U.S.C. 8.

§ 223.1 Certificate of authority.

The regulations in this part will govern the issuance by the Secretary of the Treasury of certificates of authority to bonding companies to do business with the United States as sureties on, or reinsurers of, recognizances, stipulations, bonds, and undertakings, hereinafter sometimes called obligations, under the provisions of the Act of July 30, 1947 (61 Stat. 646, as amended; 6 U.S.C. 6–13), and the acceptance of such obligations from such companies so long as they continue to hold said certificates of authority.

[28 FR 1039, Feb. 2, 1963, as amended at 40 FR 6499, Feb. 12, 1975; 40 FR 8335, Feb. 27, 1975]

§ 223.2 Application for certificate of authority.

Every company wishing to apply for a certificate of authority shall address the Assistant Commissioner, Comptroller, Financial Management Service, U.S. Department of Treasury, Washington, DC 20226, who will notify the company of the data which the Secretary of the Treasury determines from time to time to be necessary to make application. In accord with 6 U.S.C. 8 the data will include a copy of the applicant's charter or articles of incorporation and a statement, signed and sworn to by its president and secretary, showing its assets and liabilities. A fee shall be transmitted with the application in accordance with the provisions of § 223.22(a)(i).

[34 FR 20188, Dec. 24, 1969, as amended at 37 FR 1232, Jan. 27, 1972; 40 FR 6499, Feb. 12, 1975; 43 FR 12678, Mar. 27, 1978; 49 FR 47002, Nov. 30, 1984]

§ 223.3 Issuance of certificates of authority.

(a) If, from the evidence submitted in the manner and form herein required, subject to the guidelines referred to in § 223.9 the Secretary of the Treasury shall be satisfied that such company has authority under its charter or articles of incorporation to do the business provided for by the Act referred to in § 223.1, and if the Secretary of the Treasury shall be satisfied from such company's financial statement and from any further evidence or information he may require, and from such examination of the company, at its own expense, as he may cause to be made, that such company has a capital fully paid up in cash of not less than $250,000, is solvent and financially and otherwise qualified to do the business provided for in said Act, and is able to keep and perform its contracts, he will, subject to the further conditions herein contained, issue a certificate of authority to such company, under the seal of the Treasury Department, to qualify as surety on obligations permitted or required by the laws of the United States to be given with one or more sureties, for a term expiring on the last day of June next following. The certificate of authority shall be renewed annually on the first day of July, so long as the company remains qualified under the law and the regulations in this part, and transmits to the Assistant Commissioner, Comptroller by March 1 each year the fee in accordance with the provisions of § 223.22(a)(3).

(b) If a company meets the requirements for a certificate of authority as an acceptable surety on Federal bonds in all respects except that it is a United States branch of a company not incorporated under the laws of the United States or of any State, or it is limited by its articles of incorporation or corporate charter to reinsure business only, it may be issued a certificate of authority as a reinsuring company on Federal bonds. The fees for initial application and renewal of a certificate as a reinsuring company shall be the same as the fees for a certificate of authority as an acceptable surety on Federal bonds.

[33 FR 8390, June 6, 1968, as amended at 34 FR 20188, Dec. 24, 1969; 37 FR 1232, Jan. 27, 1972; 40 FR 6499 Feb. 12, 1975; 40 FR 8335, Feb. 27, 1975; 42 FR 8637, Feb. 11, 1977; 43 FR 12678, Mar. 27, 1978; 43 FR 39089, Sept. 1, 1978; 49 FR 47002, Nov. 30, 1984]

§ 223.4 Deposits.

No such company will be granted authority to do business under the provisions of the act referred to in § 223.1 unless it shall have and maintain on deposit with the Insurance Commissioner. or other proper financial officer, of the State in which it is incorporated, or of any other State of the United States, for the protection of claimants, including all its policyholders in the United States, legal investments having a current market value of not less than $100,000.

[36 FR 9630, May 27, 1971]

§ 223.5 Business.

(a) The company must engage in the business of suretyship whether or not also making contracts in other classes of insurance, but shall not be engaged in any type or class of business not authorized by its charter or the laws of the State in which the company is incorporated. It must be the intention of the company to engage actively in the execution of surety bonds in favor of the United States.

(b) No bond is acceptable if it has been executed (signed and/or otherwise validated) by a company or its agent in a State where it has not obtained that State's license to do surety business. Although a company must be licensed in the State or other area in which it executes a bond, it need not be licensed in the State or other area in which the principal resides or where the contract is to be performed. The term *other area* includes the Canal Zone, District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

[40 FR 6499, Feb. 12, 1975]

§ 223.6 Requirements applicable to surety companies.

Every company now or hereafter authorized to do business under the act of Congress referred to in § 223.1 shall be subject to the regulations contained in this part.

[38 FR 22779, Aug. 24, 1973]

§ 223.7 Investment of capital and assets.

The cash capital and other funds of every such company must be safely invested in accordance with the laws of the State in which it is incorporated and will be valued on the basis set forth in § 223.9. The Secretary of the Treasury will periodically issue instructions for the guidance of companies with respect to investments and other matters. These guidelines may be updated from time to time to meet changing conditions in the industry.

[42 FR 8637, Feb. 11, 1977]

§ 223.8 Financial reports.

(a) Every such company will be required to file with the Assistant Commissioner, Comptroller on or before the last day of January of each year, a statement of its financial condition made up as of the close of the preceding calendar year upon the annual statement blank adopted by the National Association of Insurance Commissioners, signed and sworn to by its president and secretary.

On or before the last days of April, July and October of each year, every such company shall file a financial statement with the Assistant Commissioner, Comptroller as of the last day of the preceding month. A form is prescribed by the Treasury for this purpose. The quarterly statement form of the National Association of Insurance Commissioners when modified to conform to the Treasury's requirements, may be substituted for the Treasury's form. The quarterly statement will be signed and sworn to by the company's president and secretary or their authorized designees.

(b) Every such company shall furnish such other exhibits or information, and in such manner as the Secretary of the Treasury may at any time require.

[10 FR 2348, Mar. 1, 1945, as amended at 42 FR 8637, Feb. 11, 1977; 49 FR 47002, Nov. 30, 1984]

§ 223.9 Valuation of assets and liabilities.

In determining the financial condition of every such company, its assets and liabilities will be computed in accordance with the guidelines contained in the Treasury's current Annual Letter to Executive Heads of Surety Companies. However, the Secretary of the

Treasury may value the assets and liabilities of such companies in his discretion. Credit will be allowed for reinsurance in all classes of risks if the reinsuring company holds a certificate of authority from the Secretary of the Treasury, or has been recognized as an admitted reinsurer in accord with § 223.12.

[42 FR 8637, Feb. 11, 1977]

§ 223.10 Limitation of risk.

Except as provided in § 223.11, no company holding a certificate of authority shall underwrite any risk on any bond or policy on behalf of any individual, firm, association, or corporation, whether or not the United States is interested as a party thereto, the amount of which is greater than 10 percent of the paid-up capital and surplus of such company, as determined by the Secretary of the Treasury. That figure is hereinafter referred to as the underwriting limitation.

[34 FR 20188, Dec. 24, 1969]

§ 223.11 Limitation of risk: Protective methods.

The limitation of risk prescribed in § 223.10 may be complied with by the following methods:

(a) *Coinsurance.* Two or more companies may underwrite a risk on any bond or policy, the amount of which does not exceed their aggregate underwriting limitations. Each company shall limit its liability upon the face of the bond or policy, to a definite specified amount which shall be within its underwriting limitation.

(b) *Reinsurance.* (1) In respect to bonds running to the United States, liability in excess of the underwriting limitation shall be reinsured within 45 days from the date of execution and delivery of the bond with one or more companies holding a certificate of authority from the Secretary of the Treasury. Such reinsurance shall not be in excess of the underwriting limitation of the reinsuring company. Where reinsurance is contemplated, Federal agencies may accept a bond from the direct writing company in satisfaction of the total bond requirement even though it may exceed the direct writing company's underwriting limitation. Within the 45 day period, the direct writing company shall furnish to the Federal agency any necessary reinsurance agreements. However, a Federal agency may, at its discretion, require that reinsurance be obtained within a lesser period than 45 days, and may require completely executed reinsurance agreements in hand before making a final determination that any bond is acceptable. Reinsurance may protect bonds required to be furnished to the United States by the Miller Act (40 U.S.C. 270a through 270d) covering contracts for the construction, alteration, or repair of any public building or public work of the United States, as well as other types of Federal bonds. Use of reinsurance or coinsurance to protect such bonds is at the discretion of the direct writing company. Reinsurance shall be executed on reinsurance agreement forms (Standard Form 273 for Miller Act Performance bonds (formerly form No. TFS 6317), Standard Form 274 for Miller Act Payment bonds (formerly form No. TFS 6318), and Standard Form 275 for other types of Federal bonds (formerly form No. TFS 6319)). Federal bond-approving officers may obtain the forms by submitting a requisition in FEDSTRIP/MILSTRIP format to the General Services Administration regional office providing support to the requesting Government organization. In addition, the forms are available to authorized sureties and reinsurers from the Superintendent of Documents, Government Printing Office, Stop: SSMC, Washington, DC 20402.

(2) In respect to risks covered by bonds or policies not running to the United States, liability in excess of the underwriting limitation shall be reinsured within 45 days from the date of execution and delivery of the bond or policy with:

(i) One or more companies holding a certificate of authority from the Secretary of the Treasury as an acceptable surety on Federal bonds or one or more companies holding a certificate of authority as an acceptable reinsuring company on such bonds, or

(ii) One or more companies recognized as an admitted reinsurer in accord with § 223.12, or

(iii) A pool, association, etc., to the extent that it is composed of such companies, or

(iv) An instrumentality or agency of the United States which is permitted by Federal law or regulation to execute reinsurance contracts.

(3) No certificate-holding company may cede to a reinsuring company recognized under § 223.12 any risk in excess of 10 percent of the latter company's paid-up capital and surplus.

(c) *Other methods.* In respect to all risks other than Miller Act performance and payment bonds running to the United States, which must be coinsured or reinsured in accord with paragraph (a) or (b)(1) of this section respectively, the excess liability may otherwise be protected:

(1) By the deposit with the company in pledge, or by conveyance to it in trust for its protection, of assets admitted by the Treasury the current market value of which is at least equal to the liability in excess of its underwriting limitation, or

(2) If such obligation was incurred on behalf of or on account of a fiduciary holding property in a trust capacity, by a joint control agreement which provides that the whole or a sufficient portion of the property so held may not be disposed of or pledged in any way without the consent of the insuring company.

[34 FR 20188, Dec. 24, 1969, as amended at 40 FR 6499, Feb. 12, 1975; 41 FR 10605, Mar. 12, 1976; 42 FR 8637, Feb. 11, 1977; 43 FR 39089, Sept. 1, 1978]

§ 223.12 Recognition as reinsurer.

(a) *Application by U.S. company.* Any company organized under the laws of the United States or of any State thereof, wishing to apply for recognition as an admitted reinsurer (except on excess risks running to the United States) of surety companies doing business with the United States, shall file the following data with the Assistant Comptroller for Auditing and shall transmit therewith the fee in accordance with the provisions of § 223.22(a)(2):

(1) A certified copy of its charter or articles of incorporation, and

(2) A certified copy of a license from any State in which it has been authorized to do business, and

(3) A copy of the latest available report of its examination by a State Insurance Department, and

(4) A statement of its financial condition, as of the close of the preceding calendar year, on the annual statement form of the National Association of Insurance Commissioners, signed and sworn to by two qualified officers of the company, showing that it has a capital stock paid up in cash of not less than $250,000, in the case of a stock insurance company, or has net assets of not less than $500,000 over and above all liabilities, in the case of a mutual insurance company, and

(5) Such other evidence as the Secretary of the Treasury may determine necessary to establish that it is solvent and able to keep and perform its contracts.

(b) *Application by a U.S. branch.* A U.S. branch of an alien company applying for such recognition shall file the following data with the Assistant Commissioner, Comptroller and shall transmit therewith the fee in accordance with the provisions of § 223.22(a)(2):

(1) The submissions listed in paragraphs (a) (1) through (5) of this section, except that the financial statement of such branch shall show that it has net assets of not less than $250,000 over and above all liabilities, and

(2) Evidence satisfactory to the Secretary of the Treasury to establish that it has on deposit in the United States not less than $250,000 available to its policyholders and creditors in the United States.

(c) *Financial reports.* Each company recognized as an admitted reinsurer shall file with the Assistant Commissioner, Comptroller on or before the first day of March of each year its financial statement and such additional evidence as the Secretary of the Treasury determines necessary to establish that the requirements of this section

are being met. A fee shall be transmitted with the foregoing data, in accordance with the provisions of § 223.22(a)(4).

[34 FR 20189, Dec. 24, 1969, as amended at 37 FR 1232, Jan. 27, 1972; 40 FR 6499, Feb. 12, 1975; 43 FR 12678, Mar. 27, 1978; 49 FR 47002, Nov. 30, 1984]

§ 223.13 Full penalty of the obligation regarded as the liability; exceptions.

In determining the limitation prescribed in this part, the full penalty of the obligation will be regarded as the liability, and no offset will be allowed on account of any estimate of risk which is less than such full penalty, except in the following cases:

(a) Appeal bonds; in which case the liability will be regarded as the amount of the judgment appealed from, plus 10 percent of said amount to cover interest and costs.

(b) Bonds of executors, administrators, trustees, guardians, and other fiduciaries, where the penalty of the bond or other obligation is fixed in excess of the estimated value of the estate; in which cases the estimated value of the estate, upon which the penalty of the bond was fixed, will be regarded as the liability.

(c) Credit will also be allowed for indemnifying agreements executed by sole heirs or beneficiaries of an estate releasing the surety from liability.

(d) Contract bonds given in excess of the amount of the contract; in which cases the amount of the contract will be regarded as the liability.

(e) Bonds for banks or trust companies as principals, conditioned to repay moneys on deposit, whereby any law or decree of a court, the amount to be deposited shall be less than the penalty of the bond; in which cases the maximum amount on deposit at any one time will be regarded as the liability.

[Dept. Circ. 297, July 5, 1922]

§ 223.14 Schedules of single risks.

During the months of January, April, July, and October of each year every company will be required to report to the Secretary of the Treasury every obligation which it has assumed during the 3 months immediately preceding, the penal sum of which is greater than 10 percent of its paid up capital and surplus, together with a full statement of the facts which tend to bring it within the provisions of this part, on a form suitable for the purpose.

[Dept. Circ. 297, July 5, 1922]

§ 223.15 Paid up capital and surplus for Treasury rating purposes; how determined.

The amount of paid up capital and surplus of any such company shall be determined on an insurance accounting basis under the regulations in this part, from the company's financial statements and other information, or by such examination of the company at its own expense as the Secretary of the Treasury may deem necessary or proper.

[42 FR 8637, Feb. 11, 1977]

§ 223.16 List of certificate holding companies.

A list of qualified companies is published annually as of July 1 in Department Circular No. 570, Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies, with information as to underwriting limitations, areas in which licensed to transact surety business and other details. If the Secretary of the Treasury shall take any exceptions to the annual financial statement submitted by a company, he shall, before issuing Department Circular 570, give a company due notice of such exceptions. Copies of the Circular are available from the Assistant Commissioner, Comptroller upon request. Selection of a particular qualified company from among all companies holding certificates of authority is discretionary with the principal required to furnish bond.

[34 FR 20189, Dec. 24, 1969, as amended at 40 FR 6499, Feb. 12, 1975; 42 FR 8637, Feb. 11, 1977; 49 FR 47002, Nov. 30, 1984]

§ 223.17 Revocation.

Whenever it appears that a company is not complying with the requirements of 6 U.S.C. 6–13 and of the regulations in this part, the Secretary of the Treasury will:

(a) In all cases notify the company of the facts or conduct which indicate

such failure, and provide opportunity to the company to respond, and

(b) In those cases where the public interest in the constant financial stability of such a company allows, also provide opportunity to the company to demonstrate or achieve compliance with those requirements. The Secretary shall revoke a company's certificate of authority with advice to it if:

(1) The company does not respond satisfactorily to his notification of noncompliance, or

(2) The company, provided an opportunity to demonstrate or achieve compliance, fails to do so.

[34 FR 20189, Dec. 24, 1969. Redesignated at 38 FR 22779, Aug. 24, 1973, as amended at 42 FR 8637, Feb. 11, 1977]

§ 223.18 Performance of agency obligations.

(a) Every company shall promptly honor its bonds naming the United States or one of its agencies or instrumentalities as obligee. If an agency's demand upon a company on behalf of the agency or laborers, materialmen, or suppliers (on payment bonds), for payment of a claim against it is not settled to the agency's satisfaction, and the agency's review of the situation thereafter establishes that the default is clear and the company's refusal to pay is not based on adequate grounds, the agency may make a report to the Secretary of the Treasury, including a copy of the subject bond, the basis for the claim against the company, a chronological resume of efforts to obtain payment, a statement of all reasons offered for non-payment, and a statement of the agency's views on the matter.

(b) On receipt of such report from the Federal agency the Secretary will, if the circumstances warrant, notify the company concerned that the agency report may demonstrate that the company is not keeping and performing its contracts and that, in the absence of satisfactory explanation, the company's default may preclude the renewal of the company's certificate of authority, or warrant prompt revocation of the existing certificate. This notice will provide opportunity to the company to demonstrate its qualification for a continuance of the certificate of authority.

[34 FR 20189, Dec. 24, 1969. Redesignated at 38 FR 22779, Aug. 24, 1973, as amended at 42 FR 8638, Feb. 11, 1977]

§ 223.19 Informal hearing on agency complaints.

(a) *Request for informal hearing.* If a company determines that the opportunity to make known its views, as provided for under § 223.18(b), is inadequate, it may, within 20 business days of the date of the notice required by § 223.18(b), request, in writing, that the Secretary of the Treasury convene an informal hearing.

(b) *Purpose.* As soon as possible after a written request for an informal hearing is received, the Secretary of the Treasury shall convene an informal hearing, at such time and place as he deems appropriate, for the purpose of determining whether revocation of the company's certificate of authority is justified.

(c) *Notice.* The company shall be advised, in writing, of the time and place of the informal hearing and shall be directed to bring all documents, records and other information as it may find necessary and relevant to substantiate its refusal to settle the claims made against it by the Federal agency making the report under § 223.18(a).

(d) *Conduct of hearings.* The hearing shall be conducted by a hearing officer appointed by the Secretary. The company may be represented by counsel and shall have a fair opportunity to present any relevant material and to examine the agency's evidence. Formal rules of evidence will not apply at the informal hearing.

(e) *Report.* Within 30 days after the informal hearing, the hearing officer shall make a written report to the Secretary setting forth his findings, the basis for his findings, and his recommendations. A copy of the report shall be sent to the company.

[38 FR 22779, Aug. 24, 1973]

§ 223.20 Final decisions.

If, after review of the case file, it is the judgment of the Secretary that the complaint was unfounded, the Secretary shall dismiss the complaint by

the Federal agency concerned and shall so notify the company. If, however, it is the judgment of the Secretary that the company has not fulfilled its obligations to the complainant agency, he shall notify the company of the facts or conduct which indicate such failure and allow the company 20 business days from the date of such notification to demonstrate or achieve compliance. If no showing of compliance is made within the period allowed, the Secretary shall either preclude renewal of a company's certificate of authority or revoke it without further notice.

[38 FR 22779, Aug. 24, 1973, as amended at 42 FR 8638, Feb. 11, 1977]

§ 223.21 Reinstatement.

If, after one year from the date of the expiration or the revocation of the certificate of authority, under § 223.20 a company can show that the basis for the non-renewal or revocation has been eliminated and that it can comply with the requirements of 6 U.S.C. 6–13 and the regulations in this part, a new certificate of authority shall be issued without prejudice.

[38 FR 22779, Aug. 24, 1973, as amended at 42 FR 8638, Feb. 11, 1977]

§ 223.22 Fees for services of the Treasury Department.

(a) Fees shall be imposed an collected, for the services listed in paragraphs (a) (1) through (4) of this section which are performed by the Treasury Department, regardless of whether the action requested is granted or denied. The payee of the check or other instrument shall be the Financial Management Service, Treasury Department. The amount of the fee will be based on which of the following categories of service is requested:

(1) Examination of a company's application for a certificate of authority as an acceptable surety on Federal bonds or for a certificate of authority as an acceptable reinsuring company on such bonds (see § 223.2);

(2) Examination of a company's application for recognition as an admitted reinsurer (except on excess risks running to the United States) of surety companies doing business with the United States (see § 223.12(a) and (b));

(3) Determination of a company's continuing qualifications for annual renewal of its certificate of authority (see § 223.3); or

(4) Determination of a company's continuing qualifications for annual renewal of its authority as an admitted reinsurer (see § 223.12(c)).

(b) In a given year a uniform fee will be collected from every company requesting a particular category of service, e.g., determination of a company's continuing qualifications for annual renewal of its certificate of authority. However, the Treasury Department reserves the right to redetermine the amounts of fees annually. Fees are determined in accordance with Office of Management and Budget Circular A–25, as amended.

(c) Specific fee information may be obtained from the Assistant Commissioner, Comptroller at the address shown in § 223.2. In addition, a notice of the amount of a fee referred to in § 223.22(a) (1) through (4) will be published in the FEDERAL REGISTER as each change in such fee is made.

[43 FR 12678, Mar. 27, 1978, as amended at 49 FR 47001 and 47002, Nov. 30, 1984]

PART 224—FEDERAL PROCESS AGENTS OF SURETY COMPANIES

Sec.

224.1 Statutory provision.
224.2 Appointment of process agents.
224.3 Powers of attorney appointing process agents; with whom filed.
224.4 Power of attorney; form.
224.5 Process agents; termination of authority.
224.6 United States district courts; location of divisional offices.

AUTHORITY: 31 U.S.C. 9306.

§ 224.1 Statutory provision.

The rules and regulations in this part are prescribed for carrying into effect 31 U.S.C. 9306.

[61 FR 26840, May 29, 1996]

§ 224.2 Appointment of process agents.

(a) *Generally*. Companies should especially note that the law prohibits the doing of business under the provisions of this act beyond the State under whose laws it was incorporated and in

which its principal office is located until an agent is appointed to accept Federal process on behalf of the company. An agent for the service of Federal process should be appointed:

(1) In the district where the principal resides;

(2) In the district where the obligation is to be undertaken and performed; and

(3) Also in the District of Columbia where the bond is returnable and filed.

The appointment of process agents pursuant to a local State statute is not compliance with the Federal law. Although one and the same agent may serve under both the State and Federal appointments, he must, nevertheless, be especially designated to accept Federal process. It should also be noted that the agent so designated must reside within the jurisdiction of the court for the judicial district wherein such suretyship is to be undertaken, and must be citizen of the State, Territory, or District of Columbia in which such court is held. Consequently an agent residing in the northern district of New York could not at the same time serve as the company's Federal process agent for the southern district of that State.

(b) *Agent required in District of Columbia.* Every company must, immediately upon receipt of its initial authority from the Secretary of the Treasury, appoint a suitable person resident in the District of Columbia on whom may be served all lawful process issued by the Federal Courts in said district. This appointment is required whether or not the company contemplates the writing of bonds in favor of the United States to be undertaken within the District of Columbia.

(c) *Agent not required in State of incorporation where principal office is located.* The law does not require the appointment of Federal process agents for the State under whose laws the company is incorporated, and in which its principal office is located.

[17 FR 2605, Mar. 26, 1952]

§224.3 Powers of attorney appointing process agents; with whom filed.

The clerk of the United States district court at the main office in each judicial district must be furnished with a sufficient number of authenticated copies of the power of attorney appointing an agent for the service of process to enable him to file a copy in his office, and at each other place where a divisional office of the court is located within the judicial district for which the process agent has been appointed. Such copies may be authenticated at the home office of the company by its officers duly authorized, and sworn to before an officer legally authorized to administer oaths. Where the charter of bylaws of the corporation do not confer authority on its executive officers to give such powers of attorney the authenticated copy filed with the clerk of the court must be accompanied by a certified copy of the resolution duly adopted by its board of directors or other governing body showing that the officer making the appointment had authority to do so.

[17 FR 2606, Mar. 26, 1952]

§224.4 Power of attorney; form.

In making such appointments a power of attorney should be used substantially in the following form:

Know all men by these presents, that the _____ a corporation existing under and by virtue of the laws of the State of _____ and having its principal office at _____, desiring to comply with section 9306 of Title 31, United States Code, hereby constitutes and appoints _____, of _____, its true and lawful attorney and agent in and for the _____ judicial district of _____, upon whom all lawful process in any action or proceeding against the company in said district may be served in like manner and with the same effect as if the company existed therein, and who is authorized to enter an appearance in its behalf.

In witness whereof the said company, pursuant to proper authority of its board of directors or other governing body, has caused these presents to be subscribed by its _____ president and its corporate seal to be affixed hereto this ____ day of _____, A.D. 19—

[CORPORATE SEAL] _____
President,

State of _____

County of _____, ss:

On this _____ day of _____, A.D. 19—, before me appeared _____, president of the _____ Company, with whom I am personally acquainted, who being duly sworn, says that he is _____ president of the

_____ Company; that he knows the corporate seal of the company; that the seal affixed to the foregoing instrument is such corporate seal; that it was affixed by order of the board of directors or other governing body of said company, and that he signed said instrument as _____ president of said company by like authority. [NOTARIAL SEAL]

[Dept. Cir. Ltr. 4, Nov. 15, 1930, as amended at 49 FR 14340, Apr. 11, 1984]

§ 224.5 Process agents; termination of authority.

Whenever the authority of a process agent is terminated by reason of revocation, disability, removal from the district, or any other cause, it shall be the duty of the company to immediately make a new appointment.

[40 FR 51194, Nov. 4, 1975. Redesignated at 61 FR 26840, May 29, 1996]

§ 224.6 United States district courts; location of divisional offices.

A list of the divisional offices of the court in each judicial district where powers of attorney should be filed may be obtained from the Surety Bond Branch, Financial Management Service, Department of the Treasury, 3700 East-West Highway, Room 6F04, Hyattsville, MD 20782.

[61 FR 26840, May 29, 1996]

PART 225—ACCEPTANCE OF BONDS, NOTES, OR OTHER OBLIGATIONS ISSUED OR GUARANTEED BY THE UNITED STATES AS SECURITY IN LIEU OF SURETY OR SURETIES ON PENAL BONDS [1]

Sec.

225.1 Bond-approving officers; definition.
225.2 Bonds or notes acceptable as security; power to sell.
225.3 Obligor must be owner; registration.
225.4 Risk of loss; receipt.
225.5 Application of proceeds in case of default; forms.
225.6 Facts to be determined by bond-approving officers.
225.7 Substitutions.
225.8 Authorized depositaries; withdrawal.
225.9 Risk of loss or destruction.
225.10 Delivery to the depositary.
225.11 Payment of interest to obligor; coupons.
225.12 Return to obligor of security.
225.13 Return to obligor; risk of loss.
225.14 Withdrawal.
225.15 Receipt for return.
225.16 Penal bonds; form to be used with bonds or notes as security.
225.17 Penal bonds; existing practice or duties of administrative offices in handling not modified.
225.20 All Government bond-approving officers governed by the provisions of this part.
225.21 Other authority to take bonds and notes not affected by this part.
225.22 Conversion to book-entry Treasury securities.

AUTHORITY: Sec. 15, 61 Stat. 650; 6 U.S.C. 15.

SOURCE: Department Circular 154, Revised, Feb. 6, 1935, unless otherwise noted.

§ 225.1 Bond-approving officers; definition.

The term *bond-approving officers* as used in this part means the head of an executive department or Government establishment or an officer designated either by law or regulation to approve *penal bonds.* The Treasury of the United States assumes no responsibility or liability on account of the acts of bond-approving officers. The term *bond-approving officer* shall be deemed to include the officer's successors in office.

§ 225.2 Bonds or notes acceptable as security; power to sell.

Any individual, partnership, or corporation required by the laws of the United States or regulations made pursuant thereto to furnish any recognizance stipulation, bond, guaranty, or undertaking (hereinafter called penal bond), with surety or sureties, may, in lieu of such surety or sureties, deposit as security with the official having authority to approve such penal bond (hereinafter called the bond-approving officer), United States bonds, Treasury notes, or other public debt obligations of the United States or obligations which are unconditionally guaranteed as to both interest and principal by the United States (all of which classes of obligations are hereinafter called *bonds or notes*), in a sum equal at their par value to the amount of the penal bond required to be furnished, together with

[1] The forms mentioned in this part may be obtained from Financial Management Service, U.S. Treasury Department, Washington, DC 20226.

an irrevocable power of attorney and agreement in the form prescribed, authorizing the bond-approving officer to collect or sell, assign and transfer such bonds or notes so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. The acceptance of such bonds or notes in lieu of surety or sureties required by law shall have the same force and effect as individual or corporate sureties, or certified checks, bank drafts, post-office money orders, or cash, for the penalty or amount of such penal bond. The term *par value* as applied in this part to bonds or notes not issued on a discount basis means the stated dollar amount thereof; *i.e.*, the denominational amount, such as $100, $500, and $1,000; and as applied to bonds or notes issued on a discount basis means the dollar amount which the holder is entitled to receive at maturity or the next following date of redemption at the option of the holder, whichever amount is less. In order to avoid the frequent substitution of bonds or notes, bond-approving officers will not receive a bond or note which matures or, at the option of the holder, may be redeemed within 30 days of the date of deposit; and any bond-approving officer may refuse to receive bonds or notes which mature or, at the option of the holder, may be redeemed within a year of the date of deposit, in cases where he rules that deposit of such bonds or notes might lead to frequent substitutions.

§ 225.3 Obligor must be owner; registration.

The individual, partnership, or corporation required to furnish any penal bond, who deposits bonds or notes as security in lieu of surety or sureties in accordance with the provisions of this part, must be the owner of the bonds or notes deposited, and is hereinafter called the obligor. Bonds or notes may be deposited with bond-approving officers pursuant to the provisions of this part in either coupon or registered form. Coupon bonds or notes shall have attached thereto all coupons unmatured at the date of such deposit, and all matured coupons should be detached. Registered bonds or notes must be registered in the name of the obligor. They need not be assigned, and must not be assigned to the bond-approving officer. Bonds registered in the name of the obligor may, however, bear assignment in blank or to the Secretary of the Treasury for exchange for coupon bonds.

§ 225.4 Risk of loss; receipt.

The bonds or notes to be deposited must in every case be delivered to the bond-approving officer at the obligor's risk and expense. Coupon bonds or notes and registered bonds or notes assigned in blank or for exchange for coupon bonds or notes cannot safely be forwarded by registered mail unless insured by the obligor against risk of loss in transit. Registered bonds or notes, unless assigned in blank or for exchange for coupon bonds or notes, need not be so insured when forwarded by registered mail, unless the obligor so elects. The bond-approving officer shall issue a receipt in duplicate, substantially in Form A, for the bonds or notes so deposited, the original of the receipt to be given to the obligor and the duplicate to be retained by the bond-approving officer for his files.

§ 225.5 Application of proceeds in case of default; forms.

At the time of the deposit of any bonds or notes with a bond-approving officer in accordance with the provisions of this part, the obligor shall deliver to the bond-approving officer a duly executed power of attorney and agreement, in favor of the bond-approving officer, authorizing such officer to collect or sell, assign, and transfer, such bonds or notes so deposited in case of any default in the performance of any of the conditions or stipulations of the penal bond, and to apply the proceeds of such sale or collection, in whole or in part, to the satisfaction of any damages, demands, or deficiency arising by reason of such default. The power of attorney and agreement shall not be revocable by the obligor; and, in the case of an individual, shall be substantially in Form C, in the case of a partnership, substantially in Form D, and in the case of a corporation, substantially in Form E.

§ 225.6 Facts to be determined by bond-approving officers.

In connection with the acceptance of bonds or notes hereunder as security in lieu of surety or sureties, bond-approving officers must satisfy themselves as to the ownership of the bonds or notes deposited and the sufficiency of the power of attorney and agreement, and in the case of registered bonds or notes, as to the regularity to the assignments as well, and, in general, that the deposit is made in conformity with the provisions of this part.

§ 225.7 Substitutions.

Any obligor who deposits bonds or notes in accordance with the provisions of this part may upon written application to and with the approval of the bond-approving officer, substitute for the bonds or notes so deposited:

(a) Other bonds or notes in a sum equal at their par value to not less than the par amount of the bonds or notes to be withdrawn, upon compliance with all the provisions of this part applicable to an original deposit of bonds or notes in lieu of surety or sureties, or

(b) A penal bond with surety or sureties or such other security as may be allowed by law. The bonds or notes withdrawn shall be returned in the manner hereinafter provided for the return of bonds and notes deposited.

§ 225.8 Authorized depositaries; withdrawal.

Bonds or notes deposited with bond-approving officers as security in accordance with the provisions of this part and such other bonds or notes as may be substituted therefor from time to time as such security, may be deposited by bond-approving officers with a Federal Reserve Bank or Branch having the requisite facilities, or other depository duly designated for that purpose by the Secretary of the Treasury. *Provided, however,* That bond-approving officers shall deposit with the United States Treasury all bonds or notes received by them in the District of Columbia pursuant to the provisions of this part. Depositaries of public moneys are not authorized to act as depositaries for bonds or notes accepted under this part, unless specifically designated for that purpose by the Secretary of the Treasury. Any authorized depositary receiving deposits of bonds or notes from bond-approving officers in accordance with this part shall give receipt therefor in duplicate, describing the bonds or notes so deposited, substantially in Form B, the original to be delivered to the bond-approving officer and the duplicate to be retained by the depositary for its own files. The bond-approving officer will hold the original receipt subject to the instructions of his administrative superior. Bonds or notes so deposited with an authorized depositary may be withdrawn only by or on the written order of the bond-approving officer. Bonds or notes accepted by or on behalf of any United States court, under this part may also be deposited as aforesaid under a duly authenticated order of the court, and bonds or notes so deposited may be withdrawn only by or on the duly authenticated order of such court.

[Dept. Circ. 154, Feb. 6, 1935, as amended at 39 FR 32911, Sept. 12, 1974]

§ 225.9 Risk of loss or destruction.

Bonds or notes accepted by bond-approving officers from obligors under this part and not deposited by them with authorized depositaries, will be held at the risk of the respective bond-approving officers, subject to such regulations and instructions as may be prescribed for their guidance by their respective administrative superiors. Coupon bonds or notes and registered bonds or notes assigned in blank or for exchange for coupon bonds or notes are in effect bearer obligations and must be kept in safe custody; registered bonds or notes not assigned in blank or for exchange for coupon bonds or notes must also be kept in safe custody, but in the event of loss or destruction may be replaced upon compliance with the provisions of law and the regulations of the Treasury Department applicable thereto.

§ 225.10 Delivery to the depositary.

Bond-approving officers desiring to deposit bonds or notes received by them with authorized depositaries must deliver such bonds or notes to the depositary, without risk or expense to the depositary. Coupon bonds or notes

and registered bonds or notes assigned in blank or for exchange for coupon bonds or notes cannot safely be shipped by registered mail unless covered by insurance. Registered bonds or notes not assigned in blank or for exchange for coupon bonds or notes may be forwarded by registered mail uninsured.

§ 225.11 Payment of interest to obligor; coupons.

The obligor shall be entitled to receive the interest accruing upon bonds or notes deposited in accordance with this part, in the absence of any default in the performance of any of the conditions or stipulations of the penal bond. The interest on any registered bonds or notes which the obligor is entitled to receive hereunder will be paid by check in regular course to the registered holder. The coupons for any interest on coupon bonds or notes which the obligor is entitled to receive hereunder will, upon written application from the obligor to the bond-approving officer, be detached, as they mature, from the bonds or notes deposited and forwarded to the obligor at the obligor's risk and expense, either by the bond-approving officer or upon his written order by the depositary with which the bonds or notes may be deposited, or, at the direction of the bond-approving officer, collected by the depositary and check therefor forwarded to the obligor. In the absence of written application therefor by the obligor, coupons for interest on coupon bonds or notes to which the obligor may be entitled under this part shall remain attached to the bonds or notes deposited, subject to the provisions of this part.

§ 225.12 Return to obligor of security.

(a) *Generally*. As soon as security for the performance of the penal bond is no longer necessary, the bonds or notes deposited in lieu of surety or sureties on such penal bond, together with the power of attorney and agreement accompanying such bonds or notes, shall be returned to the obligor by the bond-approving officer, without application therefor from the obligor. The determination of the question whether security is any longer necessary for the performance of the penal bond shall rest with the bond-approving officer.

(b) *Miller Act payment bonds.* If a person who supplied labor or material to a contractor, required by the Miller Act, as amended (40 U.S.C. 270a–d), to give a payment bond to the United States, files with the Comptroller General the application and affidavit provided for in that Act after a default in the performance of a contract covered by that Act, the bond-approving officer shall not return to the contractor-obligor the deposited bonds, notes or any surplus proceeds thereof until the expiration of the time within which such a person may commence suit on the payment bond as provided in the Act, *i.e.*, 1 year after the day on which the last of the labor was performed or material supplied by that person. If suit is instituted within that time, the bond-approving officer shall hold such bonds, notes or proceeds subject to the order of the court having jurisdiction of the suit. If suit is not instituted within that time but the bond-approving officer is on notice of a claim against the contractor-obligor on the basis of his payment bond, the bond-approving officer shall determine the time at which, and the evidence of settlement of the claim upon which, he will release the bonds, notes or proceeds.

(c) *Claim of United States unaffected.* Nothing in this section shall affect or impair the priority of any claim of the United States against bonds or notes deposited, or any right or remedy granted by the Miller Act or by this part to the United States for default upon any obligation of a penal bond.

[34 FR 17953, Nov. 6, 1969]

§ 225.13 Return to obligor; risk of loss.

Bonds or notes to be returned to the obligor will be forwarded at the obligor's risk and expense, either by the bond-approving officer, or upon his written order by the depositary with which the bonds or notes may be deposited, and unless delivered direct to the obligor, will be forwarded, in the absence of other written instructions and remittance to cover expenses, by express, collect, except that registered bonds or notes not assigned in blank or for exchange for coupon bonds or notes may be forwarded by registered mail, uninsured.

§ 225.14 Withdrawal.

Any obligor who desires to withdraw a portion only of the bonds or notes deposited, by reason of reduction in liability under the penal bond, shall make written application for such withdrawal to the bond-approving officer, who shall, if he approve such application, return such portion of the bonds or notes to the obligor.

§ 225.15 Receipt for return.

Upon the complete or partial return to the obligor of bonds or notes deposited as security under the provisions of this part, the bond-approving officer shall require from the obligor a receipt in duplicate, substantially in Form G, and shall further require the obligor, in case of complete return, to surrender the original receipt on Form A.

§ 225.16 Penal bonds; form to be used with bonds or notes as security.

Penal bonds on which bonds or notes are accepted as security in lieu of surety or sureties may be substantially in Form F. Administrative officers of the Government may, however, use other forms of penal bonds appropriate to the work of their respective offices: *Provided,* That upon the execution of the penal bond the principal shall indorse on the face thereof and sign the following statement:

The securities described in the annexed schedule are hereby pledged as security for the performance and fulfillment of the foregoing undertaking in accordance with 6 U.S.C. 15, and 31 CFR part 225.

_____

Principal on the above bond

[Dept. Circ. 154, Rev., Feb. 6, 1935, as amended at 34 FR 9928, June 27, 1969; 34 FR 17953, Nov. 6, 1969]

§ 225.17 Penal bonds; existing practice or duties of administrative offices in handling not modified.

Nothing contained in this part shall be construed as modifying the existing practice or duties of administrative offices in handling penal bonds, except to the extent made necessary under the terms of this part by reason of the acceptance of bonds or notes as security in lieu of surety or sureties thereon.

§ 225.20 All Government bond-approving officers governed by the provisions of this part.

Bond-approving officers of other departments and establishments of the Government accepting bonds or notes in lieu of surety or sureties under the provisions of 6 U.S.C. 15, shall be governed by the provisions of this part. This part may be modified or amended only upon the approval of the Secretary of the Treasury.

[Dept. Circ. 154, Rev., Feb. 6, 1935, as amended at 34 FR 9928, June 27, 1969]

§ 225.21 Other authority to take bonds and notes not affected by this part.

Nothing contained in this part shall affect the authority of courts over the security when bonds or notes are taken as security in judicial proceedings, or the authority of any administrative officer of the United States to receive United States bonds or notes for security in cases authorized by provisions of law other than 6 U.S.C. 15.

[Dept. Circ. 154, Rev., Feb. 6, 1935, as amended at 34 FR 9928, June 27, 1969]

§ 225.22 Conversion to book-entry Treasury securities.

Treasury bonds, notes, certificates of indebtedness, or bills deposited with a Federal Reserve bank or branch bank under this part may be converted into book-entry Treasury securities in accordance with subpart O of part 306 of this chapter, and the pertinent provisions of that subpart shall apply to such Treasury securities.

[34 FR 9928, June 27, 1969, as amended at 36 FR 2507, Feb. 5, 1971]

PART 226—RECOGNITION OF INSURANCE COVERING TREASURY TAX AND LOAN DEPOSITARIES

Sec.

226.1 Scope.
226.2 General.
226.3 Application—termination.
226.4 Adequacy of security—how computed.
226.5 Examinations.
226.6 Financial reports.
226.7 Effective date.

AUTHORITY: Secs. 2 and 3, Pub. L. 95–147. 91 Stat. 1227 (31 U.S.C. 1038).

SOURCE: 43 FR 18972, May 2, 1978, unless otherwise noted.

§ 226.1 Scope.

The regulations in this part apply to insurance covering public money of the United States held by banks, savings banks, savings and loan associations, building and loan associations, homestead associations, or credit unions designated as Treasury tax and loan depositaries under 31 CFR part 203. Approval of the adequacy of the insurance coverage provided to Treasury tax and loan funds shall be governed by the regulations contained herein, which will be supplemented by guidelines issued by the Treasury and updated from time to time to meet changing conditions in the industry.

§ 226.2 General.

(a) Deposit or account insurance provided by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Share Insurance Fund, is hereby recognized. Deposits or accounts which are insured by a State or agency thereof, or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts of financial institutions eligible to be Treasury tax and loan depositaries (hereinafter referred to as Insurance Arrangement), shall be approved as provided herein. Such approval constitutes recognition for the purpose of reducing the amount of collateral required of a tax and loan depositary by the amount of recognized insurance coverage pursuant to 31 CFR 203.15.

(b) Generally, these regulations and their associated guidelines require that an organization providing insurance maintain a corpus of sufficient value and liquidity, and/or that it have sufficient State borrowing authority, in relation to its liabilities and total insured savings (or deposits) to provide adequate security to the Government's deposits and that adequate monitoring of the financial condition of the insured institutions is conducted.

§ 226.3 Application—termination.

(a) Every Insurance Organization applying for recognition as a qualified insurer of financial institutions designated as Treasury tax and loan depositaries shall address a written request to the Assistant Commissioner, Comptroller, Financial Management Service, Department of the Treasury, Washington, DC 20226, who will notify the applicant of the data which is necessary to make application. If the Secretary of the Treasury is satisfied that:

(1) One or more institutions insured by the applicant otherwise meet the Secretary's requirements for designation as a Treasury tax and loan depositary or Federal tax depositary,

(2) The insurance provided by the applicant covers public money of the United States, and

(3) The insurance coverage provided affords adequate security to the Government's deposits, the Secretary shall recognize the applicant as a qualified insurer of financial institutions designated as Treasury tax and loan depositaries.

(b) If and when the Secretary of the Treasury determines that a qualified insurance organization's financial condition is such that it no longer provides adequate security or that it is not complying with the regulations of this part, the Secretary will notify the Insurance Organization of the facts or conduct which cause him to make such determination, and in those cases where the safety of the Government's funds allows, provide the Insurance Organization with an opportunity to correct the deficiency. When any deficiency has not been corrected to his satisfaction or, where the safety of Government funds makes immediate revocation imperative, the Secretary will revoke the recognition previously granted.

NOTE: For a delegation of authority to perform the functions described in §§ 226.3 and 226.4, see 44 FR 19406 of the FEDERAL REGISTER of April 3, 1979.

[43 FR 18972, May 2, 1978, as amended at 44 FR 19406, Apr. 3, 1979; 49 FR 47002, Nov. 30, 1984]

§ 226.4 Adequacy of security—how computed.

(a) In qualifying Insurance Organizations, the Treasury will use a ratio (equity (net worth) of the insurance organization divided by insured accounts or deposits) to determine if the security is

adequate. The ratio will be computed as determined by the Treasury, and is required to equal 0.0045 or greater for an Insurance Organization to be recognized (i.e., net worth is required to equal 0.45 of 1 percent of insured accounts or deposits).

(b) If, in the judgment of the Secretary of the Treasury, any of the Insurance Organization's assets which cannot be liquidated promptly or are subject to restriction, encumbrance, or discredit, all or part of the value of such assets may be deducted from equity in making the computation. The Secretary of the Treasury may value the assets and liabilities in his discretion.

(c) An Insurance Organization's unqualified borrowing authority from its sponsoring State will be added to its equity in making the computation because such authority is equivalent to additional capitalization. An Insurance Organization's commercial borrowing authority and its reinsurance will be disregarded in making the computation, because these are not adequate substitutes for undercapitalization.

NOTE: For a delegation of authority to perform the functions described in §§226.3 and 226.4, see 44 FR 19406 of the FEDERAL REGISTER of April 3, 1979.

[43 FR 18972, May 2, 1978, as amended at 44 FR 19406, Apr. 3, 1979]

§ 226.5 Examinations.

(a) Examinations by State regulatory authorities or audits by CPA firms of Insurance Organizations shall be performed in accordance with, and at intervals prescribed by, State regulatory procedures. Copies of the reports shall be submitted to the Treasury.

(b) Examinations by State regulatory authorities or audits by CPA firms of insured financial institutions shall be performed in accordance with, and at intervals prescribed by, State regulatory procedures. In addition, an adequate monitoring system shall be employed to detect those institutions with financial problems.

§ 226.6 Financial reports.

Financial reports of Insurance Organizations shall be submitted to the Treasury at the same intervals they are submitted to State regulatory authorities. However, they need not be submitted more frequently than quarterly but, as a minimum, shall be submitted annually. The Treasury may prescribe the format of such reports.

§ 226.7 Effective date.

The provisions of this part become effective November 2, 1978.

[43 FR 47506, Oct. 16, 1978]

PART 235—ISSUANCE OF SETTLEMENT CHECKS FOR FORGED CHECKS DRAWN ON DESIGNATED DEPOSITARIES

Sec.
235.1 Scope of regulations.
235.2 Definition.
235.3 Settlement of claims.
235.4 Check Forgery Insurance Fund.
235.5 Reclamation amounts.
235.6 Implementing instructions.

AUTHORITY: 31 U.S.C. 3343.

SOURCE: 40 FR 6785, Feb. 14, 1975, unless otherwise noted.

§ 235.1 Scope of regulations.

This part governs the issuance of settlement checks for checks drawn on designated depositaries of the United States by accountable officers of the United States, that have been negotiated and paid on a forged or unauthorized indorsement.

[40 FR 6785, Feb. 14, 1975, as amended at 54 FR 35642, Aug. 29, 1989]

§ 235.2 Definition.

Accountable Officers of the United States, as used in these regulations, means disbursing officers authorized by the Secretary of the Treasury to maintain official accounts of the United States in depositary banks located in the United States, its territories, and foreign countries, and to draw checks thereon in dollars or in foreign currencies.

§ 235.3 Settlement of claims.

Upon receipt of a claim by a payee or special indorsee on a check determined to have been paid on a forged indorsement under conditions satisfying the provisions set forth in 31 U.S.C. 3343, accountable officers of the United

States, with respect to a check drawn on designated depositaries of the United States, in dollars or in foreign currency, shall cause to be issued a settlement check in the appropriate currency to the payee or special indorsee.

[40 FR 6785, Feb. 14, 1975, as amended at 49 FR 47001, 47002, Nov. 30, 1984; 54 FR 35642, Aug. 29, 1989]

§ 235.4 Check Forgery Insurance Fund.

The Check Forgery Insurance Fund, established pursuant to 31 U.S.C. 3343, shall be available for use by the Commissioner, Financial Management Service, and accountable officers of the United States for the purpose of providing funding for settlements made to a payee or special indorsee pursuant to these regulations.

[40 FR 6785, Feb. 14, 1975, as amended at 49 FR 47001, 47002, Nov. 30, 1984]

§ 235.5 Reclamation amounts.

Amounts received by way of reclamation on forged checks shall be deposited to the credit of the Check Forgery Insurance Fund or to the appropriate foreign currency fund or other account charged for the settlement payment.

§ 235.6 Implementing instructions.

Procedural instructions implementing these regulations will be issued by the Commissioner of the Financial Management Service in volume I, part 4 of the Treasury Financial Manual.

[54 FR 35642, Aug. 29, 1989]

PART 240—INDORSEMENT AND PAYMENT OF CHECKS DRAWN ON THE UNITED STATES TREASURY

GENERAL PROVISIONS

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240.2 Definitions.
240.3 Limitations on payment.
240.4 Cancellation and distribution of proceeds of checks.
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240.6 Reclamation of amounts of paid checks.
240.7 Demand and protest.
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INDORSEMENT OF CHECKS

240.11 Indorsement by payees.
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240.15 Powers of attorney.

APPENDIX A TO PART 240—STANDARD FORMS FOR POWER OF ATTORNEY AND THEIR APPLICATION

AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3328; 31 U.S.C. 3331; 31 U.S.C. 3343; 31 U.S.C. 3711; 31 U.S.C. 3716; 31 U.S.C. 3717; 332 U.S. 234 (1947); 318 U.S. 363 (1943).

SOURCE: 54 FR 35642, Aug. 29, 1989, unless otherwise noted.

GENERAL PROVISIONS

§ 240.1 Scope of regulations.

The regulations in this part prescribe the requirements for indorsement and the conditions for payment of checks drawn on the United States Treasury. These regulations also establish procedures for collection of amounts due the United States Treasury because of payments on checks bearing forged or other unauthorized indorsements or other material defects or alterations.

§ 240.2 Definitions.

(a) *Certifying agency* means an agency for whom a Treasury disbursing officer or a non-Treasury disbursing officer makes payment in accordance with 31 U.S.C. 3325. The responsibilities of a certifying official are set forth at 31 U.S.C. 3528.

(b) *Check* or *Checks* means a check or checks drawn on the United States Treasury.

(c) *Check payment* means the amount paid to a presenting bank in accordance with § 240.9(a)(3) of this part.

(d) *Commissioner* means the Commissioner of the Financial Management Service, Department of the Treasury, 401 14th Street SW., Washington, DC 20227.

(e) *Days* means calendar days.

(f) *Financial institution* means any bank, savings bank, savings and loan association, Federal or State chartered credit union, or similar institution.

(g) *Item* means a reference in a monthly interest billing statement to a check for the amount of which Treasury has demanded refund from a presenting bank.

(h) *Monthly interest billing statement* means a statement prepared by Treasury and sent to a presenting bank which includes the following information regarding each outstanding demand for refund:

(1) The reclamation date;

(2) The reclamation number;

(3) Check identifying information; and

(4) The balance due, including interest.

(i) *Person* or *persons* means an individual or individuals, or an institution or institutions including all forms of financial institutions.

(j) *Presenting bank* means:

(1) A financial institution which, either directly or through a correspondent banking relationship, presents checks to and receives provisional credit from a Federal Reserve Bank; or

(2) A depositary which is authorized to charge checks directly to the General Account of the United States Treasury and present them to Treasury for payment through a designated Federal Reserve Bank.

(k) *Protest* means a presenting bank's written statement and any supporting documentation tending to prove that it is not liable for refund of the reclamation balance.

(l) *Reclamation* means a demand by Treasury for refund of the amount of a check payment.

(m) *Reclamation date* means the date on which a demand for refund was prepared. Normally, demands are sent to presenting banks within two working days of the reclamation date.

(n) *Treasury* means the United States Treasury.

(o) *U.S. securities* means securities of the United States and securities of Federal agencies and wholly or partially government-owned corporations for which the Treasury acts as the transfer agent.

(p) *Unauthorized indorsement* means:

(1) An indorsement made by a person other than the payee, except as authorized by and in accordance with § 204.5 and §§ 240.11 through 240.15;

(2) An indorsement by a financial institution under circumstances in which the financial institution breaches the guaranty required of it by 31 CFR 209.9(a) (*See,* 31 CFR 209.8); or

(3) A missing indorsement where the depositary bank had no authority to supply the indorsement.

§ 240.3 Limitations on payment.

(a) As a general rule,

(1) The Commissioner shall not be required to pay a Treasury check issued on or after October 1, 1989 unless it is negotiated to a financial institution within 12 months after the date on which the check was issued; and

(2) The Commissioner shall not be required to pay a Treasury check issued before October 1, 1989 unless it is negotiated to a financial institution no later than October 1, 1990.

(b) All checks drawn on the United States Treasury and issued on or after October 1, 1989 shall bear a legend, stating ''Void After One Year.'' The legend is notice to payees and indorsers of a general limitation on the payment of Treasury checks. The legend, or the inadvertent lack thereof, does not limit, or otherwise affect, the rights of the Commissioner under the law.

(c) The Treasury shall have the usual right of a drawee to examine checks presented for payment and refuse payment of any checks. The Treasury shall have a reasonable time to make such examination.

(d) Checks shall be deemed to be paid by the United States Treasury only after first examination has been fully completed.

(e) If the Treasury is on notice of a question of law or fact about whether a Treasury check is properly payable when the check is presented for payment, the Commissioner may defer payment until the Comptroller General settles the question.

§ 240.4 Cancellation and distribution of proceeds of checks.

(a) *Checks issued on or after October 1, 1989.* (1) Any check issued on or after October 1, 1989 that has not been paid and remains outstanding for more than 12 months shall be cancelled by the Commissioner.

(2) The proceeds from checks cancelled pursuant to paragraph (a) of this section shall be returned to the agency which authorized the issuance of the

check and credited to the appropriation or fund account initially charged for the payment.

(3) Beginning January 1, 1991, and monthly thereafter, the Commissioner shall provide to each agency that authorizes the issuance of Treasury checks a list of those checks issued for such agency which were cancelled during the preceding month pursuant to paragraph (a) of this section.

(b) *Checks issued before October 1, 1989.* (1) Any check issued before October 1, 1989 that has not been paid and remains outstanding for more than 12 months shall be cancelled by the Commissioner no later than April 1, 1991.

(2) The proceeds from checks cancelled pursuant to paragraph (b) of this section shall be applied as required by 31 U.S.C. 3334.

§ 240.5 Guaranty of indorsements.

The presenting bank and the indorsers of a check presented to the Treasury for payment are deemed to guarantee to the Treasury that all prior indorsements are genuine, whether or not an express guaranty is placed on the check. When the first indorsement has been made by one other than the payee personally, the presenting bank and the indorsers are deemed to guarantee the Treasury, in addition to other warranties, that the person who so indorsed had unqualified capacity and authority to indorse the check on behalf of the payee.

§ 240.6 Reclamation of amounts of paid checks.

(a) If, after a check has been paid by Treasury, it is found to:

(1) Bear a forged or unauthorized indorsement; or

(2) Contain any other material defect or alteration which was not discovered upon first examination, then, upon demand by the Treasury in accordance with the procedures specified in § 240.7 of this part, the presenting bank or other indorser shall refund the amount of the check payment.

(b) Interest on any unpaid item shall commence to accrue on the sixty-first day after the reclamation date. Interest shall be calculated at the rate set from time to time for purposes of 31 U.S.C. 323. Interest shall continue to accrue until the amount demanded is paid or the reclamation is abandoned by Treasury.

(c) In addition to its right to recover interest, Treasury shall have the right to recover such other applicable charges *(e.g.,* administrative collection costs, late payment penalties) as may be authorized or required by law.

(d) If the Treasury determines that a check has been paid over a forged or unauthorized indorsement, the Commissioner may reclaim the amount of the check from the presenting bank or any other indorser that breached its guarantee of indorsement prior to:

(1) The end of the one-year period beginning on the date of payment; or

(2) The expiration of the 180-day period beginning on the close of the period described in paragraph (d)(1) of this section if a timely claim under 31 U.S.C. 3702 is presented to the agency which authorized the issuance of the check.

§ 240.7 Demand and protest.

(a) For all reclamations an initial demand for refund of the amount of a check payment will be made by sending a ''Request for Refund (Reclamation),'' to the presenting bank or any other indorser. This Request shall advise the presenting bank of the amount demanded and the reason for the demand. Treasury will make follow-up demands by including each unpaid item on at least three monthly interest billing statements sent to the presenting bank. Monthly interest billing statements will identify any unpaid reclamation demands and will also show the amount of any accrued interest for each outstanding reclamation. Any discrepancies should be brought to Treasury's attention immediately at the address listed in paragraph (b) of this section. Monthly interest billing statements will contain or be accompanied by notice to the bank:

(1) That Treasury intends to collect the debt through administrative offset if the reclamation is not paid within 120 days of the reclamation date;

(2) That the bank has an opportunity to inspect and copy Treasury's records with respect to the reclamation;

(3) That the bank may, by filing a protest, request Treasury to review its

decision that the bank is liable for the reclamation; and

(4) That the bank has an opportunity to enter into a written agreement with Treasury for the repayment of the amount of the reclamation. A request for a payment agreement must be accompanied by proof that satisfies the Treasury that the requesting bank is unable to repay the entire amount owed at the time that it is due.

(b) Requests for an appointment to inspect and copy Treasury's records with respect to a reclamation and requests to enter into repayment agreements should be sent in writing to: Department of the Treasury, Financial Management Service, Operations Division, Reclamation Branch, Room 700–D, 3700 East-West Highway, Hyattsville, MD 20782.

(c)(1) If a presenting bank wishes to contest its liability for the principal amount demanded, it shall send a protest, *i.e.*, a written statement and copies of all documentary evidence *(e.g.*, affidavits, account agreements, signature cards) and other written information raising a question of law or fact which, if resolved in the bank's favor, would show that the bank is not liable, to: Department of the Treasury, Financial Management Service, Operations Division, Reclamation Branch Room 700–D, 3700 East-West Highway, Hyattsville, MD 20782.

The Director, Operations Division, who has supervisory authority over the Reclamation Branch, or his authorized subordinate, shall consider and decide any protest properly submitted under this paragraph. Neither the Director, Operations Division, nor any of his subordinates, shall have any involvement in the process of making findings or demands under § 240.6(a). In order to be considered, and to be timely, a protest must be received not later than 90 days after the reclamation date. Treasury will refrain from collection in accordance with § 240.8 while a timely protest is being considered. Unresolved protested items will be appropriately annotated on the monthly interest billing statement.

(2) If Treasury accepts the protest, the presenting bank shall be notified in writing that efforts to collect the item and any accrued interest have been abandoned.

(3) If the evidence sent by the presenting bank does not satisfy Treasury that refund of the amount demanded is not required under § 240.6(a), Treasury will notify the presenting bank in writing of its decision that the bank is liable for the amount demanded and the reasons for its decision. If the presenting bank fails to send the amount demanded within 30 days of the date of Treasury's decision, Treasury shall proceed to collect the amount owed in accordance with § 240.8, provided that no offset shall be taken sooner than 120 days after the reclamation date.

(4) If an item, and/or accrued interest relating to that item remains unpaid for 90 days after the reclamation date and if there is no unresolved protest associated with the item, the monthly interest billing statement will be annotated with a notice that the presenting bank has until the next billing date to make payment on the item or be subject to offset thereon.

§ 240.8 Offset.

(a) If an item, and/or accrued interest relating to that item, remains unpaid for 120 days after the reclamation date and the presenting bank has been sent at least one monthly interest billing statement informing it that Treasury intends to collect that item by offset, Treasury may refer the matter to any Federal agency and request that agency to offset the indebtedness and other applicable charges against amounts otherwise owed by the Federal agency to the presenting bank. Monthly interest billing statements will be annotated to identify those specific items that are to be referred to an agency for offset.

(b) If a bank wishes to make payment on an item referred to an agency for offset, it should contact Treasury at the address listed in § 240.7(b) to reduce the possibility of a double collection. If an agency to which an indebtedness is referred in accordance with this paragraph is unable to effect offset in whole or in part, Treasury may then refer the debt to any other agency and request offset in accordance with this paragraph. Treasury designates each agency acting under this paragraph as its

designee for the sole purpose of effecting offset. No such designee shall be liable to any party for any loss resulting from its action under this paragraph.

(c) If Treasury is unable to collect an amount owed by use of the offset described in paragraph (a) of this section, Treasury shall take such action against the presenting bank as may be necessary to protect the interests of the United States, including referral to the Department of Justice.

(d) If Treasury effects offset under this section and it is later determined that the presenting bank paid the amount of the reclamation and accrued interest thereon, or that a presenting bank which had timely filed a protest was not liable for the amount of the reclamation, Treasury shall promptly refund to the presenting bank the amount of its payment.

§ 240.9 Processing of checks.

(a) *Federal Reserve Banks.* (1) Federal Reserve Banks shall cash checks for Government disbursing officers when such checks are drawn by the disbursing officers to their own order. Payment of such checks shall not be refused except for alteration or counterfeiting of the check, or forged signature of the drawer.

(2) Federal Reserve Banks shall not be expected to cash Government checks presented directly to them by the general public.

(3) As a depository of public funds, each Federal Reserve Bank shall:

(i) Receive checks from its member banks, nonmember clearing banks, or other depositors, when indorsed by such banks or depositors who guarantee all prior indorsements thereon;

(ii) Give immediate credit therefore in accordance with their current Time Schedules and charge the amount of the checks cashed or otherwise received to the account of the Treasury, subject to examination and payment by the United States Treasury;

(iii) Forward payment records and copies of checks to Treasury; and

(iv) Release the original checks to a designated Federal Records Center upon notification from Treasury. The Treasury shall return to the forwarding Federal Reserve Bank a photocopy of any check the payment of which is refused upon first examination. Federal Reserve Banks shall give immediate credit therefor in the United States Treasury's account, thereby reversing the previous charge to the account for such check. The Treasury authorizes each Federal Reserve Bank to release the original check to the endorser when payment is refused in accordance with § 240.3(a).

(b) *Depositaries outside of the mainland of the United States.* Banks outside of the mainland of the United States designated as depositaries of public money and permitted to charge checks to the General Account of the United States Treasury shall be governed by the operating instructions contained in the letter of authorization to them from Treasury and shall assume the obligations of presenting banks set forth in §§ 240.5 and 240.6. Checks charged to the General Account of the United States Treasury along with the supporting credit voucher shall be shipped to the Federal Reserve Bank of Richmond. The Treasury shall return to the presenting depositary bank a photocopy of any check the payment of which is refused upon first examination. The depositary bank shall give immediate credit therefor in the General Account of the United States Treasury, thereby reversing the previous charge to the Account for such check. Treasury authorizes the Federal Reserve Bank of Richmond to return to the presenting depositary bank the original check when payment is refused in accordance with § 240.3(a).

§ 240.10 Release of original checks.

An original check may be released to a responsible indorser upon receipt of a properly authorized request showing the reason it is required and that the request is in conformity with all applicable law including the Privacy Act.

INDORSEMENT OF CHECKS

§ 240.11 Indorsement by payees.

(a) *General requirements.* Checks shall be indorsed by the payee or payees named, or by another on behalf of such payees as set forth in this part.

(b) *Checks indorsed by the payee or payees named.* When a check is indorsed

by the payee or payees named, the forms of indorsement shall conform to those recognized by general principles of law and commercial usage for negotiation, transfer or collection of negotiable instruments.

(c) *Checks indorsed by another on behalf of the named payee or payees*—(1) *Acceptable indorsement.* The only acceptable indorsement of a check by another on behalf of the named payee or payees (except when a check is indorsed by a financial institution under the payee's or payees' authorization) is one which indicates that the person indorsing is doing so on behalf of the named payee or payees. Such an acceptable indorsement shall include the signature of the indorser and sufficient wording to indicate that the indorser is indorsing on behalf of the named payee or payees, pursuant to authority expressly conferred by or under law or other regulation. An example would be: ''John Jones by Mary Jones.'' This example states the minimum indication acceptable. However, §§ 240.12(a)(1), 240.13(a)(1), and 240.15(d) specify the addition of an indication in specified situations of the actual capacity in which the person other than the named payee is indorsing. Checks indorsed ''for collection'' or ''for deposit only to the credit of the within named payee or payees,'' are acceptable without any signature. However, in the absence of a signature, the presenting bank will be deemed to guarantee its good title to such checks to all subsequent indorsers and to Treasury.

(2) *Unacceptable indorsement.* The indorsement by another on behalf of the named payee or payees, which consists of the name(s) of the payee(s), whether as purported signature(s) or otherwise, and *not* the signature of the person other than named payee or payees indorsing the check, regardless of the relationship between the indorser and the named payee or payees, will be rebuttably presumed to be a forgery and is unacceptable. The indorsement by a person who purports to indorse for the named payee(s) with an indorsement consisting of the name(s) of the payee(s), whether as purported signature(s) or otherwise, and the indorsing person's signature and no indication of the indorsing person's representative capacity, will create a rebuttable presumption that the indorsing person was not authorized to indorse for the named payee(s). In these circumstances it is the responsibility of the individual or institution accepting a check from a person other than the named payee(s) to determine that such person is authorized and has the capacity to indorse and negotiate the check. Evidence of the basis for such a determination may be required by the Treasury in the event of a dispute.

(d) *Indorsement of checks by a financial institution under the payee's authorization.* When a check is credited by a financial institution to the payee's account under the payee's or payees' authorization, the financial institution may use an indorsement substantially as follows: ''Credit to the account of the within-named payee in accordance with the payee's or payees' instructions. XYZ.'' A financial institution using this form of indorsement will be deemed to guarantee to all subsequent indorsers and to the Treasury that it is acting as an attorney-in-fact for the payee or payees, under the payee's or payees' authorization, and that this authority is currently in force and has neither lapsed nor been revoked either in fact or by the death or incapacity of the payee or payees.

(e) *Indorsement of checks drawn in favor of financial institutions.* All checks drawn in favor of financial institutions, for credit to the accounts of persons designated payment so to be made, shall be indorsed in the name of the financial institutions as payee in the usual manner. Financial institutions receiving and indorsing such checks shall comply fully with part 209 of this chapter.

(f) *Social Security benefit checks issued jointly to individuals of the same family.* A social security benefit check issued jointly to 2 or more individuals of the same family shall, upon the death of 1 of the joint payees prior to the negotiation of such check, be returned to the Social Security District Office or the Treasury Regional Financial Center. Payment of the check to the surviving payee or payees may be authorized by placing on the face of the check a stamped legend signed by an official of the Social Security Administration or

the Treasury Regional Financial Center, redesignating such survivor or survivors as the payee or payees of the check. A check bearing such stamped legend, signed as herein prescribed, may be indorsed and negotiated by the person or persons named as if such check originally had been drawn payable to such person or persons.

§ 240.12 Checks issued to incompetent payees.

(a) *Classes of checks which may be indorsed by guardian or fiduciary.* Where the payee of a check of any class listed in § 240.13(a) has been declared incompetent:

(1) If a check is indorsed by a legal guardian or other fiduciary, such legal guardian or fiduciary shall include, as a part of the indorsement, an indication of the capacity in which the legal guardian or fiduciary is indorsing. An example would be: ''John Jones by Mary Jones, guardian of John Jones.'' When a check indorsed in this fashion is presented for payment by a bank, it will be paid by the Treasury without submission to the Treasury of documentary proof of the authority of the guardian or other fiduciary, with the understanding that evidence of such claimed authority to indorse may be required by the Treasury in the event of a dispute.

(2) If a guardian has not been or will not be appointed, and if the check:

(i) Was issued in payment of goods and services, tax refunds or redemption of currency, it shall be forwarded for advice to the certifying agency; or

(ii) Was issued in payment of principal or interest on U.S. securities, it shall be forwarded to the Bureau of the Public Debt, Division of Securities Accounts, Accounts Maintenance Branch, Washington, DC 20239.

(b) *Classes of checks which may not be indorsed by guardian or fiduciary.* Where the payee of a check of any other class has been declared incompetent, the check shall not be indorsed by a guardian or other fiduciary. The check shall be returned to the Government agency which certified the payment, with information as to the incompetency of the payee and submission of documentary evidence showing the appointment of the guardian or other explanation in order that a replacement check, and others to be issued subsequently, may be drawn in favor of the guardian.

[54 FR 35642, Aug. 29, 1989, as amended at 54 FR 46728, Nov. 7, 1989]

§ 240.13 Checks issued to deceased payees.

(a)(1) *Classes of checks which may be indorsed by an executor or administrator.* Checks issued for the classes of payments indicated below, the right to which under law does not terminate with the death of the payee, when indorsed by an executor or administrator, shall include, as part of the indorsement, an indication of the capacity in which the executor or administrator is indorsing. An example would be: ''John Jones by Mary Jones, executor of the estate of John Jones.'' Such checks, when presented for payment by a bank, will be paid by the Treasury without the submission of documentary proof of the authority of the executor or administrator, with the understanding that evidence of such claimed authority to indorse may be required by the Treasury in the event of a dispute. The classes of payments to which this subsection refers are:

(i) Payments for the redemption of currencies or for principal or interest on U.S. securities;

(ii) Payments for tax refunds; and

(iii) Payments for goods and services.

(2) If an executor has not been appointed, persons claiming as owners shall return the checks for appropriate handling to the Government agency that certified the payment. If there is doubt as to whether the proceeds of the check or checks pass to the estate of the deceased payee, the checks shall be handled in accordance with paragraph (b) of this section.

(b) *Classes of checks which may not be indorsed by an executor or administrator.* Checks issued for classes of payment other than those specified in paragraph (a) of this section may not be negotiated after the death of the payee, but must be returned to the Government agency that certified the payment for determination whether, under applicable laws, payment is due and to whom it may be made.

§ 240.14 Checks issued to minor payees in certain cases.

Checks issued to minors in payment of principal or interest on U.S. securities may be indorsed by either parent with whom the minor resides, or, if the minor does not reside with either parent, by the person who furnishes his chief support. The parent or other person indorsing in behalf of the minor shall present with the check his signed statement giving the minor's age, stating that the payee either resides with the parent or receives his chief support from the person indorsing in his behalf, and that the proceeds of the checks will be used for the minor's benefit.

§ 240.15 Powers of attorney.

(a) *Specific powers of attorney*. Any check may be negotiated under a specific power of attorney executed after the issuance of the check and describing it in full.

(b) *General powers of attorney*. Checks issued for the following classes of payments may be negotiated under a general power of attorney in favor of an individual, financial institution or other entity:

(1) Payments for the redemption of currencies or for principal or interest on U.S. securities.

(2) Payments for tax refunds, but subject to the limitations concerning the mailing of Internal Revenue refund checks contained in 26 CFR 601.506(b).

(3) Payments for goods and services.

(c) *Special powers of attorney*. Under discussions of the Comptroller General of the United States, classes of checks other than those specified in paragraph (b) of this section may be negotiated under a special power of attorney which names a financial institution as attorney-in-fact, and recites that it is not given to carry into effect an assignment of the right to receive payment, either to the attorney-in-fact or to any other person.

(d) *Proof of authority*. Checks indorsed by an attorney-in-fact shall include, as part of the indorsement, an indication of the capacity in which the attorney-in-fact is indorsing. An example would be: ''John Jones by Paul Smith, attorney-in-fact for John Jones.'' Such checks when presented for payment by a bank, will be paid by the Treasury without the submission of documentary proof of the claimed authority, with the understanding that evidence of such claimed authority to indorse may be required by the Treasury in the event of a dispute.

(e) *Revocation of powers of attorney*. Powers of attorney are revoked by the death of the grantor and may also be revoked by notice from the grantor to the parties known, or reasonably expected, to be acting on the power of attorney. Notice of revocation to the Treasury will not ordinarily serve to revoke the power.

(f) *Acknowledgment of powers of attorney*. Where desirable or where required by foreign, state or local law, powers of attorney shall be acknowledged before a notary public or other officer authorized by law to administer oaths generally.

(g) *Seal or certificate of attesting officers*. Where acknowledgment of powers of attorney is desirable or required pursuant to paragraph (f) of this section, seals of attesting officers shall be impressed or stamped upon the power of attorney form, or the power of attorney shall be accompanied by a certificate from an appropriate official showing that the officer was in commission on the date of acknowledgment.

(h) *Forms*. Power of attorney forms issued under this part are listed in the appendix to this part. They may be obtained from the Financial Management Service, Property and Supply Section, Ardmore East Business Center, 3361–L 75th Avenue, Landover, MD 20785.

APPENDIX A TO PART 240—STANDARD FORMS FOR POWER OF ATTORNEY AND THEIR APPLICATION

Standard Form 231. A general power of attorney on this form may be executed by an individual, firm, or sole owner, for checks drawn on the United States Treasury, in payment: (1) For redemption of currencies or for principal or interest on U.S. securities, (2) for tax refunds, and (3) for goods and services.

Standard Form 232. A specific power of attorney on this form, which must be executed after the issuance of the check, describing the check in full, may be used to authorize the indorsement of any class of check drawn on the United States Treasury.

Standard Form 233. A special power of attorney on this form naming a financial organization as attorney-in-fact and reciting

that it is not given to carry into effect an assignment of the right to receive payment, either to the attorney-in-fact or to any other person, may be used for classes of payments other than those shown under Standard Form 231.

Standard Form 234–5. A general power of attorney may be executed by a corporation for the classes of payment listed under Standard Form 231.

Standard Form 236–7. A specific power of attorney may be executed on this form by a corporation to cover a specific check for any class of payment.

PART 245—CLAIMS ON ACCOUNT OF TREASURY CHECKS

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245.9 Procedural instructions.
245.10 Performance of functions of the Commissioner.

AUTHORITY: R.S. 3646, as amended; 31 U.S.C. 3328; 31 U.S.C. 3331.

SOURCE: 54 FR 35647, Aug. 29, 1989, unless otherwise noted.

§ 245.1 Introductory.

This part governs the issuance of replacement checks for checks drawn on the United States Treasury, when

(a) The original check has been lost, stolen, destroyed or mutilated or defaced to such an extent that it is rendered non-negotiable;

(b) The original check has been negotiated and paid on a forged or unauthorized indorsement, and

(c) The original check has been cancelled pursuant to § 204.4 of this chapter.

§ 245.2 Definitions.

For purposes of this part:

(a) *Agency* means each authority of the United States for which the Treasury of the United States issues checks or for which checks drawn on the Treasury of the United States are issued.

(b) *Check* means a check drawn on the United States Treasury.

(c) *Certifying Agency* means an agency for whom a Treasury disbursing officer or a non-Treasury disbursing officer makes payment in accordance with 31 U.S.C. 3325. The responsibilities of a certifying official are set forth at 31 U.S.C. 3528.

(d) *Commissioner* means the Commissioner of the Financial Management Service, Department of the Treasury, 401 14th Street, SW., Washington, DC 20227.

(e) *Person* means an individual, a partnership, a corporation, a labor organization, a government or a subdivision or instrumentality thereof, and any other entity to which a check may be issued.

(f) *Replacement check* means a check issued pursuant to the recertification of payment by a certifying official.

(g) *Secretary* means the Secretary of the Treasury.

§ 245.3 Time limit for check claims.

(a) Any claim on account of a Treasury check must be presented to the agency that authorized the issuance of such check within one year after the date of issuance of the check or within one year after October 1, 1989, whichever is later.

(b) Any claim by an indorser under § 245.6 will be considered timely if presented to the Commissioner within one year after the date of issuance of the check or within one year after October 1, 1989, whichever is later.

(c) Nothing in this subsection affects the underlying obligation of the United States, or any agency thereof, for which a Treasury check was issued.

§ 245.4 Advice of nonreceipt or loss.

(a) In the event of the nonreceipt, loss or destruction of a check drawn on the United States Treasury, or the mutilation or defacement of such a check to an exent which renders it nonnegotiable, the claimant should immediately notify the agency that authorized the issuance of such check, describing the check, stating the purpose for which it was issued and giving, if possible, its date, amount, Treasury symbol and number.

(b) In cases involving mutiliated or defaced checks, the claimant should

enclose the mutilated or defaced check with his communication to the agency.

§ 245.5 Recertification of payment.

Upon receipt of a claim concerning the nonreceipt, loss, destruction, mutilation or defacement of a check, or the cancellation of a check pursuant to § 240.4 of this chapter, the certifying agency may certify a new payment.

§ 245.6 Claim by an indorser.

When one or more Treasury checks are lost, stolen or destroyed in a single incident while in the possession of a person to whom the checks have been negotiated by the payee, and if the checks have not been paid, the Commissioner may issue a replacement check to the person to whom the checks had been negotiated.

§ 245.7 Check status inquiry.

The Commissioner will provide the status and a copy of the check if available, upon request, to the agency which authorized the issuance of the check.

§ 245.8 Receipt or recovery of original check.

(a) If the original check is received or recovered by the claimant after he has requested the agency to issue a replacement check, but before a replacement check has been received, he should immediately advise the agency and hold such check until receipt of instructions with respect to the negotiability of such check.

(b) If the original check is received or recovered by the claimant after a replacement check has been received by him, the original shall not be cashed, but shall be forwarded immediately to the agency that authorized the issuance of such check. Under no circumstances should both the original and replacement checks be cashed.

§ 245.9 Procedural instructions.

The Commissioner of the Financial Management Service may issue procedural instructions, implementing these regulations, in Volume I, Part 4 of the Treasury Financial Manual.

§ 245.10 Performance of functions of the Commissioner.

The Commissioner of the Financial Management Services may authorize any officer of the Treasury Department to perform any of his functions under this part and to redelegate such authority within such limits as the Commissioner may prescribe.

(Approved by the Office of Management and Budget under control number 1510–0058)

PART 247—REGULATIONS GOVERNING FEDSELECT CHECKS

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AUTHORITY: 31 U.S.C. 3321, 3325 and 3327; 12 U.S.C. 391.

SOURCE: 60 FR 25993, May 16, 1995, unless otherwise noted.

§ 247.1 Applicability.

The regulations in this part prescribe the rights and liabilities of the United States, the Federal Reserve Banks, banks, and others on FedSelect checks. These regulations apply to FedSelect checks issued on behalf of the United States for payments in connection with United States obligations. FedSelect checks are issued by Federal agencies on Federal Reserve Bank check stock. FedSelect checks are drawn on the payor Federal Reserve Bank in its banking capacity. The drawer of a FedSelect check is the United States; the drawee is a Federal Reserve Bank. Therefore, a FedSelect check shall not be deemed to be drawn on the United States nor shall the Federal Reserve Bank be deemed its drawer.

§ 247.2 Governing law.

Except as otherwise provided by statute or this part, the regulations governing checks drawn on the United States or on designated depositaries of the United States (e.g., 31 CFR parts 235, 240, 245, and 248) are inapplicable to FedSelect checks. As to definitions and other matters not specifically covered in this part, FedSelect checks are governed by Regulation J of the Board of Governors of the Federal Reserve System, 12 CFR part 210 (''Regulation J''), Regulation CC of the Board of Governors of the Federal Reserve System, 12 CFR part 229 (''Regulation CC''), and to the extent not otherwise inconsistent with this part, with Regulation J, and with Regulation CC, FedSelect checks will be governed by the Uniform Commercial Code, as adopted by Illinois (''UCC''), as all three may from time to time be revised. Such matters include, but are not limited to, rules regarding general presentment and transfer warranties, indorsement, and final payment.

§ 247.3 Definitions.

For the purpose of this part:

Agency means a department, agency, or instrumentality in the executive branch of the United States Government.

Bank means an entity described in Regulation CC of the Federal Reserve System, 12 CFR 229.2(e), as may be amended from time to time.

Department means the United States Department of the Treasury.

FedSelect check means a check drawn upon a Reserve Bank with the designation ''FedSelect'' printed on the check.

Payee means the person to whom a FedSelect check is payable.

Payor Reserve Bank means the Reserve Bank on which a FedSelect check is drawn.

Presenting bank means a bank which sends a FedSelect check directly to a Reserve Bank for payment or collection.

Reserve Bank or *Federal Reserve Bank* means any one of the twelve Federal Reserve Banks.

§ 247.4 Federal Reserve Banks.

(a) Where FedSelect checks are issued on Reserve Bank check stock and drawn on the payor Reserve Bank in its banking capacity, the payor Reserve Bank shall perform certain functions as fiscal agent of the United States in the issuing, processing and final payment of FedSelect checks. A payor Reserve Bank shall act as fiscal agent of the United States on FedSelect checks only when authorized to do so by a Memorandum of Understanding between the Financial Management Service, U.S. Department of the Treasury (FMS), and the payor Reserve Bank.

(b) As authorized by a Memorandum of Understanding between a payor Reserve Bank and the FMS and in accordance with this part, the payor Reserve Bank shall settle with a presenting bank for the amount specified in a FedSelect check upon presentment of the FedSelect check through normal banking channels. Each payor Reserve Bank may issue operating circulars, letters or bulletins not inconsistent with this part governing details of its handling of payments under this part.

§ 247.5 Federal agencies and termination of services.

(a) Agencies may issue FedSelect checks in payment for United States obligations.

(b) Issuance of a FedSelect check by an agency in payment of an obligation shall constitute an agreement between the issuing agency and the FMS. The issuing agency shall adhere to the terms of the agreement, including those relating to fees for services provided by the FMS, as expressed in this part and in the Treasury Financial Manual, Volume I, Part 4, Chapter 3500 (I TFM 4–3500), entitled ''Issuance Of FedSelect Checks By Federal Agencies.''

(c) In addition to the provisions of this part, agencies issuing FedSelect checks shall adhere to instructions, contained in I TFM 4–3500, regarding items such as procedures for opening and closing FedSelect accounts with the FMS, procedures for the adjustment of agency FedSelect accounts where losses are the responsibility of the agency, procedures for the adjustment of agency FedSelect accounts in

cases of termination of FedSelect services by the FMS, and performance requirements in the issuance of FedSelect checks.

(d) When an agency fails to adhere to the provisions of this part or to the instructions contained in I TFM 4–3500, the FMS, at its discretion, may terminate the services of FedSelect checks. The FMS shall provide the agency with prior notification of the date on which services will be terminated.

§ 247.6 Banks.

(a) A bank's acceptance of a FedSelect check issued pursuant to this part shall constitute its agreement to the provisions of this part.

(b) Each bank by its action of handling a FedSelect check shall be deemed to warrant to the Federal Government that it has handled the FedSelect check in accordance with the requirements of this part.

§ 247.7 Certification and internal agency control.

(a) A FedSelect check is not a check drawn on the United States Treasury. However, where the drawer of a FedSelect check is the United States, the requirements and procedures for disbursing and certifying activities under 31 U.S.C. 3321, 3527 and 3528 apply to agency accountable officers issuing FedSelect checks.

(b) FedSelect checks shall be drawn by an individual who is duly authorized by the agency, and shall be certified by a certifying officer.

(c) When an agency issues a FedSelect check in payment of a United States obligation, such agency certifies the issuance of the payment contemporaneous to the issuance of the FedSelect check. Therefore, where FedSelect checks are issued through an automated system, certification occurs through the on-line data transfer between the agency issuing a FedSelect check and the FMS.

(d) Agencies shall ensure that there are proper internal controls over the issuance of FedSelect checks, including payment authorization, check issuance, and reconciliations. Payment authorization is the process by which vouchers or invoices are approved for payment by individuals designated to do so by the head of the agency, or their designees. Check issuance is the physical issuance of a FedSelect check in payment of a duly approved voucher or invoice. Reconciliation is the process by which amounts authorized for payment are verified against amounts of checks issued.

§ 247.8 Presentment.

(a) Presentment of FedSelect checks must be made to the payor Reserve Bank. FedSelect checks must be presented through normal banking channels.

(b) FedSelect checks will have a standard period of payability of 90 days.

(c) FedSelect checks shall bear a preprinted legend, ''Void After 90 Days.''

(d) When an outstanding FedSelect check reaches its stale-date, a cancellation indicator will be placed against it and its status reflected as cancelled due to stale-dating. A payor Reserve Bank will return unpaid a FedSelect check negotiated to the depositary bank more than the number of days stated on the FedSelect check after the date on which the FedSelect check was issued. A FedSelect check which has reached its stale-date before being negotiated to a depositary bank should be marked ''void'' on the face of the check and sent to the issuing agency or the FMS. The issuance of another FedSelect check or other form of payment, to replace a lost, stolen, or destroyed FedSelect check must be made in accordance with § 247.9.

§ 247.9 Notice, non-receipt, theft, loss or destruction; late presentment.

(a) If an agency has notice that a FedSelect check is not received by the payee within a reasonable time after a payment is due, or that a FedSelect check is lost, stolen or destroyed, the agency must request to the FMS that a stop payment order be placed on that item. The notice may be given by telephone or facsimile, but if it is given by telephone, such notice must be confirmed in writing before another payment is issued. The notification must contain sufficient information to identify the account and/or the obligation to which the payment is related. Payment on a FedSelect check is stopped

if the notice of non-receipt, loss, theft, or destruction is received from the agency at such time and in such manner as to afford the payor Reserve Bank and the FMS a reasonable opportunity to act on it prior to final payment, as provided by applicable law. Once a stop payment order has been placed against an outstanding FedSelect check, such stop payment order will not be removed.

(b) The agency that issued the FedSelect check will issue another FedSelect check to replace a lost, stolen or destroyed FedSelect check, or other form of payment, at its discretion. Items an agency may require before issuing another FedSelect check include:

(1) Written confirmation that the original FedSelect check was lost, stolen, or destroyed;

(2) Confirmation from the FMS that the original FedSelect check is unpaid;

(3) A determination that recovery of the original FedSelect check is unlikely; and

(4) An indemnification agreement executed by the payee and/or indorsee.

(c) If a payor Reserve Bank returns unpaid a FedSelect check solely as a result of §247.8(d), the agency that issued the original FedSelect check may issue, at its discretion, another FedSelect check, or other form of payment, to a payee or holder upon surrender of the original FedSelect check and execution of such indemnification agreement as may be required by the agency.

(d) Upon verification of the existence of a forged or unauthorized indorsement on a FedSelect check which has been finally paid, the agency that issued the original FedSelect check may issue, at its discretion, another FedSelect check or other form of payment to the person entitled. Disputes as to any continuing obligations for payment remain between the agency that issued the payment and the payee. Prior to the issuance of another FedSelect check, the payee or indorsee of the original FedSelect check may be required to execute an affidavit asserting that the payee or indorsee was in no way involved in the fraudulent or unauthorized indorsement of the original FedSelect check, in addition to any indemnification agreement required by the agency.

(e) In the case of a FedSelect check payable to the order of two or more persons, the requirements of this section apply to all designated payees.

§247.10 Losses and accountability.

(a) Agencies will be accountable for all losses arising out of agency activity related to the issuance of FedSelect checks. Such activities include negligence, fraud perpetrated by an employee or agent of the agency, and fraud perpetrated by a service-provider or vendor receiving a FedSelect check as payment.

(b) If an agency had notice that a FedSelect check was not received by the payee within a reasonable time after a payment is due, or that a FedSelect check is lost, stolen or destroyed, and the agency failed to request to the FMS that a stop payment order be placed on that item pursuant to §247.9(a), the agency will be accountable for any loss occurring as a result of the failure to request stop payment in a timely fashion.

(c) Losses caused by the fault or negligence of the FMS will be the accountability of the FMS. Such losses include failure to adhere to a request by an agency to place a stop payment order on an item in accordance with §247.9(a).

(d) The FMS will be accountable for losses caused by third-parties, including losses caused by alteration, counterfeit and forgery of the payee indorsement, unless such losses occur as described in paragraphs (a) and (b) of this section.

§247.11 Debt collection.

(a) Agencies are responsible for collection procedures on all improperly paid items arising under the circumstances described in paragraphs (a) and (b) of §247.10. However, excepting cases of fraud, an agency should write off a debt and refer it to the FMS for collection if it is not resolved within 90 days after the item was paid. When the FMS collects on the debt, the funds will be returned to the agency minus an administrative fee for the collection, in accordance with rules set forth in I TFM 4–3500. Accountability for a

debt remains with the agency in accordance with § 247.10.

(b) The FMS is responsible for collection procedures on all improperly paid items arising under the circumstances described in paragraphs (c) and (d) of § 247.10. With all such items, the FMS will make an initial demand for refund of the amount of a check payment to the presenting bank or any other debtor. This demand shall advise the presenting bank or debtor of the amount demanded and the reason for the demand. All delinquent debts will be subject to interest, penalties and administrative fees in accordance with the Federal Claims Collections Standards. Any discrepancies should be brought to the attention of the FMS.

§ 247.12 Funds for losses.

(a) If collection efforts by the FMS for debts arising under paragraphs (c) and (d) of § 247.10 are unsuccessful, sources of funds for the payment of such losses include FMS appropriations, to the extent available, funds collected from reimbursement fees for services provided by the FMS pursuant to § 247.5(b), and other available sources.

(b) Reimbursement fees paid by agencies to the FMS for FedSelect check services will be retained for payment of uncollectible losses, consistent with all applicable laws.

§ 247.13 Additional requirements.

In any case or any class of cases arising under these regulations, the FMS or the agency that issued the FedSelect check may require such additional evidence of loss, improper indorsement or entitlement to a replacement as may be necessary for the protection of the interests of the United States.

§ 247.14 Waiver of regulations.

The FMS reserves the right to waive any provision(s) of these regulations in any case or class of cases for the convenience of the United States or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not impair any existing rights, and the FMS is satisfied that such action will not subject the United States to any substantial expense or liability.

§ 247.15 Supplements, amendments or revisions.

The FMS may, at any time, prescribe supplemental, amendatory, or revised regulations, or revoke the regulations in this part.

PART 248—ISSUE OF SUBSTITUTES OF LOST, STOLEN, DESTROYED, MUTILATED AND DEFACED CHECKS OF THE UNITED STATES DRAWN ON ACCOUNTS MAINTAINED IN DEPOSITARY BANKS IN FOREIGN COUNTRIES OR UNITED STATES TERRITORIES OR POSSESSIONS

Sec.

248.1 Introductory.

DELEGATION OF AUTHORITY

248.2 Delegation of authority to issue substitute checks.

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AUTHORITY: 31 U.S.C. 3331.

SOURCE: 25 FR 10869, Nov. 16, 1960, unless otherwise noted. Redesignated at 39 FR 20969, June 17, 1974.

§ 248.1 Introductory.

This part governs the issuance of substitutes for checks of the United States drawn on United States dollar or foreign currency accounts, maintained with designated depositaries in foreign countries or territories or possessions of the United States. Checks of the United States drawn on such depositaries are hereafter referred to as ''depositary checks.''

[54 FR 35647, Aug. 29, 1989]

DELEGATION OF AUTHORITY

§ 248.2 Delegation of authority to issue substitute checks.

Pursuant to authority contained in section 3646 of the Revised Statutes, as amended, and subject to such procedural requirements as may be prescribed by the Treasury Department, there is hereby delegated to heads of departments and agencies whose disbursing officers issue depositary checks, authority to authorize officers or employees of their respective departments or agencies to issue substitutes of such checks, prior to the close of the fiscal year next following the fiscal year in which the checks are issued, and to receive and approve undertakings to indemnify the United States in such cases. The Commissioner of the Financial Management Service, Treasury Department, is hereby delegated authority to issue substitutes of depositary checks drawn by the Director, Operations Group, Treasury Department, or by officers disbursing under delegation from the Director, Operations Group, and to receive and approve undertakings of indemnity in such cases. The authority delegated to the Commissioner of the Financial Management Service may be redelegated by him to such disbursing officers.

[39 FR 20969, June 17, 1974, as amended at 49 FR 47001, 47002, Nov. 30, 1984]

ACTION TO BE TAKEN BY CLAIMANTS

§ 248.3 Advice of nonreceipt or loss.

The payee or owner of a depositary check which is not received, or which has been lost, stolen, destroyed or mutilated or defaced to such an extent that it is rendered non-negotiable, should immediately notify the disbursing officer who issued such check or the administrative agency exercising jurisdiction over such disbursing officer, over his signature and current address, giving information as to the circumstances of the loss, theft or destruction of the check and whether it was endorsed, and also requesting that payment of the check be stopped. A claimant who is one other than the payee of the check, should present a statement in support of his ownership of the check. If the check has been mutilated or defaced, it should be forwarded to the issuing disbursing officer with request for the issuance of a substitute.

§ 248.4 Undertaking of indemnity.

(a) If the check is found to be outstanding and unpaid and it appears that the proceeds are due the claimant, the disbursing officer will request the claimant to execute an undertaking of indemnity, Form 2244, in a penal sum equal to the amount of the check (or checks).

(b) Except in the circumstances set forth below, a corporate surety authorized by the Secretary of the Treasury to act as an acceptable surety on bonds in favor of the United States or two responsible individual sureties will be required on the undertaking of indemnity. It will be the responsibility of the claimant in a foreign country to secure a certification as to the financial sufficiency of the individual sureties executed by one of the persons listed in, and in the manner prescribed by, the instruction appearing under the Certificate as to Sureties on the face of Form 2244.

(c) Where the amount of the original check (or checks) is $200 or less, or the equivalent in foreign currency, one financially responsible individual surety may be accepted.

(d) Unless it is determined that the requirement of sureties is essential in the public interest, sureties will not be required under the following circumstances:

(1) If the officer authorized to issue a substitute check is satisfied that the loss, theft, destruction, mutilation or defacement of the original check occurred without fault of the owner or holder and while the check was in the custody or control of the United States or of a person duly authorized as an agent of the United States when performing services in connection with an official function of the United States;

(2) If substantially the entire check is presented and surrendered by the owner or holder and the disbursing officer is satisfied as to the identity of the check presented and that any missing portions are not sufficient to form the

basis of a valid claim against the United States;

(3) If the owner or holder is the United States or an officer or employee thereof in his official capacity, a State, the District of Columbia, a territory or possession of the United States, a municipal corporation or political subdivision of any of the foregoing, a corporation the entire capital of which is owned by the United States, a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

§ 248.5 Exception to requirement of undertaking of indemnity Form 2244.

Notwithstanding the provisions of § 248.4, if in any case involving a financially responsible claimant it is impracticable to obtain the execution of Standard Form 2244, with or without sureties, the officer or employee responsible for handling the claim, in his discretion, may accept an undertaking of indemnity in the form of a written statement or letter, substantially as follows:

In consideration of the issuance of a substitute check in lieu of _____
(Check description)

and the payment of the substitute check, the undersigned undertakes and agrees to save harmless and indemnify the United States of America, its officers and agents, of and from any and all liability, loss, expense, claim, and demand whatsoever, arising in any manner by reason of or on account of said original check (or checks) or the stoppage or payment thereof, or the issue or payment of the substitute check (or checks), to replace the same.

The undertaking of indemnity should be appropriately witnessed, and if it is executed on behalf of a corporation or other business organization, the individual executing the same should furnish proof of this authority to so act. In appropriate cases, a foreign language translation of the foregoing letter of indemnity may be accepted.

[25 FR 10869, Nov. 16, 1960. Redesignated at 39 FR 20969, June 17, 1974, as amended at 54 FR 35648, Aug. 29, 1989]

§ 248.6 Recovery of original check.

(a) If the claimant recovers an original check after he has furnished advice of non-receipt but before receipt of a substitute check, he should immediately notify the disbursing officer or agency concerned and hold the check until receipt of advice from the disbursing officer or agency concerned regarding the negotiability of such original check.

(b) In the event the substitute check has been received prior to the recovery of the original check, the original check should be returned immediately to the disbursing officer.

(c) Under no circumstances should the claimant attempt to cash both the original and substitute check.

§ 248.7 Claims requiring settlement action.

There are certain types of claims on which the disbursing officer will not be authorized to take final action. These include:

(a) Claims on original checks which have been outstanding more than one full fiscal year following the fiscal year in which the checks were issued, and

(b) Claims involving doubtful questions of law and fact.

In such cases the disbursing officer will obtain information and supporting papers, including an undertaking of indemnity, from the claimant and transmit such data to the Claims Division, General Accounting Office, for settlement action.

§ 248.8 Inquiries.

Claimants should direct any inquiries regarding the application of these regulations to the department or agency or disbursing officer concerned.

§ 248.9 Amendments and waivers.

The Treasury Department may waive, withdraw or amend at any time or from time to time any or all of the foregoing regulations.

PART 250—PAYMENT ON ACCOUNT OF AWARDS OF THE FOREIGN CLAIMS SETTLEMENT COMMISSION OF THE UNITED STATES

Sec.
250.1 Scope of regulations.
250.2 Forms.

250.3 Voucher applications.
250.4 Payment on awards.
250.5 Manner of payment.
250.6 Powers of attorney.
250.7 Additional evidence.

AUTHORITY: Sec. 7, 64 Stat. 16, sec. 310, 69 Stat. 573, sec. 413, 72 Stat. 530, sec. 213, 76 Stat. 1111; 22 U.S.C. 1626, 1641i, 1642*l*, 50 U.S.C. App. 2017*l*.

§ 250.1 Scope of regulations.

The regulations in this part govern payment by the Department of the Treasury on awards made and certified to the Secretary of the Treasury by the Foreign Claims Settlement Commission under the International Claims Settlement Act of 1949, as amended (22 U.S.C. 1621 *et seq.*), and Title II of the War Claims Act of 1948 (50 U.S.C. App. 2017 *et seq.*).

[34 FR 1897, Feb. 8, 1969]

§ 250.2 Forms.

The forms referred to in §§ 250.3 and 250.4 shall be used in connection with the payment of awards hereunder. Voucher applications for all payments will be mailed to awardees by the Financial Management Service, Treasury Department, Hyattsville, MD 20782, without request therefor by awardees.

[31 FR 9418, July 9, 1966, as amended at 49 FR 47001, Nov. 30, 1984; 58 FR 4578, Jan. 15, 1993]

§ 250.3 Voucher applications.

(a) *Execution of voucher by person named.* No payment of any part of the amount due on account of an award will be made unless a voucher application therefor properly executed (preferably in ink or indelible pencil) is received by the Treasury Department. A voucher application for each payment on account of an award must be signed by each person whose name appears on such voucher application as payee exactly as his name appears thereon, with the following two exceptions:

(1) If only the name of the payee, and not his identity, has changed, the payee shall sign the voucher application with his changed name and return it to the Financial Management Service, Treasury Department, Hyattsville, MD 20782; the voucher application shall be accompanied by an explanatory affidavit and appropriate supporting documents, e.g., a copy of a marriage certificate or court order of change of name.

(2) If the identity of the payee has changed, paragraph (b) of this section shall apply. A signature by mark (X) must be witnessed by two persons; the signature and address of each must appear on the voucher application. In the case of a corporation the voucher application must be signed by an appropriate officer thereof having authority to do so, whose authority to sign on behalf of the corporation must be duly certified to thereon over the seal of the corporation.

(b) *Execution of voucher by other person.* If the person named in the voucher application as payee is no longer the proper person to receive the payment by reason of assignment, incompetency or death, or of termination of a partnership or corporation named, the voucher shall be executed by the person entitled to payment as provided in § 250.4 and returned to the Credit Accounting Branch with the relevant information and the appropriate supporting documents required by that section.

[31 FR 9418, July 9, 1966, as amended at 49 FR 47001, Nov. 30, 1984; 58 FR 4578, Jan. 15, 1993]

§ 250.4 Payment on awards.

Payment will be made only to the person or persons on behalf of whom the award is made, except in the following circumstances:

(a) If such person is incompetent, payment will be made to his guardian, committee, or other equivalent legal representative. The law of the residence of the incompetent will determine whether the legal representative must be court appointed. If court appointment is required, the legal representative shall submit a certificate of the clerk of the appointing court, under its seal, dated within 6 months of the date of the voucher application for payment, showing that his appointment is in full force and effect. If court appointment is not required, the legal representative shall submit a notarized statement showing:

(1) His relationship to the incompetent;

(2) The name and address of the person having care and custody of the incompetent;

(3) That any money received will be applied to the use and benefit of the incompetent, and

(4) That there was no appointment of a guardian or committee.

(b) If such person is deceased, payment will be made to his legal representative.

(1) If any payment to be made is not over $1,000 and there is no qualified executor or administrator, the legal representative will be the person found by the Comptroller General to be entitled thereto, without the necessity of compliance with the requirements of law with respect to the administration of estates, upon execution and submission of Standard Form No. 1055 to the Financial Management Service for transmittal to the Comptroller General. That form is available from the Credit Accounting Branch.

(2) In all other cases, the term legal representative shall include court-appointed or statutory administrators or executors, and successors in interest of the decedent, e.g., his legatees or heirs as determined by an appropriate court or by the law of his residence. If administration of the decedent's estate is closed, the legal representative shall submit a copy of the appropriate court's final order of distribution or other pertinent order, identifying the distributees and their addresses. If administration continues and the legal representative is court-appointed, he shall submit a certificate of the clerk of the appointing court, under its seal, dated within 6 months of the date of the voucher application for payment, showing that such appointment is in full force and effect. If the legal representative is not court-appointed, he shall submit evidence sufficient to prove his interest and authority to apply for payment. If that evidence is a copy of the decedent's will, it shall show on its face or by attachments thereto that it has been offered for probate, and that the appropriate court has affixed its seal and attached its certification of authenticity that the will is in fact the decedent's last will and testament.

(c)–(d) [Reserved]

(e) In the case of a partnership or corporation, the existence of which has been terminated, if a receiver or trustee has been duly appointed by a court of competent jurisdiction in the United States and has not been discharged prior to the date of payment, payment will be made to such receiver or trustee in accordance with the order of the court. In the event a receiver or trustee duly appointed by a court of competent jurisdiction in the United States makes an assignment of the claim or any part thereof with respect to which an award is made, or makes an assignment of such award or any part thereof, payment will be made to the assignee as his interest may appear. In the latter circumstance, certified copies of the court orders showing the authority of the receiver or trustee to make the assignment shall be submitted with the assignment. No particular form of assignment is prescribed, but the original assignment must be submitted to, and will be retained by the Treasury Department.

(f) In the case of a partnership or corporation, the existence of which has been terminated, if no receiver or trustee has been duly appointed by a court of competent jurisdiction in the United States, or if such a receiver or trustee has been discharged prior to the date of payment without having made an assignment, payment may be made to the person or persons found by the Comptroller General of the United States to be entitled thereto. In this circumstance, the person or persons claiming payment shall submit to the Financial Management Service, Treasury Department, Hyattsville, MD 20782, such documentary evidence as is appropriate to show his or their right to the payment.

(g) In the case of an assignment of an award or any part thereof which is made in writing and duly acknowledged and filed after such award is certified to the Secretary of the Treasury, payment may in the discretion of the Secretary of the Treasury be made to the assignee as his interest may appear. No particular form of assignment is prescribed, but the original assignment must be submitted to, and will be retained by the Treasury Department.

[31 FR 9418, July 9, 1966, as amended at 34 FR 1897, Feb. 8, 1969; 49 FR 47001, Nov. 30, 1984; 58 FR 4578, Jan. 15, 1993]

§ 250.5 Manner of payment.

Payment will be made by check drawn on the United States Treasury. Checks will be mailed to the payee at the address indicated on the voucher application, unless subsequent to the issue of the voucher application the Treasury Department receives a written request from the payee to deliver the check to him at some other address. Where the award has been entered in favor of more than one person, only one check will be drawn in making payment unless the payees specify the share of each and request separate checks.

[31 FR 9418, July 9, 1966]

§ 250.6 Powers of attorney.

No power of attorney to sign a voucher application will be recognized but a power of attorney executed subsequent to the certification of an award to the Secretary of the Treasury to receive, endorse and collect a check given in payment on an award may be recognized. An appropriate form for such a power of attorney may be obtained from the Financial Management Service, Treasury Department, Hyattsville, MD 20782.

[31 FR 9418, July 9, 1966, as amended at 49 FR 47001, Nov. 30, 1984; 58 FR 4578, Jan. 15, 1993]

§ 250.7 Additional evidence.

The Secretary of the Treasury or the Comptroller General of the United States may in any case require such additional information and evidence as may be deemed necessary.

[31 FR 9418, July 9, 1966]

PART 256—PAYMENTS UNDER JUDGMENTS AND PRIVATE RELIEF ACTS

Sec.

256.1 Judgments against the United States.
256.2 Payment of sums appropriated in private relief acts.

AUTHORITY: 5 U.S.C. 301, 552.

§ 256.1 Judgments against the United States.

(a) Persons securing money judgments against the United States, in excess of $100,000 in any one case, in the Court of Claims are required, in order to secure payment, to file original transcripts of such judgments with the Secretary of the Treasury for certification to the Congress for appropriation. Following receipt of an application on the part of the claimant for payment of the amount appropriated by the Congress, the General Accounting Office transmits a certificate of settlement to the Treasury Department. Payment is then made to the claimant by check drawn in the Treasury Department by the Field Operations Group, Financial Management Service. A similar procedure applies with respect to such judgments obtained in the Federal district courts, except that papers pertaining to such judgments are filed with the Secretary of the Treasury by the Department of Justice instead of by the claimant.

(b) A procedure similar to that outlined in paragraph (a) of this section is followed with respect to judgments not in excess of $100,000 in any one case except that the necessary documents are filed with the General Accounting Office and no action is taken by the Treasury Department prior to the receipt of a certificate of settlement from the General Accounting Office. After receipt of a certificate of settlement a check payable from a permanent appropriation established for the payment of such judgments is drawn in the Treasury Department by the Field Operations Group, Financial Management Service and mailed to the claimant in accordance with the terms of the certificate of settlement.

[23 FR 10184, Dec. 24, 1958. Redesignated at 32 FR 9562, July 1, 1967, as amended at 49 FR 47002, Nov. 30, 1984]

§ 256.2 Payment of sums appropriated in private relief acts.

Persons entitled to payment of sums appropriated in private relief acts should make application for payment to the Treasury Department, Financial Management Service, Washington, DC 20226. Upon receipt of an application, bearing the signature and mailing address of the beneficiary, the Treasury Department will effect payment.

[29 FR 13164, Sept. 23, 1964. Redesignated at 32 FR 9562, July 1, 1967, as amended at 49 FR 47001, Nov. 30, 1984]

PART 270—AVAILABILITY OF RECORDS

Sec.
270.1 Rules governing availability of information.
270.2 Materials available for inspection and copying.
270.3 Requests for identifiable records.
270.4 Fees for services.

AUTHORITY: 5 U.S.C. 552.

SOURCE: 58 FR 25943, Apr. 29, 1993, unless otherwise noted.

§ 270.1 Rules governing availability of information.

The records of the Financial Management Service required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures and other provisions of the regulations on the Disclosure of Records of the Office of the Secretary and of other bureaus and offices of the Department issued under 5 U.S.C. 552 and published as part 1 of title 31 of the Code of Federal Regulations, except as provided in these regulations.

§ 270.2 Materials available for inspection and copying.

(a) *Materials available.* The materials in the Financial Management Service which are required by 5 U.S.C. 552(a)(2) to be made available for public inspection and copying are the following:

(1) Final opinions, as well as orders, made in the adjudication of cases. These will include final dispositions of claims on Government checks which are of a precedential nature. Generally, however, the Financial Management Service does not issue orders in the adjudication of cases.

(2) Statements of policy and interpretations which have been adopted by the Service and are not published in the FEDERAL REGISTER.

(3) Administrative staff manuals and instructions to staff that affect a member of the public. These materials include sections of the Treasury Financial Manual and such Department Circulars applicable to Financial Management Service operations, that have been determined by the agency to affect a member of the public, and have not been incorporated into that manual or published as parts of title 31 of the Code of Federal Regulations.

(4) Current indices for the foregoing materials.

(b) *Location.* The materials listed in paragraph (a) of this section issued on or after the effective date of these regulations are available for inspection and copying during office hours in the public reading room of the Treasury Department, 15th Street and Pennsylvania Avenue, NW., Washington, DC 20220. Materials issued prior thereto are available in the public reading room to the extent feasible. If not so available, they may be requested as identifiable records.

§ 270.3 Requests for identifiable records.

(a) *Procedure.* A written request for an identifiable record shall be addressed to: Freedom of Information Disclosure Officer, Financial Management Service, 401 14th Street, SW., Washington, DC 20227.

(b) *Determination of request.* Determination as to the disclosure of a record request shall be made, subject to appeal to the Commissioner of the Financial Management Service, by the head of the division in which the record belongs and by the Disclosure Officer of the agency. The decision of the Commissioner shall constitute final agency action, unless the Commissioner refers the appeal to the Fiscal Assistant Secretary, in which case the decision of the Fiscal Assistant Secretary shall constitute final agency action.

§ 270.4 Fees for services.

Fees for services performed by the Financial Management Service will be imposed and collected as set forth in part 1 of title 31 of the Code of Federal Regulations.

PART 281—FOREIGN EXCHANGE OPERATIONS

Sec.
281.1 Authority.
281.2 [Reserved]
281.3 Collections.
281.4 Guaranty funds.
281.5 Depositaries.
281.6 Withdrawals from Treasury accounts.
281.7 Limitations.
281.8 Reporting and accounting.

281.9 General provisions.

AUTHORITY: Sec. 114, 64 Stat. 836, sec. 613, 75 Stat. 443; 31 U.S.C. 66b, 22 U.S.C. 2363, E.O. 10488, 18 FR 5699, 3 CFR, 1949–1953 Comp., p. 972, E.O. 10900, 26 FR 143, 3 CFR, 1959–1963 Comp., p. 429.

SOURCE: 26 FR 10054, Oct. 26, 1961, unless otherwise noted.

§ 281.1 Authority.

By virtue of the authority vested in the Secretary of the Treasury by section 114 of the Budget and Accounting Procedures Act of 1950, 64 Stat. 836, 31 U.S.C. 66b; section 613 of the Act of September 4, 1961, 75 Stat. 443; Executive Order No. 10488, 18 FR 5699, 3 CFR 1949–1953 Comp.; and Executive Order No. 10900, 26 FR 143, the following regulations are prescribed for administration of the purchase custody, deposit, transfer, sale and reporting of foreign exchange (including credits and currencies) by executive departments and agencies (hereinafter referred to as agencies).

§ 281.2 [Reserved]

§ 281.3 Collections.

Foreign exchange collected by agencies shall be delivered promptly into the custody of accountable officers for credit to accounts of the Secretary of the Treasury (hereinafter referred to as the Secretary) unless otherwise directed by the Secretary. The term ''collections,'' for the purpose of these regulations in this part, does not include foreign exchange acquired by the United States by purchase with dollars. The accountable officer shall maintain records, showing the collections, by source, and indicating the miscellaneous receipt accounts or other accounts in the Treasury to be credited with dollar proceeds from sale of the foreign exchange, and such further classifications as may be needed to indicate exchange which can be used only for restricted purposes. Accountable officers shall be advised by the collecting agencies of the source of collections and any restrictions on the use of the foreign exchange in order that the foregoing records may be maintained.

§ 281.4 Guaranty funds.

The regulations in this part are applicable to all foreign exchange acquired by the United States under guaranty provisions of section 1011 of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1442), except that receipts of such foreign exchange shall be deposited in the foreign exchange accounts of the United States Treasury referred to in § 281.5(c).

§ 281.5 Depositaries.

(a) Except as provided in paragraph (b) of this section, foreign exchange which is held by accountable officers for account of the Secretary and foreign exchange acquired by accountable officers by purchase or otherwise, which is not immediately disbursed but is held by such officers for their own account or for the account of any agency, shall be maintained only in depositaries designated by the Secretary. Unless otherwise directed by the Secretary, accountable officers are not required to have separate depositary accounts for foreign exchange held for the Secretary's account.

(b) Accountable officers may carry foreign exchange as cash outside depositaries only pursuant to authority granted in accordance with Treasury Department Circular No. 1030 dated July 24, 1959, as amended.

(c) Deposits in and withdrawals from foreign exchange accounts maintained with depositaries in the name of the United States Treasury will be made only as directed by the Secretary.

§ 281.6 Withdrawals from Treasury accounts.

Foreign exchange shall be withdrawn from accounts of the Secretary on the books of accountable officers or from the foreign exchange accounts carried with depositaries in the name of the United States Treasury, only for the purpose of sale for dollars or transfer to agencies for authorized purposes, without reimbursement to the Treasury, as provided by or pursuant to law. Such transfers, as well as transfers between foreign exchange accounts of the Secretary and between foreign exchange accounts in the name of the United States Treasury, shall be made

only by direction of the Secretary. An agency requiring foreign exchange from the Treasury Department shall make request of the Secretary, indicating the amount of exchange required, in units of foreign currency, and the name and location of the accountable officer to receive the exchange. To the extent practicable and desirable, standing authorizations will be given for withdrawals from accounts of the Secretary. The following conditions apply to the sale of foreign exchange and to the requisition of foreign exchange without dollar payment:

(a) *Sales.* With respect to the sale of foreign exchange held in accounts of the Secretary, the payment in dollars shall be calculated at the rate of exchange that would otherwise be available to the United States for the acquisition of the foreign exchange for its official disbursements unless otherwise determined by the Treasury Department in consultation with the agencies concerned. When the rate that would otherwise be available to the United States is not readily ascertainable, the Treasury Department shall be consulted. The dollar proceeds realized from the sale of exchange shall be credited to the appropriate receipt, appropriation or refund account on the books of the Treasury. The dollar payment for foreign exchange purchased shall not be charged as an appropriation expenditure until the foreign exchange is disbursed.

(b) *Transfers without reimbursement.* When foreign exchange is to be obtained from the Treasury Department without payment of dollars, the agency concerned shall furnish written certification that the exchange may be used without reimbursement to the Treasury, citing the relevant legal authority. In cases where international agreements or Bureau of the Budget allocations specify the programs for which foreign exchange may be used, the Secretary may transfer exchange to agencies without requiring a certification.

[26 FR 10054, Oct. 26, 1961, as amended at 29 FR 11497, Aug. 11, 1964]

§ 281.7 Limitations.

The following limitations apply to the purchase and holding of foreign exchange:

(a) Unless otherwise authorized by the Secretary, no agency or accountable officer shall purchase, or direct the purchase of, foreign exchange from any source outside the Government of the United States, except when exchange for the purpose intended is not available for purchase from within the Government.

(b) All foreign exchange acquired by agencies by transfer from the Treasury Department, without payment of dollars, for the purpose of making authorized expenditures, shall be placed with accountable officers for account of the agencies concerned.

(c) Unless otherwise authorized by the Secretary, no accountable officer shall purchase foreign exchange which, together with the balance on hand at the time of purchase, would exceed estimated requirements for a thirty-day period.

(d) To the maximum extent possible, foreign exchange accounts which are earmarked for specific programs shall be maintained on an unfunded basis. Each agency responsible for administering international agreements pertaining to the use of foreign exchange held in funded accounts shall review the agreement and other considerations relevant to each such account at least annually to determine if the account can be placed on an unfunded basis, and shall initiate appropriate action to accomplish the objective of minimizing the number of funded program accounts and the amounts therein. The resulting determinations and the status of actions undertaken shall be furnished in writing to the Treasury Department within 60 days from the date of this regulation and each time thereafter that there is a change of status of a particular account, or as requested by the Treasury Department. Exchange which becomes eligible for removal from a funded status either as a result of the foregoing determinations, or because of the expiration of the period of availability for restricted use under the terms of international agreements, or for other reasons, shall be released promptly by the program agency for transfer to a nonrestricted Treasury sales account.

[26 FR 10054, Oct. 26, 1961, as amended at 29 FR 11497, Aug. 11, 1964]

§ 281.8 Reporting and accounting.

The Treasury Department will maintain a system of central accounting and reporting for the purpose of providing information on foreign exchange operations to the President, the Congress, and the public. The Treasury Department will also prescribe rules to enhance consistency in reporting of foreign exchange operations by all agencies. Agencies shall furnish such reports and information as may be required for the administration of the provisions of this circular.

§ 281.9 General provisions.

(a) Nothing contained in this part shall be construed as having the effect of superseding or amending the provisions of any regulations issued or approved by the Secretary pursuant to the Act of December 23, 1944, as amended (67 Stat. 61).

(b) The Secretary may waive, withdraw, or amend at any time or from time to time any or all of the provisions of the regulations of this part.

(c) Implementing regulations within the framework of this circular will be issued by the Fiscal Assistant Secretary of the Treasury. All communications pertaining to the administration of the provisions of this part shall be directed to the Fiscal Assistant Secretary.

PART 285—DEBT COLLECTION AUTHORITIES UNDER THE DEBT COLLECTION IMPROVEMENT ACT OF 1996

Subpart A—Disbursing Official Offset

Sec.
285.1 Collection of past-due support by administrative offset.
285.2 Offset of tax refund payments to collect past-due, legally enforceable nontax debt.
285.7 Salary offset.

Subpart B—Authorities Other Than Offset

285.11 Administrative wage garnishment.
285.12 Transfer of debts to Treasury for debt collection.

AUTHORITY: 26 U.S.C. 6402; 31 U.S.C. 321, 3701, 3711, 3716, 3720A, 3720D; E.O. 13019; 3 CFR, 1996 Comp., p. 216.

SOURCE: 62 FR 34179, June 25, 1997, unless otherwise noted.

Subpart A—Disbursing Official Offset

§ 285.1 Collection of past-due support by administrative offset.

(a) *Definitions.* For purposes of this section:

Administrative offset means withholding funds payable by the United States (including funds payable by the United States on behalf of a State government) to, or held by the United States for, a person to satisfy a debt.

Debt as used in this section is synonymous with the term past-due support.

Disbursing official includes an official who has authority to disburse public money pursuant to 31 U.S.C. 3321 or another Federal law.

FMS means the Financial Management Service, a bureau of the Department of the Treasury. FMS is the designee of the Secretary of the Treasury for all matters concerning this section, unless otherwise specified.

HHS means the Department of Health and Human Services, Office of Child Support Enforcement.

Past-due support means the amount of support determined under a court order, or an order of an administrative procedure established under State law, for support and maintenance of a child, or of a child and the parent with whom the child is living, which has not been paid.

Past-due support being enforced by the State means there has been an assignment of the support rights to the State or the State making the request for offset is providing services to individuals pursuant to 42 U.S.C. 654(5) (section 454(5) of the Social Security Act).

State means the several States of the United States. The term State also includes the District of Columbia, American Samoa, Guam, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Commonwealth of Puerto Rico.

Secretary means the Secretary of the Treasury.

(b) *General rule.* FMS may enter into a reciprocal agreement with a State for the collection of past-due support being

enforced by the State by administrative offset from certain Federal payments. Upon notification of past-due support either directly from a State which has entered into such an agreement or from HHS, disbursing officials of FMS or any other disbursing official of the United States shall offset Federal payments which are subject to offset under this section, to collect past-due support. The amount offset, minus the offset fee, shall be forwarded to the State to be distributed in accordance with applicable laws and procedures.

(c) *Agreements.* FMS may enter into reciprocal agreements with States for disbursing officials of FMS and any other Federal disbursing official to offset certain Federal payments to collect past-due support being enforced by the State. The agreement shall contain any requirements which FMS considers appropriate to facilitate the offset and prevent duplicative efforts and shall require States to prescribe procedures governing the collection of past-due support by Federal administrative offset. For purposes of this section, reciprocal means of mutual benefit. An agreement between FMS and a State to collect past-due support by offsetting Federal payments will be considered of mutual benefit and it is not required that States conduct administrative offsets to collect debts owed to the Federal Government. States which have entered into an agreement with FMS pursuant to this section may thereafter request, in the manner prescribed herein, that an offset be performed. Such requests shall be made by the appropriate State disbursing official which, for purposes of this section, means an appropriate official of the State agency which administers or supervises the administration of the State plan under Title IV–D of the Social Security Act.

(d) *Notification to FMS of past-due support.* (1) States notifying FMS of past-due support must do so in the manner and format prescribed by FMS. States notifying HHS of past-due support must do so in the manner and format prescribed by HHS. HHS shall notify FMS of all past-due support referred to HHS by States for collection by administrative offset provided that the requirements of paragraphs (d)(3) and (h) of this section have been met.

(2) When a State has knowledge that past-due support is being enforced by more than one State, the State notifying FMS or HHS of the past-due support must inform any other State involved in enforcing the past-due support when it refers the debt for offset and when it receives the offset amount.

(3) The notification of past-due support must be accompanied by a certification that the debt is past-due, legally enforceable, and that the State has complied with all the requirements as set forth in paragraph (h) of this section and with any requirements imposed by State law or procedure. For debts so certified, the Secretary may waive sections 552a (o) and (p) of Title 5, United States Code, where applicable, in accordance with the Secretary's authority under 31 U.S.C. 3716(f).

(4) FMS may reject a notification of past-due support which does not comply with the requirements of this section. The State will be notified of the rejection along with the reason for the rejection.

(e) *Minimum amount of past-due support.* FMS will reject a notification of past-due support where the past-due support owed is less than $25.00. This amount may be adjusted from time to time by FMS to ensure that the cost of collection does not exceed the debt.

(f) *Limitations.* Debts properly submitted to FMS for administrative offset will remain subject to collection by administrative offset until withdrawn by the State provided the debt remains past-due and legally enforceable.

(g) *Notification of changes in status of debt.* The State notifying FMS or HHS of past-due support shall, in the manner and in the time frames provided by FMS or HHS, notify FMS or HHS of any deletion or decrease in the amount of a debt referred for collection by administrative offset. The State may notify FMS or HHS of any increases in the amount of a debt referred for collection by administrative offset provided the State has complied with the requirements of paragraph (h) of this section with regard to those amounts.

(h) *Advance notification of intent to collect by administrative offset.* (1) The State, or FMS or HHS on behalf of the

State, if the State requests and FMS or HHS agrees, shall send a written notification, at least 30 days in advance of referral of the debt for offset, to the individual owing past-due support, informing the individual that the State intends to refer the debt for collection by administrative offset against Federal payments. The notice must also inform the individual of:

(i) The nature and amount of the debt; and

(ii) The right to an administrative review by the State referring the debt or, upon the request of the individual, by the State with the order upon which the referral was based, of the determination of the State with respect to the debt and of the procedures and time frames established by the State for such reviews.

(2) Prior to referring a debt to FMS for collection by administrative offset, States must provide individuals with a reasonable opportunity to exercise the rights enumerated in paragraph (h)(1) of this section in accordance with procedures prescribed by the State.

(i) *Payments subject to offset.* Federal payments subject to offset under this section include all Federal payments except:

(1) Payments due to an individual under

(i) Title IV of the Higher Education Act of 1965;

(ii) The Social Security Act;

(iii) Part B of the Black Lung Benefits Act;

(iv) Any law administered by the Railroad Retirement Board;

(2) Payments which the Secretary determines are exempt from offset in accordance with paragraph (k) of this section;

(3) Payments from which collection of past-due support by administrative offset is expressly prohibited by law;

(4) Payments made under the Internal Revenue Code of 1986 (except that tax refund payments are subject to offset under separate authority); and

(5) Payments made under the tariff laws of the United States.

(j) *Special provisions applicable to Federal salary payments.* (1) Unless a lower maximum offset limitation is provided by applicable State law, the maximum part of a Federal salary payment per pay period subject to offset to collect past-due support shall not exceed those amounts set forth at section 1673(b)(2)(A) and (B) of Title 15, United States Code, as follows:

(i) Fifty (50%) percent of the debtor's aggregate disposable earnings for any pay period, where the debtor asserts by affidavit, or by other acceptable evidence, that he/she is supporting a spouse and/or dependent child, other than the former spouse and/or child for whom support is being collected, except that an additional five (5%) percent will apply if it appears that such earnings are to enforce past-due support for a period which is twelve (12) weeks or more prior to the pay period to which the offset applies. A debtor shall be considered to be supporting a spouse and/or dependent child only if the debtor provides over half of the spouse's and/or dependent child's support.

(ii) Sixty (60%) percent of the debtor's aggregate disposable earnings for any pay period where the debtor fails to assert by affidavit or establish by other acceptable evidence that he/she is supporting a spouse and/or dependent child, other than a former spouse and/or child for whom support is being collected, except that an additional five (5%) percent will apply if it appears that such earnings are to enforce past-due support for a period which is twelve (12) weeks or more prior to the pay period to which the offset applies.

(2) The maximum allowable offset amount shall be reduced by the amount of any deductions in pay resulting from a garnishment order for support. Nothing in this rule is intended to alter rules applicable to processing garnishment orders for child support and/or alimony.

(3) Federal salary payments subject to offset for the collection of past-due support include current basic pay, special pay, incentive pay, retainer pay, overtime, or in the case of an employee not entitled to basic pay, other authorized pay. Aggregate disposable earnings for purposes of determining the maximum amounts which may be offset under paragraph (j)(1) of this section is Federal salary pay remaining after the deduction of:

(i) Any amount required by law to be withheld;

(ii) Amounts properly withheld for Federal, State or local income tax purposes;

(iii) Amounts deducted as health insurance premiums;

(iv) Amounts deducted as normal retirement contributions, not including amounts deducted for supplementary coverage; and

(v) Amounts deducted as normal life insurance premiums not including amounts deducted for supplementary coverage.

(4) At least 30 days in advance of offset, the disbursing official shall send written notice to the debtor of the maximum offset limitations described in paragraph (j)(1) of this section. The notice shall include a request that the debtor submit supporting affidavits or other documentation necessary to determine the applicable offset percentage limitation. The notice shall also inform the debtor of the percentage that will be deducted if he/she fails to submit the requested documentation.

(k) *Payments exempt from administrative offset to collect past-due support being enforced by a State.* The Secretary will exempt from administrative offset under this part payments made under means-tested programs when requested by the head of the Federal agency which administers the program. For purposes of this section, means-tested programs are programs for which eligibility is based on a determination that income and/or assets of the beneficiary are inadequate to provide the beneficiary with an adequate standard of living without program assistance. The Secretary may exempt from administrative offset under this section any other class or type of payment upon the written request of the head of the agency which authorizes the payments. In determining whether or not to grant such exemptions, the Secretary shall give due consideration to whether administrative offset would tend to interfere substantially with or defeat the purposes of the payment agency's program.

(l) *Fees.* A fee which FMS has determined to be sufficient to reimburse FMS for the full cost of the offset procedure, shall be deducted from each offset amount. FMS will notify the States, annually and in advance, of the amount of the fee to be charged for each offset.

(m) *Conducting the offset.* Disbursing officials of the Department of the Treasury, the Department of Defense, the United States Postal Service, or any other Government corporation, any disbursing official of the United States designated by the Secretary, or any disbursing official of an executive department or agency that disburses Federal payments shall offset payments subject to offset under this section to satisfy, in whole or part, a debt owed by the payee. Disbursing officials shall compare payment certification records with records of debts submitted to FMS for collection by administrative offset. A match will occur when the taxpayer identifying number and name control of a payment record are the same as the taxpayer identifying number and name control of a debt record. The taxpayer identifying number for an individual is the individual's social security number. When a match occurs and all other requirements for offset have been met, the disbursing official shall offset the payment to satisfy, in whole or part, the debt. Any amounts not offset shall be paid to the payee. The amount that can be offset from a single payment is the lesser of the amount of the debt (including interest, penalties, and administrative costs); the amount of the payment; or the amount of the payment available for offset if a statute or regulation prohibits offset of the entire amount. Debts remain subject to collection by offset until paid in full.

(n) *Priorities.* When a payee owes more than one debt which has been referred to FMS for collection by administrative offset, any offset will be applied first to past-due support assigned to a State and will be applied to any other past-due support after any other reductions allowed by law.

(o) *Notification of offset.* Disbursing officials of FMS or any other disbursing official which conducts an offset will notify the payee in writing of the occurrence of the offset to satisfy past-due support. The notice shall inform the payee of the type and amount of

the payment that was offset; the identity of the State which requested the offset; and a contact point within the State that will handle concerns regarding the offset. Disbursing officials shall not be liable for failure to provide this notice.

(p) *Liability of disbursing officials and payment agencies.* Neither the disbursing official nor the agency authorizing the payment shall be liable for the amount of the administrative offset on the basis that the underlying obligation, represented by the payment before the administrative offset was taken, was not satisfied. Disbursing officials will notify the agency authorizing the payment that the offset has occurred so that the agency authorizing the payment may direct any inquiries concerning the offset to the appropriate State.

[62 FR 36210, July 7, 1997]

§ 285.2 Offset of tax refund payments to collect past-due, legally enforceable nontax debt.

(a) *Definitions.* For purposes of this section:

Creditor agency means a Federal agency owed a claim that seeks to collect that claim through tax refund offset.

Debt or *claim* refers to an amount of money, funds, or property which has been determined by an agency official to be due the United States from any person, organization, or entity, except another Federal agency. For the purposes of this section, the terms ''claim'' and ''debt'' are synonymous and interchangeable and includes debt administered by a third party acting as an agent for the Federal Government.

Debtor means a person who owes a debt or claim. The term ''person'' includes any individual, organization or entity, except another Federal agency.

FMS means the Financial Management Service, a bureau of the Department of the Treasury.

IRS means the Internal Revenue Service, a bureau of the Department of the Treasury.

Tax refund offset means withholding or reducing a tax refund payment by an amount necessary to satisfy a debt owed by the payee(s) of a tax refund payment.

Tax refund payment means any overpayment of Federal taxes to be refunded to the person making the overpayment after the IRS makes the appropriate credits as provided in 26 U.S.C. 6402(a) and 26 CFR 6402–3(a)(6)(i) for any liabilities for any tax on the part of the person who made the overpayment.

(b) *General rule.* (1) A Federal agency (as defined in 26 U.S.C. 6402(g)) that is owed by a person a past-due, legally enforceable nontax debt shall notify FMS of the amount of such debt for collection by tax refund offset. However, any agency subject to section 9 of the Act of May 18, 1933 (16 U.S.C. 831h) owed such a debt may, but is not required to, notify FMS of the amount of such debt for collection by tax refund offset.

(2) FMS will compare tax refund payment records, as certified by the IRS, with records of debts submitted to FMS. A match will occur when the taxpayer identifying number (as that term is used in 26 U.S.C. 6109) and name (or derivation of the name, known as a ''name control'') of a payment certification record are the same as the taxpayer identifying number and name control of a debtor record. When a match occurs and all other requirements for tax refund offset have been met, FMS will reduce the amount of any tax refund payment payable to a debtor by the amount of any past-due, legally enforceable debt owed by the debtor. Any amounts not offset will be paid to the payee(s) listed in the payment certification record.

(3) This section does not apply to any debt or claim arising under the Internal Revenue Code.

(4)(i) This section applies to Federal Old Age, Survivors and Disability Insurance (OASDI) overpayments provided the requirements of 31 U.S.C. 3720A(f)(1) and (2) are met with respect to such overpayments.

(ii) For purposes of this section, *OASDI overpayment* means any overpayment of benefits made to an individual under title II of the Social Security Act (42 U.S.C. 401 *et seq.*).

(5) A creditor agency is not precluded from using debt collection procedures, such as wage garnishment, to collect debts that have been submitted to FMS for purposes of offset under this part.

Such debt collection procedures may be used separately or in conjunction with offset collection procedures.

(c) *Regulations.* Prior to submitting debts to FMS for collection by tax refund offset, Federal agencies shall promulgate temporary or final regulations under 31 U.S.C. 3716 and 31 U.S.C. 3720A, governing the agencies' authority to collect debts by administrative offset, in general, and offset of tax refund payments, in particular.

(d) *Agency certification and referral of debt*—(1) *Past-due, legally enforceable debt eligible for tax refund offset.* For purposes of this section, when a Federal agency refers a past-due, legally enforceable debt to FMS for tax refund offset, the agency will certify to FMS that:

(i) The debt is past-due and legally enforceable in the amount submitted to FMS and that the agency will ensure that collections are properly credited to the debt;

(ii) Except in the case of a judgment debt or as otherwise allowed by law, the debt is referred for offset within ten years after the agency's right of action accrues;

(iii) The creditor agency has made reasonable efforts to obtain payment of the debt in that the agency has:

(A) Submitted the debt to FMS for collection by administrative offset and complied with the provisions of 31 U.S.C. 3716(a) and related regulations, to the extent that collection of the debt by administrative offset is not prohibited by statute;

(B) Notified, or has made a reasonable attempt to notify, the debtor that the debt is past-due, and unless repaid within 60 days after the date of the notice, will be referred to FMS for tax refund offset;

(C) Given the debtor at least 60 days to present evidence that all or part of the debt is not past-due or legally enforceable, considered any evidence presented by the debtor, and determined that the debt is past-due and legally enforceable; and

(D) Provided the debtor with an opportunity to make a written agreement to repay the amount of the debt;

(iv) The debt is at least $25; and

(v) In the case of an OASDI overpayment—

(A) The individual is not currently entitled to monthly insurance benefits under title II of the Social Security Act (42 U.S.C. 401 *et seq.*);

(B) The notice describes conditions under which the Commissioner of Social Security is required to waive recovery of the overpayment, as provided under 42 U.S.C. 404(b); and

(C) If the debtor files a request for a waiver under 42 U.S.C. 404(b) within the 60-day notice period, the agency has considered the debtor's request.

(2) *Pre-offset notice and consideration of evidence for past-due, legally enforceable debt.* (i) For purposes of paragraph (d)(1)(iii)(B) of this section, a creditor agency has made a reasonable attempt to notify the debtor if the agency uses the current address information contained in the agency's records related to the debt. Agencies may, but are not required to, obtain address information from the IRS pursuant to 26 U.S.C. 6103(m)(2), (4), or (5).

(ii) For purposes of paragraph (d)(1)(iii)(C) of this section, if the evidence presented by the debtor is considered by an agent of the creditor agency, or other entities or persons acting on the agency's behalf, the debtor must be accorded at least 30 days from the date the agent or other entity or person determines that all or part of the debt is past-due and legally enforceable to request review by an officer or employee of the agency of any unresolved dispute. The agency must then notify the debtor of its decision.

(3) *Referral of past-due, legally enforceable debt.* A Federal agency will submit past-due, legally enforceable debt information for tax refund offset to FMS in the time and manner prescribed by FMS. For each debt, the creditor agency will include the following information:

(i) The name and taxpayer identifying number (as defined in 26 U.S.C. 6109) of the debtor who is responsible for the debt;

(ii) The amount of such past-due and legally enforceable debt;

(iii) The date on which the debt became past-due;

(iv) The designation of the Federal agency or subagency referring the debt; and

(v) In the case of an OASDI overpayment, a certification by the Commissioner of Social Security designating whether the amount payable to the agency is to be deposited in either the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, but not both.

(4) *Correcting and updating referral.* If, after referring a past-due, legally enforceable debt to FMS as provided in paragraph (d)(3) of this section, a creditor agency determines that an error has been made with respect to the information transmitted to FMS, or if an agency receives a payment or credits a payment to the account of a debtor referred to FMS for offset, or if the debt amount is otherwise incorrect, the agency shall promptly notify FMS and make the appropriate correction of the agency's records. Creditor agencies will provide certification as required under paragraph (d)(1) of this section for any increases to amounts owed.

(5) FMS may reject a certification which does not comply with the requirements of paragraph (d)(1) of this section. Upon notification of the rejection and the reason for the rejection, a creditor agency may resubmit the debt with a corrected certification.

(e) *Priorities for offset.* (1) A tax refund payment shall be reduced first by the amount of any past-due support assigned to a State under section 402(a)(26) or section 471(a)(17) of the Social Security Act (42 U.S.C. 602(a)(26) or 42 U.S.C. 671(a)(17)) which is to be offset under 26 U.S.C. 6402(c), 42 U.S.C. 664 and the regulations thereunder; second, by the amount of any past-due, legally enforceable debt owed to a Federal agency which is to be offset under 26 U.S.C. 6402(d), 31 U.S.C. 3720A and this section; and third, by the amount of any qualifying past-due support not assigned to a State which is to be offset under 26 U.S.C. 6402(c), 42 U.S.C. 664 and the regulations thereunder.

(2) If a debtor owes more than one past-due, legally enforceable debt to a Federal agency or agencies, the tax refund payment shall be credited against the debts in the order in which the debts accrued. A debt shall be considered to have accrued at the time at which the agency determines that the debt became past due.

(3) Reduction of the tax refund payment pursuant to 26 U.S.C. 6402(a), (c), and (d) shall occur prior to crediting the overpayment to any future liability for an internal revenue tax. Any amount remaining after tax refund offset under 26 U.S.C. 6402 (a), (c), and (d) shall be refunded to the taxpayer, or applied to estimated tax, if elected by the taxpayer pursuant to IRS regulations.

(f) *Post-offset notice to the debtor, the creditor agency, and the IRS.* (1)(i) FMS will notify the payee(s) to whom the tax refund payment is due, in writing of:

(A) The amount and date of the offset to satisfy a past-due, legally enforceable nontax debt;

(B) The creditor agency to which this amount has been paid or credited; and

(C) A contact point within the creditor agency that will handle concerns or questions regarding the offset.

(ii) The notice in paragraph (f)(1)(i) of this section will also advise any non-debtor spouse who may have filed a joint tax return with the debtor of the steps which a non-debtor spouse may take in order to secure his or her proper share of the tax refund. See paragraph (g) of this section.

(2) FMS will advise each creditor agency of the names, mailing addresses, and identifying numbers of the debtors from whom amounts of past-due, legally enforceable debt were collected and of the amounts collected from each debtor for that agency. FMS will not advise the creditor agency of the source of payment from which such amounts were collected. If a payment from which an amount of past-due, legally enforceable debt is to be withheld is payable to two individual payees, FMS will notify the creditor agency and furnish the name and address of each payee to whom the payment was payable.

(3) At least weekly, FMS will notify the IRS of the names and taxpayer identifying numbers of the debtors from whom amounts of past-due, legally enforceable debt were collected and the amounts collected from each debtor.

(g) *Offset made with regard to a tax refund payment based upon joint return.* If the person filing a joint return with a debtor owing the past-due, legally enforceable debt takes appropriate action to secure his or her proper share of a tax refund from which an offset was made, the IRS will pay the person his or her share of the refund and request that FMS deduct that amount from amounts payable to the creditor agency. FMS and the creditor agency will adjust their debtor records accordingly.

(h) *Disposition of amounts collected.* FMS will transmit amounts collected for past-due, legally enforceable debts, less fees charged under paragraph (i) of this section, to the creditor agency's account. If an erroneous payment is made to any agency, FMS will notify the creditor agency that an erroneous payment has been made. The agency shall pay promptly to FMS an amount equal to the amount of the erroneous payment (without regard to whether any other amounts payable to such agency have been paid).

(i) *Fees.* The creditor agency will reimburse FMS and the IRS for the full cost of administering the tax refund offset program. FMS will deduct the fees from amounts collected prior to disposition and transmit a portion of the fees deducted to reimburse the IRS for its share of the cost of administering the tax refund offset program. To the extent allowed by law, creditor agencies may add the offset fees to the debt.

(j) *Review of tax refund offsets.* Any reduction of a taxpayer's refund made pursuant to 26 U.S.C. 6402(d) shall not be subject to review by any court of the United States or by the Secretary of the Treasury, FMS or IRS in an administrative proceeding. No action brought against the United States to recover the amount of this reduction shall be considered to be a suit for refund of tax. Any legal, equitable, or administrative action by any person seeking to recover the amount of the reduction of the overpayment must be taken against the Federal creditor agency to which the amount of the reduction was paid. Any action which is otherwise available with respect to recoveries of overpayments of benefits under 42 U.S.C. 404 must be taken against the Commissioner of Social Security.

(k) *Access to and use of confidential tax information.* Access to and use of confidential tax information in connection with the tax refund offset program are restricted by 26 U.S.C. 6103. Generally, agencies will not receive confidential tax information from FMS. To the extent such information is received, agencies are subject to the safeguard, recordkeeping, and reporting requirements of 26 U.S.C. 6103(p)(4) and the regulations thereunder. The agency shall inform its officers and employees who access or use confidential tax information of the restrictions and penalties under the Internal Revenue Code for misuse of confidential tax information.

(l) *Effective date.* This section applies to tax refund payments payable under 26 U.S.C. 6402 after January 1, 1998.

§ 285.7 Salary offset.

(a) *Purpose and scope.* (1) This section establishes procedures for the offset of Federal salary payments, through FMS' administrative offset program, to collect delinquent debts owed to the Federal Government. This process is known as salary offset. Rules issued by the Office of Personnel Management contain the requirements Federal agencies must follow prior to conducting salary offset and the procedures for requesting offsets directly from a paying agency. *See* 5 CFR 550.1101 through 550.1108.

(2) This section implements the requirement under 5 U.S.C. 5514(a)(1) that all Federal agencies, using a process known as centralized salary offset computer matching, identify Federal employees who owe delinquent nontax debt to the United States. Centralized salary offset computer matching is the computerized comparison of delinquent debt records with records of Federal employees. The purpose of centralized salary offset computer matching is to identify those debtors whose Federal salaries should be offset to collect delinquent debts owed to the Federal Government.

(3) This section specifies the delinquent debt records and Federal employee records that must be included in

the salary offset matching process. For purposes of this section, delinquent debt records consist of the debt information submitted to the Financial Management Service for purposes of administrative offset as required under 31 U.S.C. 3716(c)(6). Agencies that submit their debt to FMS for purposes of administrative offset are not required to submit duplicate information for purposes of centralized salary offset computer matching under 5 U.S.C. 5514 and this section.

(4) This section establishes an interagency consortium to implement centralized salary offset computer matching on a government-wide basis as required under 5 U.S.C. 5514(a)(1). Federal employee records consist of records of Federal salary payments disbursed by members of the consortium.

(5) The receipt of collections from salary offsets does not preclude a creditor agency from pursuing other debt collection remedies, including the offset of other Federal payments to satisfy delinquent nontax debt owed to the United States. A creditor agency should pursue, when deemed appropriate by such agency, such debt collection remedies separately or in conjunction with salary offset.

(b) *Definitions.* For purposes of this section:

Administrative offset means withholding funds payable by the United States to, or held by the United States for, a person to satisfy a debt owed by the payee.

Agency means a department, agency or subagency, court, court administrative office, or instrumentality in the executive, judicial, or legislative branch of the Federal government, including government corporations.

Centralized salary offset computer matching means the computerized comparison of Federal employee records with delinquent debt records to identify Federal employees who owe such debts.

Creditor agency means any agency that is owed a debt.

Debt means any amount of money, funds, or property that has been determined by an appropriate official of the Federal government to be owed to the United States by a person, including debt administered by a third party acting as an agent for the Federal Government. For purposes of this section, the term ''debt'' does not include debts arising under the Internal Revenue Code of 1986 (26 U.S.C.).

Delinquent debt record means information about a past-due, legally enforceable debt, submitted by a creditor agency to FMS for purposes of administrative offset (including salary offset) in accordance with the provisions of 31 U.S.C. 3716 and applicable regulations. Debt information includes the amount and type of debt and the debtor's name, address, and taxpayer identifying number.

Disbursing official means an officer or employee designated to disburse Federal salary payments. This section applies to all disbursing officials of Federal salary payments, including but not limited to, disbursing officials of the Department of the Treasury, the Department of Defense, the United States Postal Service, any government corporation, and any disbursing official of the United States designated by the Secretary.

Disposable pay has the same meaning as that term is defined in 5 CFR 550.1103.

Federal employee means a current employee of an agency, including a current member of the Armed Forces or a Reserve of the Armed Forces (Reserves), employees of the United States Postal Service, and seasonal and temporary employees.

Federal employee records means records of Federal salary payments that a paying agency has certified to a disbursing official for disbursement.

FMS means the Financial Management Service, a bureau of the Department of the Treasury.

Paying agency means the agency that employs the Federal employee who owes the debt and authorizes the payment of his or her current pay. A paying agency also includes an agency that performs payroll services on behalf of the employing agency.

Salary offset means administrative offset to collect a debt owed by a Federal employee from the current pay account of the employee.

Secretary means the Secretary of the Treasury or his or her delegate.

Taxpayer identifying number means the identifying number described under section 6109 of the Internal Revenue Code of 1986 (26 U.S.C. 6109). For an individual, the taxpayer identifying number is the individual's social security number.

(c) *Establishment of the consortium.* As required by the provisions of 5 U.S.C. 5514(a)(1), by issuance of this section, the Secretary establishes an interagency consortium to implement centralized salary offset computer matching. The consortium initially includes all agencies that disburse Federal salary payments, including but not limited to, FMS, the Department of Defense, the United States Postal Service, government corporations, and agencies with Treasury-designated disbursing officials. The membership of the consortium may be changed at the discretion of the Secretary, and the Secretary will be responsible for the ongoing coordination of the activities of the consortium.

(d) *Creditor agency participation.* (1) As required under 5 U.S.C. 5514(a)(1), creditor agencies shall participate at least annually in centralized salary offset computer matching. To meet this requirement, creditor agencies shall notify FMS of all past-due, legally enforceable debts delinquent for more than 180 days for purposes of administrative offset, as required under 31 U.S.C. 3716(c)(6). Additionally, creditor agencies may notify FMS of past-due, legally enforceable debts delinquent for less than 180 days for purposes of administrative offset.

(2) Prior to submitting debts to FMS for purposes of administrative offset (including salary offset) and centralized salary offset computer matching, Federal agencies shall prescribe regulations in accordance with the requirements of 31 U.S.C. 3716 (administrative offset) and 5 U.S.C. 5514 (salary offset).

(3) Prior to submitting a debt to FMS for purposes of collection by administrative offset, including salary offset, creditor agencies shall provide written certification to FMS that:

(i) The debt is past-due and legally enforceable in the amount submitted to FMS and that the creditor agency will ensure that collections (other than collections through offset) are properly credited to the debt;

(ii) Except in the case of a judgment debt or as otherwise allowed by law, the debt is referred for offset within ten years after the agency's right of action accrues;

(iii) The creditor agency has complied with the provisions of 31 U.S.C. 3716 (administrative offset) and related regulations including, but not limited to, the provisions requiring that the creditor agency provide the debtor with applicable notices and opportunities for a review of the debt; and

(iv) The creditor agency has complied with the provisions of 5 U.S.C. 5514 (salary offset) and related regulations including, but not limited to, the provisions requiring that the creditor agency provide the debtor with applicable notices and opportunities for a hearing.

(4) FMS may waive the certification requirement set forth in paragraph (d)(3)(iv) of this section as a prerequisite to submitting the debt to FMS. If FMS waives the certification requirement, before an offset occurs, the creditor agency shall provide the Federal employee with the notices and opportunities for a hearing as required by 5 U.S.C. 5514 and applicable regulations, and shall certify to FMS that the requirements of 5 U.S.C. 5514 and applicable regulations have been met.

(5) The creditor agency shall notify FMS immediately of any payments credited by the creditor agency to the debtor's account, other than credits for amounts collected by offset, after submission of the debt to FMS. The creditor agency also shall notify FMS immediately of any change in the status of the legal enforceability of the debt, for example, if the creditor agency receives notice that the debtor has filed for bankruptcy protection.

(e) *Centralized salary offset computer match.* (1) Delinquent debt records will be compared with Federal employee records maintained by members of the consortium or paying agencies. The records will be compared to identify Federal employees who owe delinquent debts for purposes of collecting the debt by administrative offset. A match will occur when the taxpayer identifying number and name of a Federal employee are the same as the taxpayer

identifying number and name of a debtor.

(2) As authorized by the provisions of 31 U.S.C. 3716(f), FMS, under a delegation of authority from the Secretary, has waived certain requirements of the Computer Matching and Privacy Protection Act of 1988, 5 U.S.C. 552a, as amended, for administrative offset, including salary offset, upon written certification by the head of the creditor agency that the requirements of 31 U.S.C. 3716(a) have been met. Specifically, FMS has waived the requirements for a computer matching agreement contained in 5 U.S.C. 552a(o) and for post-match notice and verification contained in 5 U.S.C. 552a(p). The creditor agency will provide certification in accordance with the provisions of paragraph (d)(3)(iii) of this section.

(f) *Salary offset.* When a match occurs and all other requirements for offset have been met, as required by the provisions of 31 U.S.C. 3716(c) the disbursing official shall offset the Federal employee's salary payment to satisfy, in whole or part, the debt owed by the employee. Alternatively, the paying agency, on behalf of the disbursing official, may deduct the amount of the offset from an employee's disposable pay before the employee's salary payment is certified to a disbursing official for disbursement.

(g) *Offset amount.* (1) The amount offset from a salary payment under this section shall be the lesser of:

(i) The amount of the debt, including any interest, penalties and administrative costs; or

(ii) An amount up to 15% of the debtor's disposable pay.

(2) Alternatively, the amount offset may be an amount agreed upon, in writing, by the debtor and the creditor agency.

(3) Offsets will continue until the debt, including any interest, penalties, and costs, is paid in full or otherwise resolved to the satisfaction of the creditor agency.

(h) *Priorities.* (1) A levy pursuant to the Internal Revenue Code of 1986 shall take precedence over other deductions under this section.

(2) When a salary payment may be reduced to collect more than one debt, amounts offset under this section will be applied to a debt only after amounts offset have been applied to satisfy past due child support debts assigned to a State pursuant to 402(a)(26) or section 471(a)(17) of the Social Security Act.

(i) *Notice.* (1) Before offsetting a salary payment, the disbursing official, or the paying agency on behalf of the disbursing official, shall notify the Federal employee in writing of the date deductions from salary will commence and of the amount of such deductions.

(2)(i) When an offset occurs under this section, the disbursing official, or the paying agency on behalf of the disbursing official, shall notify the Federal employee in writing that an offset has occurred including:

(A) A description of the payment and the amount of offset taken;

(B) The identity of the creditor agency requesting the offset; and,

(C) A contact point within the creditor agency that will handle concerns regarding the offset.

(ii) The information described in paragraphs (i)(2)(i)(B) and (i)(2)(i)(C) of this section does not need to be provided to the Federal employee when the offset occurs if such information was included in a prior notice from the disbursing official or paying agency.

(3) The disbursing official will advise each creditor agency of the names, mailing addresses, and taxpayer identifying numbers of the debtors from whom amounts of past-due, legally enforceable debt were collected and of the amounts collected from each debtor for that agency. The disbursing official will not advise the creditor agency of the source of payment from which such amounts were collected.

(j) *Fees.* Agencies that perform centralized salary offset computer matching services may charge a fee sufficient to cover the full cost for such services. In addition, FMS, or a paying agency acting on behalf of FMS, may charge a fee sufficient to cover the full cost of implementing the administrative offset program. FMS may deduct the fees from amounts collected by offset or may bill the creditor agencies. Fees charged for offset shall be based on actual administrative offsets completed.

(k) *Disposition of amounts collected.* The disbursing official conducting the offset will transmit amounts collected

for debts, less fees charged under paragraph (j) of this section, to the appropriate creditor agency. If an erroneous offset payment is made to a creditor agency, the disbursing official will notify the creditor agency that an erroneous offset payment has been made. The disbursing official may deduct the amount of the erroneous offset payment from future amounts payable to the creditor agency. Alternatively, upon the disbursing official's request, the creditor agency shall return promptly to the disbursing official or the affected payee an amount equal to the amount of the erroneous payment (without regard to whether any other amounts payable to such agency have been paid). The disbursing official and the creditor agency shall adjust the debtor records appropriately.

[63 FR 23357, Apr. 28, 1998]

Subpart B—Authorities Other Than Offset

§ 285.11 Administrative wage garnishment.

(a) *Purpose.* This section provides procedures for Federal agencies to collect money from a debtor's disposable pay by means of administrative wage garnishment to satisfy delinquent nontax debt owed to the United States.

(b) *Scope.* (1) This section applies to any Federal agency that administers a program that gives rise to a delinquent nontax debt owed to the United States and to any agency that pursues recovery of such debt.

(2) This section shall apply notwithstanding any provision of State law.

(3) Nothing in this section precludes the compromise of a debt or the suspension or termination of collection action in accordance with applicable law. See, for example, the Federal Claims Collection Standards (FCCS), 4 CFR parts 101–105.

(4) The receipt of payments pursuant to this section does not preclude a Federal agency from pursuing other debt collection remedies, including the offset of Federal payments to satisfy delinquent nontax debt owed to the United States. A Federal agency may pursue such debt collection remedies separately or in conjunction with administrative wage garnishment.

(5) This section does not apply to the collection of delinquent nontax debt owed to the United States from the wages of Federal employees from their Federal employment. Federal pay is subject to the Federal salary offset procedures set forth in 5 U.S.C. 5514 and other applicable laws.

(6) Nothing in this section requires agencies to duplicate notices or administrative proceedings required by contract or other laws or regulations.

(c) *Definitions.* As used in this section the following definitions shall apply:

Agency means a department, agency, court, court administrative office, or instrumentality in the executive, judicial, or legislative branch of the Federal Government, including government corporations. For purposes of this section, agency means either the agency that administers the program that gave rise to the debt or the agency that pursues recovery of the debt.

Business day means Monday through Friday. For purposes of computation, the last day of the period will be included unless it is a Federal legal holiday.

Certificate of service means a certificate signed by an agency official indicating the nature of the document to which it pertains, the date of mailing of the document, and to whom the document is being sent.

Day means calendar day. For purposes of computation, the last day of the period will be included unless it is a Saturday, a Sunday, or a Federal legal holiday.

Debt or *claim* means any amount of money, funds or property that has been determined by an appropriate official of the Federal Government to be owed to the United States by an individual, including debt administered by a third party as an agent for the Federal Government. *Delinquent nontax debt* means any nontax debt that has not been paid by the date specified in the agency's initial written demand for payment, or applicable agreement, unless other satisfactory payment arrangements have been made. For purposes of this section, the terms ''debt'' and ''claim'' are synonymous and refer to delinquent nontax debt.

Debtor means an individual who owes a delinquent nontax debt to the United States.

Disposable pay means that part of the debtor's compensation (including, but not limited to, salary, bonuses, commissions, and vacation pay) from an employer remaining after the deduction of health insurance premiums and any amounts required by law to be withheld. For purposes of this section, ''amounts required by law to be withheld'' include amounts for deductions such as social security taxes and withholding taxes, but do not include any amount withheld pursuant to a court order.

Employer means a person or entity that employs the services of others and that pays their wages or salaries. The term employer includes, but is not limited to, State and local Governments, but does not include an agency of the Federal Government.

Garnishment means the process of withholding amounts from an employee's disposable pay and the paying of those amounts to a creditor in satisfaction of a withholding order.

Withholding order means any order for withholding or garnishment of pay issued by an agency, or judicial or administrative body. For purposes of this section, the terms ''wage garnishment order'' and ''garnishment order'' have the same meaning as ''withholding order.''

(d) *General rule.* Whenever an agency determines that a delinquent debt is owed by an individual, the agency may initiate proceedings administratively to garnish the wages of the delinquent debtor.

(e) *Notice requirements.* (1) At least 30 days before the initiation of garnishment proceedings, the agency shall mail, by first class mail, to the debtor's last known address a written notice informing the debtor of:

(i) The nature and amount of the debt;

(ii) The intention of the agency to initiate proceedings to collect the debt through deductions from pay until the debt and all accumulated interest, penalties and administrative costs are paid in full; and

(iii) An explanation of the debtor's rights, including those set forth in paragraph (e)(2) of this section, and the time frame within which the debtor may exercise his or her rights.

(2) The debtor shall be afforded the opportunity:

(i) To inspect and copy agency records related to the debt;

(ii) To enter into a written repayment agreement with the agency under terms agreeable to the agency; and

(iii) For a hearing in accordance with paragraph (f) of this section concerning the existence or the amount of the debt or the terms of the proposed repayment schedule under the garnishment order. However, the debtor is not entitled to a hearing concerning the terms of the proposed repayment schedule if these terms have been established by written agreement under paragraph (e)(2)(ii) of this section.

(3) The agency will keep a copy of a certificate of service indicating the date of mailing of the notice. The certificate of service may be retained electronically so long as the manner of retention is sufficient for evidentiary purposes.

(f) *Hearing*—(1) *In general.* Agencies shall prescribe regulations for the conduct of administrative wage garnishment hearings consistent with this section or shall adopt this section without change by reference.

(2) *Request for hearing.* The agency shall provide a hearing, which at the agency's option may be oral or written, if the debtor submits a written request for a hearing concerning the existence or amount of the debt or the terms of the repayment schedule (for repayment schedules established other than by written agreement under paragraph (e)(2)(ii)) of this section.

(3) *Type of hearing or review.* (i) For purposes of this section, whenever an agency is required to afford a debtor a hearing, the agency shall provide the debtor with a reasonable opportunity for an oral hearing when the agency determines that the issues in dispute cannot be resolved by review of the documentary evidence, for example, when the validity of the claim turns on the issue of credibility or veracity.

(ii) If the agency determines that an oral hearing is appropriate, the time

and location of the hearing shall be established by the agency. An oral hearing may, at the debtor's option, be conducted either in-person or by telephone conference. All travel expenses incurred by the debtor in connection with an in-person hearing will be borne by the debtor. All telephonic charges incurred during the hearing will be the responsibility of the agency.

(iii) In those cases when an oral hearing is not required by this section, an agency shall nevertheless accord the debtor a ''paper hearing,'' that is, an agency will decide the issues in dispute based upon a review of the written record. The agency will establish a reasonable deadline for the submission of evidence.

(4) *Effect of timely request.* Subject to paragraph (f)(13) of this section, if the debtor's written request is received by the agency on or before the 15th business day following the mailing of the notice described in paragraph (e)(1) of this section, the agency shall not issue a withholding order under paragraph (g) of this section until the debtor has been provided the requested hearing and a decision in accordance with paragraphs (f)(10) and (f)(11) of this section has been rendered.

(5) *Failure to timely request a hearing.* If the debtor's written request is received by the agency after the 15th business day following the mailing of the notice described in paragraph (e)(1) of this section, the agency shall provide a hearing to the debtor. However, the agency will not delay issuance of a withholding order unless the agency determines that the delay in filing the request was caused by factors over which the debtor had no control, or the agency receives information that the agency believes justifies a delay or cancellation of the withholding order.

(6) *Hearing official.* A hearing official may be any qualified individual, as determined by the head of the agency, including an administrative law judge.

(7) *Procedure.* After the debtor requests a hearing, the hearing official shall notify the debtor of:

(i) The date and time of a telephonic hearing;

(ii) The date, time, and location of an in-person oral hearing; or

(iii) The deadline for the submission of evidence for a written hearing.

(8) *Burden of proof.* (i) The agency will have the burden of going forward to prove the existence or amount of the debt.

(ii) Thereafter, if the debtor disputes the existence or amount of the debt, the debtor must present by a preponderance of the evidence that no debt exists or that the amount of the debt is incorrect. In addition, the debtor may present evidence that the terms of the repayment schedule are unlawful, would cause a financial hardship to the debtor, or that collection of the debt may not be pursued due to operation of law.

(9) *Record.* The hearing official must maintain a summary record of any hearing provided under this section. A hearing is not required to be a formal evidentiary-type hearing, however, witnesses who testify in oral hearings will do so under oath or affirmation.

(10) *Date of decision.* The hearing official shall issue a written opinion stating his or her decision, as soon as practicable, but not later than sixty (60) days after the date on which the request for such hearing was received by the agency. If an agency is unable to provide the debtor with a hearing and render a decision within 60 days after the receipt of the request for such hearing:

(i) The agency may not issue a withholding order until the hearing is held and a decision rendered; or

(ii) If the agency had previously issued a withholding order to the debtor's employer, the agency must suspend the withholding order beginning on the 61st day after the receipt of the hearing request and continuing until a hearing is held and a decision is rendered.

(11) *Content of decision.* The written decision shall include:

(i) A summary of the facts presented;

(ii) The hearing official's findings, analysis and conclusions; and

(iii) The terms of any repayment schedules, if applicable.

(12) *Final agency action.* The hearing official's decision will be the final agency action for the purposes of judicial review under the Administrative Procedure Act (5 U.S.C. 701 *et seq.*).

(13) *Failure to appear.* In the absence of good cause shown, a debtor who fails to appear at a hearing scheduled pursuant to paragraph (f)(4) of this section will be deemed as not having timely filed a request for a hearing.

(g) *Wage garnishment order.* (1) Unless the agency receives information that the agency believes justifies a delay or cancellation of the withholding order, the agency shall send, by first class mail, a withholding order to the debtor's employer within 30 days after the debtor fails to make a timely request for a hearing (i.e., within 15 business days after the mailing of the notice described in paragraph (e)(1) of this section), or, if a timely request for a hearing is made by the debtor, within 30 days after a final decision is made by the agency to proceed with garnishment.

(2) The withholding order sent to the employer under paragraph (g)(1) of this section shall be in a form prescribed by the Secretary of the Treasury on the agency's letterhead and signed by the head of the agency or his/her delegatee. The order shall contain only the information necessary for the employer to comply with the withholding order. Such information includes the debtor's name, address, and social security number, as well as instructions for withholding and information as to where payments should be sent.

(3) The agency will keep a copy of a certificate of service indicating the date of mailing of the order. The certificate of service may be retained electronically so long as the manner of retention is sufficient for evidentiary purposes.

(h) *Certification by employer.* Along with the withholding order, the agency shall send to the employer a certification in a form prescribed by the Secretary of the Treasury. The employer shall complete and return the certification to the agency within the time frame prescribed in the instructions to the form. The certification will address matters such as information about the debtor's employment status and disposable pay available for withholding.

(i) *Amounts withheld.* (1) After receipt of the garnishment order issued under this section, the employer shall deduct from all disposable pay paid to the applicable debtor during each pay period the amount of garnishment described in paragraph (i)(2) of this section.

(2)(i) Subject to the provisions of paragraphs (i)(3) and (i)(4) of this section, the amount of garnishment shall be the lesser of:

(A) The amount indicated on the garnishment order up to 15% of the debtor's disposable pay; or

(B) The amount set forth in 15 U.S.C. 1673(a)(2) (Restriction on Garnishment). The amount set forth at 15 U.S.C. 1673(a)(2) is the amount by which a debtor's disposable pay exceeds an amount equivalent to thirty times the minimum wage. *See* 29 CFR 870.10.

(3) When a debtor's pay is subject to withholding orders with priority the following shall apply:

(i) Unless otherwise provided by Federal law, withholding orders issued under this section shall be paid in the amounts set forth under paragraph (i)(2) of this section and shall have priority over other withholding orders which are served later in time. Notwithstanding the foregoing, withholding orders for family support shall have priority over withholding orders issued under this section.

(ii) If amounts are being withheld from a debtor's pay pursuant to a withholding order served on an employer before a withholding order issued pursuant to this section, or if a withholding order for family support is served on an employer at any time, the amounts withheld pursuant to the withholding order issued under this section shall be the lesser of:

(A) The amount calculated under paragraph (i)(2) of this section, or

(B) An amount equal to 25% of the debtor's disposable pay less the amount(s) withheld under the withholding order(s) with priority.

(iii) If a debtor owes more than one debt to an agency, the agency may issue multiple withholding orders provided that the total amount garnished from the debtor's pay for such orders does not exceed the amount set forth in paragraph (i)(2) of this section. For purposes of this paragraph (i)(3)(iii), the term *agency* refers to the agency that is owed the debt.

(4) An amount greater than that set forth in paragraphs (i)(2) and (i)(3) of

this section may be withheld upon the written consent of debtor.

(5) The employer shall promptly pay to the agency all amounts withheld in accordance with the withholding order issued pursuant to this section.

(6) An employer shall not be required to vary its normal pay and disbursement cycles in order to comply with the withholding order.

(7) Any assignment or allotment by an employee of his earnings shall be void to the extent it interferes with or prohibits execution of the withholding order issued under this section, except for any assignment or allotment made pursuant to a family support judgment or order.

(8) The employer shall withhold the appropriate amount from the debtor's wages for each pay period until the employer receives notification from the agency to discontinue wage withholding. The garnishment order shall indicate a reasonable period of time within which the employer is required to commence wage withholding.

(j) *Exclusions from garnishment.* The agency may not garnish the wages of a debtor who it knows has been involuntarily separated from employment until the debtor has been reemployed continuously for at least 12 months. The debtor has the burden of informing the agency of the circumstances surrounding an involuntary separation from employment.

(k) *Financial hardship.* (1) A debtor whose wages are subject to a wage withholding order under this section, may, at any time, request a review by the agency of the amount garnished, based on materially changed circumstances such as disability, divorce, or catastrophic illness which result in financial hardship.

(2) A debtor requesting a review under paragraph (k)(1) of this section shall submit the basis for claiming that the current amount of garnishment results in a financial hardship to the debtor, along with supporting documentation. Agencies shall consider any information submitted in accordance with procedures and standards established by the agency.

(3) If a financial hardship is found, the agency shall downwardly adjust, by an amount and for a period of time agreeable to the agency, the amount garnished to reflect the debtor's financial condition. The agency will notify the employer of any adjustments to the amounts to be withheld.

(l) *Ending garnishment.* (1) Once the agency has fully recovered the amounts owed by the debtor, including interest, penalties, and administrative costs consistent with the FCCS, the agency shall send the debtor's employer notification to discontinue wage withholding.

(2) At least annually, an agency shall review its debtors' accounts to ensure that garnishment has been terminated for accounts that have been paid in full.

(m) *Actions prohibited by the employer.* An employer may not discharge, refuse to employ, or take disciplinary action against the debtor due to the issuance of a withholding order under this section.

(n) *Refunds.* (1) If a hearing official, at a hearing held pursuant to paragraph (f)(3) of this section, determines that a debt is not legally due and owing to the United States, the agency shall promptly refund any amount collected by means of administrative wage garnishment.

(2) Unless required by Federal law or contract, refunds under this section shall not bear interest.

(o) *Right of action.* The agency may sue any employer for any amount that the employer fails to withhold from wages owed and payable to an employee in accordance with paragraphs (g) and (i) of this section. However, a suit may not be filed before the termination of the collection action involving a particular debtor, unless earlier filing is necessary to avoid expiration of any applicable statute of limitations period. For purposes of this section, ''termination of the collection action'' occurs when the agency has terminated collection action in accordance with the FCCS or other applicable standards. In any event, termination of the collection action will have been deemed to occur if the agency has not received any payments to satisfy the debt from the particular debtor whose wages were subject to garnishment, in

whole or in part, for a period of one (1) year.

[63 FR 25139, May 6, 1998]

§ 285.12 Transfer of debts to Treasury for debt collection.

(a) *Definitions.* For purposes of this section:

Agency means a department, agency, court, court administrative office, or instrumentality in the executive, judicial, or legislative branch of the Federal Government, including government corporations.

Creditor agency means any Federal agency that is owed a debt.

Debt means any amount of money, funds or property that has been determined by an appropriate official of the Federal government to be owed to the United States by a person. As used in this rule, the term ''debt'' does not include debts arising under the Internal Revenue Code of 1986 or the tariff laws of the United States.

FMS means the Financial Management Service, a bureau of the Department of the Treasury.

Person means an individual, corporation, partnership, association, organization, State or local government, or any other type of entity other than a Federal agency.

Secretary means the Secretary of the Treasury.

(b) *In general.* Cross-servicing means that FMS, a Federal agency, or a unit or subdivision within a Federal agency, under a designation by the Secretary of the Treasury, is taking appropriate debt collection action on behalf of one or more Federal agencies or unit or subdivision thereof. Agencies which provide such cross-servicing are known as debt collection centers.

(c) *Mandatory transfer of debts to FMS.* (1) Except as set forth in paragraph (d) of this section, a creditor agency shall transfer any debt that is more than 180 days delinquent to FMS for debt collection services. For accounting and reporting purposes, the debt remains on the books and records of the agency which transferred the debt.

(2) On behalf of the creditor agency, FMS will take appropriate action to collect or compromise the transferred debt, or to suspend or terminate collection action thereon, in accordance with the statutory and regulatory requirements and authorities applicable to the debt and the action. Appropriate action to collect a debt may include referral to another debt collection center, a private collection contractor, or the Department of Justice for litigation. The creditor agency shall advise FMS, in writing, of any specific statutory or regulatory requirements pertaining to their debt and will agree, in writing, to a collection strategy which includes parameters for entering into compromise and repayments agreements with debtors.

(3) A debt is considered 180 days delinquent for purposes of this section if it is 180 days past due and is legally enforceable. A debt is legally enforceable if there has been a final agency determination that the debt, in the amount stated, is due and there are no legal bars to collection action. Where, for example, a debt is the subject of a pending administrative review process required by statute or regulation and collection action during the review process is prohibited, the debt is not considered legally enforceable for purposes of mandatory transfer to FMS and is not to be transferred even if the debt is more than 180 days past-due. Once there has been a final agency determination that the debt, in the amount stated, is due and there are no legal bars to collection action, however, any debt over 180 days delinquent must be immediately transferred to FMS. Nothing in this section is intended to impact the date of delinquency of a debt for other purposes such as for purposes of accruing interest and penalties.

(d) *Exceptions to mandatory transfer.* (1) A creditor agency is not required to transfer a debt to FMS pursuant to paragraph (c)(1) of this section only during such period of time that the debt:

(i) Is in litigation or foreclosure as described in paragraph (d)(2) of this section;

(ii) Is scheduled for sale as described in paragraph (d)(3) of this section;

(iii) Is at a private collection contractor if the debt has been referred to a private collection contractor in accordance with paragraph (e) of this section;

(iv) Is at a debt collection center if the debt has been referred to a Treasury-designated debt collection center in accordance with paragraph (f) of this section;

(v) Is being collected by internal offset as described in paragraph (d)(4) of this section; or

(vi) Is covered by an exemption granted by the Secretary as described in paragraph (d)(5) of this section.

(2)(i) A debt is in litigation if:

(A) The debt has been referred to the Attorney General for litigation by the creditor agency; or

(B) The debt is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy proceedings, whether initiated by the creditor agency, the debtor, or any other party.

(ii) A debt is in foreclosure if:

(A)(*1*) Collateral securing the debt is the subject of judicial foreclosure proceedings in a court of competent jurisdiction; or

(*2*) Notice has been issued that collateral securing the debt will be foreclosed upon, liquidated, sold, or otherwise transferred pursuant to applicable law in a nonjudicial proceeding; and

(B) The creditor agency anticipates that proceeds will be available from the liquidation of the collateral for application to the debt.

(3) A debt is scheduled for sale if:

(i) The debt will be disposed of under an asset sales program within one (1) year after becoming eligible for sale; or

(ii) The debt will be disposed of under an asset sales program and a schedule established by the creditor agency and approved by the Director of the Office of Management and Budget.

(4) A debt is being collected by internal offset if a creditor agency expects the debt to be collected in full within three (3) years from the date of delinquency through internal offset. ''Internal offset'' means withholding of funds payable by the creditor agency to the debtor to satisfy, in whole or part, the debt owed to the creditor agency by that debtor.

(5)(i) Upon the written request of the head of an agency, or as the Secretary may determine on his/her own initiative, the Secretary may exempt any class of debts from the application of the requirement described in paragraph (c)(1) of this section. In determining whether to exempt a class of debts, the Secretary will determine whether exemption is in the best interests of the Government after considering the following factors:

(A) Whether an exemption is the best means to protect the government's financial interest, taking into consideration the number, dollar amount, age and collection rates of the debts for which exemption is requested;

(B) Whether the nature of the program under which the delinquencies have arisen is such that the transfer of such debts would interfere with program goals; and

(C) Whether an exemption would be consistent with the purposes of the Debt Collection Improvement Act of 1996 (DCIA), Pub. L. 104–134, 110 Stat. 1321–358 (April 26, 1996).

(ii) Requests for exemptions must clearly identify the class of debts for which an exemption is sought and must explain how application of the factors listed above to that class of debts warrants an exemption.

(e) *Schedule of private collection contractors.* FMS will maintain a schedule of private collection contractors eligible for referral of debts from FMS, other debt collection centers, and creditor agencies for collection action. An agency with debt which has not been transferred to FMS or referred to another debt collection center, for example, debt that is less than 180 days delinquent, may refer such debt to a private collection contractor listed on FMS' schedule of private collection contractors provided they do so in accordance with procedures established by FMS. Alternatively, an agency may refer debt that is less than 180 days delinquent to a private collection contractor pursuant to a contract between the creditor agency and the private collection contractor, as authorized by law.

(f) *Debt collection centers.* A debt collection center is a Federal agency or a unit or subagency within a Federal agency that has been designated by the Secretary of the Treasury to collect debt owed to the United States. FMS is a debt collection center. Debt collection centers will take action upon a

debt in accordance with the statutory or regulatory requirements and other authorities that apply to the debt or to the particular action being taken. Debt collection centers may, on behalf of the creditor agency, subject to the terms under which the debt collection center has been designated as such by the Secretary, take any action to collect, compromise, suspend or terminate collection action on debts in accordance with terms and conditions agreed upon in writing by the creditor agency and the debt collection center or FMS.

(g) *Administrative offset.* As described in paragraph (c) of this section, under the DCIA agencies are required to transfer all debts over 180 days delinquent to FMS for purposes of debt collection (i.e., cross-servicing). Agencies are also required, under the DCIA, to notify the Secretary of all debts over 180 days delinquent for purposes of administrative offset. Administrative offset is one type of collection tool used by FMS and Treasury-designated debt collection centers to collect debts transferred under this section. Thus, by transferring debt to FMS or to a Treasury-designated debt collection center under this section, Federal agencies will satisfy the requirement to notify the Secretary of debts for purposes of administrative offset and duplicate referrals are not required. A debt which is not transferred to FMS for purposes of debt collection, however, such as a debt which falls within one of the exempt categories listed in paragraph (d) of this section, nevertheless, may be subject to the DCIA requirement of notification to the Secretary for purposes of administrative offset.

(h) *Voluntary referral of debts less than 180 days delinquent.* A creditor agency may refer any debt that is less than 180 days delinquent to FMS or, with the consent of FMS, to a Treasury-designated debt collection center for debt collection services.

(i) *Certification.* Before a debt may be transferred to FMS or another debt collection center, the head of the creditor agency or his or her delegatee must certify, in writing, that the debts being transferred are valid, legally enforceable, and that there are no legal bars to collection. Creditor agencies must also certify that they have complied with all prerequisites to a particular collection action under the laws, regulations or policies applicable to the agency unless the creditor agency has requested, and FMS has agreed, to do so on the creditor agency's behalf. The creditor agency shall notify FMS immediately of any change in the status of the legal enforceability of the debt, for example, if the creditor agency receives notice that the debtor has filed for bankruptcy protection.

(j) *Fees.* FMS and other debt collection centers may charge fees for debt collection services. Fees must be based on costs, however, fees paid to recover amounts owed may not exceed amounts collected. Nothing in this rule precludes a credit agency from agreeing to pay fees for debt collection services which are not based on amounts collected. FMS and debt collection centers are authorized to retain fees from amounts collected and may deposit and use such fees in accordance with 31 U.S.C. 3711(g). Fees charged by FMS and other debt collection centers may be added on to the debt as an administrative cost if authorized under 3717(e).

[63 FR 16356, Apr. 2, 1998]

SUBCHAPTER B—BUREAU OF THE PUBLIC DEBT

PART 306—GENERAL REGULATIONS GOVERNING U.S. SECURITIES

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AUTHORITY: 31 U.S.C. Chapter 31; 5 U.S.C. 301; 12 U.S.C. 391.

SOURCE: 38 FR 7078, Mar. 15, 1973, unless otherwise noted.

Subpart A—General Information

§ 306.0 Applicability of regulations.

These regulations apply to all U.S. transferable and nontransferable securities,[1] other than U.S. Savings Bonds and U.S. Savings Notes, to the extent specified in these regulations, the offering circulars or special regulations governing such securities.

§ 306.1 Official agencies.

(a) *Subscriptions—tenders—bids.* Securities subject to these regulations are issued from time to time pursuant to public offerings by the Secretary of the Treasury, through the Federal Reserve banks, fiscal agents of the United States, and the Bureau of the Public Debt. Only the Federal Reserve banks and branches and the Department of the Treasury are authorized to act as official agencies, and subscriptions or tenders for Treasury securities, and bids, to the extent provided in the regulations governing the sale of Treasury securities through competitive bidding, may be made direct to them. However, tenders for Treasury bills are not received at the Department.

(b) *Transactions after issue.* The Bureau of the Public Debt of the Department of the Treasury is charged with matters relating to transactions in securities. Correspondence concerning transactions in securities and requests for appropriate forms may be addressed to:

(1) The Federal Reserve bank or branch of the district in which the correspondent is located, or

(2) the Bureau of the Public Debt, Division of Securities Operations, Washington, DC 20226, except where specific instructions are otherwise given in these regulations.

The addresses of the Federal Reserve banks and branches are:

Federal Reserve Bank of Boston, Boston, MA 02106.
Federal Reserve Bank of New York, New York, NY 10045.
Buffalo Branch, Buffalo, NY 14240.
Federal Reserve Bank of Philadelphia, Philadelphia, PA 19101.
Federal Reserve Bank of Cleveland, Cleveland, OH 44101.
Cincinnati Branch, Cincinnati, OH 45201.
Pittsburgh Branch, Pittsburgh, PA 15230.
Federal Reserve Bank of Richmond, Richmond, VA 23261.
Baltimore Branch, Baltimore, MD 21203.
Charlotte Branch, Charlotte, NC 28201.
Federal Reserve Bank of Atlanta, Atlanta, GA 30303.
Birmingham Branch, Birmingham, AL 25202.
Jacksonville Branch, Jacksonville, FL 32203.

[1] These regulations may also be applied to securities issued by certain agencies of the United States and certain Government and Government-sponsored corporations.

Nashville Branch, Nashville, TN 37203.
New Orleans Branch, New Orleans, LA 70160.
Miami Office, Miami, FL 33152.
Federal Reserve Bank of Chicago, Chicago, IL 60609.
Detroit Branch, Detroit, MI 48231.
Federal Reserve Bank of St. Louis, St. Louis, MO 63166.
Little Rock Branch, Little Rock, AR 72203.
Louisville Branch, Louisville, KY 40201.
Memphis Branch, Memphis, TN 38101.
Federal Reserve Bank of Minneapolis, Minneapolis, MN 55480.
Helena Branch, Helena, MT 59601.
Federal Reserve Bank of Kansas City, Kansas City, MO 64198.
Denver Branch, Denver, CO 80217.
Oklahoma City Branch, Oklahoma City, OK 73125.
Omaha Branch, Omaha, NE 68102.
Federal Reserve Bank of Dallas, Dallas, TX 75222.
El Paso Branch, El Paso, TX 79999.
Houston Branch, Houston, TX 77001.
San Antonio Branch, San Antonio, TX 78295.
Federal Reserve Bank of San Francisco, San Francisco, CA 94120.
Los Angeles Branch, Los Angeles, CA 90051.
Portland Branch, Portland, OR 97208.
Salt Lake City Branch, Salt Lake City, UT 84110.
Seattle Branch, Seattle, WA 98124.

§ 306.2 Definitions of words and terms as used in these regulations.

(a) *Advance refunding offer* is an offer to a holder of a security, usually a year or more in advance of its call or maturity date, to exchange it for another security.

(b) A *bearer* security is payable on its face at maturity or call for redemption before maturity in accordance with its terms to *bearer*. The ownership is not recorded. Title to such a security may pass by delivery without endorsement and without notice. A *coupon* security is a bearer security with interest coupons attached.

(c) *Bureau* refers to the Bureau of the Public Debt, Division of Securities Operations, Washington, DC 20226.

(d) *Call date* or *date of call* is the date fixed in the official notice of call published in the FEDERAL REGISTER as the date on which the obligor will make payment of the security before maturity in accordance with its terms.

(e) *Court* means one which has jurisdiction over the parties and the subject matter.

(f) *Department* refers to the Department of the Treasury.

(g) *Depository institution* means an entity described in section 19(b)(1)(A)(i)—(vi) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)—(vi)). Under section 19(b) of the Federal Reserve Act, the term *depository institution* includes:

(1) Any insured bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(2) Any mutual savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(3) Any savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(4) Any insured credit union as defined in 12 U.S.C. 1752 or any credit union which is eligible to make application to become an insured credit union under 12 U.S.C. 1781;

(5) Any member as defined in 12 U.S.C. 1422; and

(6) Any savings association (as defined in 12 U.S.C. 1813) which is an insured depository institution, as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811, *et seq.*, or is eligible to apply to become an insured depository institution under such Act.

(h) *Face maturity date* is the payment date specified in the text of a security.

(i) *Incompetent* refers to a person under any legal disability except minority.

(j) *Joint owner* and *joint ownership* refer to any permitted form of ownership by two or more persons.

(k) *Nontransferable securities* are those issued only in registered form which according to their terms are payable only to the registered owners or recognized successors in title to the extent and in the manner provided in the offering circulars or special applicable regulations.

(l) *Payment* and *redemption*, unless otherwise indicated by the context, are used interchangeably for payment at maturity or payment before maturity

pursuant to a call for redemption in accordance with the terms of the securities.

(m) *Prerefunding offer* is an offer to a holder of a security, usually within the year preceding its call or maturity date, to exchange it for another security.

(n) *Redemption-exchange* is any authorized redemption of securities for the purpose of applying the proceeds in payment for other securities offered in exchange.

(o) A *registered* security refers to a security the ownership of which is registered on the books of the Department. It is payable at maturity or call for redemption before maturity in accordance with its terms to the person in whose name it is inscribed, or his assignee.

(p) *Securities assigned in blank* or *securities so assigned as to become in effect payable to bearer* refers to registered securities which are assigned by the owner or his authorized representative without designating the assignee. Registered securities assigned simply to *The Secretary of the Treasury* or in the case of Treasury Bonds, Investment Series B—1975–80, to *The Secretary of the Treasury for exchange for the current Series EA or EO Treasury notes* are considered to be so assigned as to become in effect payable to bearer.

(q) *Signature guarantee program* means a signature guarantee program established in response to Rule 17 Ad–15 (17 CFR 240.17Ad–15), issued under authority of the Securities Exchange Act of 1934. For the purpose of the regulations, in this part, the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP), and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) are recognized by Treasury as such signature guarantee programs.

(r) *Taxpayer identifying number* means the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security account number or an employer identification number. A social security account number is composed of nine digits separated by two hyphens, for example, 123–45–6789; an employer identification number is composed of nine digits separated by one hyphen, for example, 12–3456789. The hyphens are an essential part of the numbers and must be included.

(s) *Transferable securities,* which may be in either registered or bearer form, refers to securities which may be sold on the market and transfer of title accomplished by assignment and delivery if in registered form, or by delivery only if in bearer form.

(t) *Treasury securities, Treasury bonds, Treasury notes, Treasury certificates of indebtedness,* and *Treasury bills,* or simply *securities, bonds, notes, certificates,* and *bills,* unless otherwise indicated by the context, refer only to transferable securities.

[38 FR 7078, Mar. 15, 1973, as amended at 59 FR 59036, Nov. 15, 1994]

§ 306.3 Transportation charges and risks in the shipment of securities.

The following rules will govern transportation to, from, and between the Department and the Federal Reserve banks and branches of securities issued on or presented for authorized transactions:

(a) The securities may be presented or received by the owners or their agents in person.

(b) Securities issued on original issue, unless delivered in person, will be delivered by registered mail or by other means at the risk and expense of the United States.

(c) The United States will assume the risk and expense of any transportation of securities which may be necessary between the Federal Reserve banks and branches and the Treasury.

(d) Securities submitted for any transaction after original issue, if not presented in person, must be forwarded at the owner's risk and expense.

(e) Bearer securities issued on transactions other than original issue will be delivered by registered mail, covered by insurance, at the owner's risk and expense, unless called for in person by the owner or his agent. Registered securities issued on such transactions will be delivered by certified mail or by any other means, at the risk of, but without expense to, the registered owner. Should delivery by a particular

means be desired, advance arrangements should be made with the official agency to which the original securities were presented.

[38 FR 7078, Mar. 15, 1973, as amended at 51 FR 16174, May 1, 1986]

Subpart B—Registration

§ 306.10 General.

The registration used must express the actual ownership of a security and may not include any restriction on the authority of the owner to dispose of it in any manner, except as otherwise specifically provided in these regulations. The Treasury Department reserves the right to treat the registration as conclusive of ownership. Requests for registration should be clear, accurate, and complete, conform with one of the forms set forth in this subpart, and include appropriate taxpayer identifying numbers.[2] The registration of all bonds owned by the same person, organization, or fiduciary should be uniform with respect to the name of the owner and, in the case of a fiduciary, the description of the fiduciary capacity. Individual owners should be designated by the names by which they are ordinarily known or under which they do business, preferably including at least one full given name. The name of an individual may be preceded by any applicable title, as, for example, *Mrs., Miss, Ms., Dr.,* or *Rev.,* or followed by a designation such as *M.D., D.D., Sr.,* or *Jr.* Any other similar suffix should be included when ordinarily used or when necessary to distinguish the owner from a member of his family. A married woman's own given name, not that of her husband, must be used, for example, *Mrs. Mary A. Jones,* not *Mrs. Frank B. Jones.* The address should include, where appropriate, the number and street, route, or any other local feature and the Zip Code.

§ 306.11 Forms of registration for transferable securities.

The forms of registration described below are authorized for transferable securities:

(a) *Natural persons in their own right.* In the names of natural persons who are not under any legal disability, in their own right, substantially as follows:

(1) *One person.* In the name of one individual. Examples:

John A. Doe (123–45–6789).
Mrs. Mary C. Doe. (123–45–6789).
Miss Elizabeth Jane Doe (123–45–6789).

An individual who is sole proprietor of a business conducted under a trade name may include a reference to the trade name. Examples:

John A. Doe, doing business as Doe's Home Appliance Store (123–45–6789).

or

John A. Doe (123–45–6789), doing business as Doe's Home Appliance Store.

(2) *Two or more persons—general.* Securities will not be registered in the name of one person payable on death to another, or in any form which purports to authorize transfer by less than all the persons named in the registration (or all the survivors).[3] Securities will not be registered in the forms *John A. Doe and Mrs. Mary C. Doe, or either of them* or *William C. Doe or Henry J. Doe, or either of them* and securities so assigned will be treated as though the words *or either of them* do not appear in

[2] Taxpayer identifying numbers are not required for foreign governments, nonresident aliens not engaged in trade or business within the United States, international organizations and foreign corporations not engaged in trade or business and not having an office or place of business or a financial or paying agent within the United States, and other persons or organizations as may be exempted from furnishing such numbers under regulations of the Internal Revenue Service.

[3] Warning. Difference Between Transferable Treasury Securities Registered in the Names of Two or More Persons and United States Savings Bonds in Coownership Form. The effect of registering Treasury securities to which these regulations apply in the names of two or more persons differs decidedly from registration of savings bonds in coownership form. Savings bonds are virtually redeemable on demand at the option of either coowner on his signature alone. Transferable Treasury securities are redeemable only at maturity or upon prior call by the Secretary of the Treasury.

the assignments. The taxpayer identifying number of any of the joint owners may be shown on securities registered in joint ownership form.

(i) *With right of survivorship.* In the names of two or more individuals with right of survivorship. Examples:

John A. Doe (123–45–6789) or Mrs. Mary C. Doe or the survivor.

John A. Doe (123–45–6789) or Mrs. Mary C. Doe or Miss Mary Ann Doe or the survivors or survivor.

John A. Doe (123–45–6789) or Mrs. Mary C. Doe.

John A. Doe (123–45–6789) and Mrs. Mary C. Doe.

John A. Doe (123–45–6789) and Mrs. Mary C. Doe as joint tenants with right of survivorship and not as tenants in common.

Limited to husband and wife:

John A. Doe (123–45–6789) and Mrs. Mary C. Doe, as tenants by the entireties.

(ii) *Without right of survivorship.* In the names of two or more individuals in such manner as to preclude the right of survivorship. Examples:

John A. Doe (123–45–6789) and William B. Doe as tenants in common.

John A. Jones as natural guardian of Henry B. Jones, a minor, and Robert C. Jones (123–45–6789), without right of survivorship.

Limited to husband and wife:

Charles H. Brown (123–45–6789) and Ann R. Brown, as partners in community.

(b) *Minors and incompetents*—(1) *Natural guardians of minors.* A security may be registered in the name of a natural guardian of a minor for whose estate no legal guardian or similar representative has legally qualified. Example:

John R. Jones as natural guardian of Henry M. Jones, a minor (123–45–6789).

Either parent with whom the minor resides, or if he does not reside with either parent, the person who furnishes his chief support, will be recognized as his natural guardian and will be considered a fiduciary. Registration in the name of a minor in his own right as owner or as joint owner is not authorized. Securities so registered, upon qualification of the natural guardian, will be treated as though registered in the name of the natural guardian in that capacity.

(2) *Custodian under statute authorizing gifts to minors.* A security may be purchased as a gift to a minor under a gifts to minors statute in effect in the State in which either the donor or the minor resides. The security should be registered as provided in the statute, with an identifying reference to the statute if the registration does not clearly identify it. Examples:

William C. Jones, as custodian for John A. Smith, a minor (123–45–6789), under the California Uniform Gifts to Minors Act.

Robert C. Smith, as custodian for Henry L. Brown, a minor (123–45–6789), under the laws of Georgia; Chapter 48–3, Code of Ga. Anno.

(3) *Incompetents not under guardianship.* Registration in the form *John A. Brown, an incompetent (123–45–6789), under voluntary guardianship,* is permitted only on reissue after a voluntary guardian has qualified for the purpose of collecting interest. (See §§ 306.37(c)(2) and 306.57(c)(2)). Otherwise, registration in the name of an incompetent not under legal guardianship is not authorized.

(c) *Executors, administrators, guardians, and similar representatives or fiduciaries.* A security may be registered in the names of legally qualified executors, administrators, guardians, conservators, or similar representatives or fiduciaries of a single estate. The names and capacities of all the representatives or fiduciaries, as shown in their letters of appointment, must be included in the registration and must be followed by an adequate identifying reference to the estate. Examples:

John Smith, executor of will (or administrator of estate) of Henry J. Jones, deceased (12–3456789).

William C. Jones, guardian (or conservator, etc.) of estate of James D. Brown, a minor (or an incompetent) (123–45–6789).

(d) *Life tenant under will.* A security may be registered in the name of a life tenant followed by an adequate identifying reference to the will. Example:

Anne B. Smith, life tenant under the will of Adam A. Smith, deceased (12–3456789).

The life tenant will be considered a fiduciary.

(e) *Private trust estates.* A security may be registered in the name and title of the trustee or trustees of a single

duly constituted private trust, followed by an adequate identifying reference to the authority governing the trust. Examples:

John Jones and Blank Trust Co., Albany, NY, trustees under will of Sarah Jones, deceased (12–3456789).
John Doe and Richard Roe, trustees under agreement with Henry Jones dated February 9, 1970 (12–3456789).

The names of all trustees, in the form used in the trust instrument, must be included in the registration, except as follows:

(1) If there are several trustees designated as a board or authorized to act as a unit, their names should be omitted and the words *Board of Trustees* substituted for the word *trustees.* Example:

Board of Trustees of Blank Co. Retirement Fund, under collective bargaining agreement dated June 30, 1970 (12–3456789).

(2) If the trustees do not constitute a board or otherwise act as a unit, and are either too numerous to be designated in the inscription by names and title, or serve for limited terms, some or all of the names may be omitted. Examples:

John Smith, Henry Jones, et al., trustees under will of Henry J. Smith, deceased (12–3456789).
Trustees under will of Henry J. Smith, deceased (12–3456789).
Trustees of Retirement Fund of Industrial Manufacturing Co., under directors' resolution of June 30, 1950 (12–3456789).

(f) *Private organizations (corporations, unincorporated associations and partnerships).* A security may be registered in the name of any private corporation, unincorporated association, or partnership, including a nominee, which for purposes of these regulations is treated as the owner. The full legal name of the organization, as set forth in its charter, articles of incorporation, constitution, partnership agreement, or other authority from which its powers are derived, must be included in the registration and may be followed, if desired, by a reference to a particular account or fund, other than a trust fund, in accordance with the rules and examples given below:

(1) *A corporation.* The name of a business, fraternal, religious, or other private corporation must be followed by descriptive words indicating the corporate status unless the term *corporation* or the abbreviation *Inc.* is part of the name or the name is that of a corporation or association organized under Federal law, such as a national bank or Federal savings and loan association. Examples:

Smith Manufacturing Co., a corporation (12–3456789).
The Standard Manufacturing Corp. (12–3456789).
Jones & Brown, Inc.—Depreciation Acct. (12–3456789).
First National Bank of Albemarle (12–3456789).
Abco & Co., Inc., a nominee corporation (12–3456789).

(2) *An unincorporated association.* The name of a lodge, club, labor union, veterans' organization, religious society, or similar self-governing organization which is not incorporated (whether or not it is chartered by or affiliated with a parent organization which is incorporated) must be followed by the words *an unincorporated association.* Examples:

American Legion Post No. —, Department of the D.C., an unincorporated association (12–3456789).
Local Union No. 100, Brotherhood of Locomotive Engineers, an unincorporated association (12–3456789).

Securities should not be registered in the name of an unincorporated association if the legal title to its property in general, or the legal title to the funds with which the securities are to be purchased, is held by trustees. In such a case the securities should be registered in the title of the trustees in accordance with paragraph (e) of this section. The term *unincorporated association* should not be used to describe a trust fund, a partnership or a business conducted under a trade name.

(3) *A partnership.* The name of a partnership must be followed by the words *a partnership.* Example:

Smith & Brown, a partnership (12–3456789).
Acme Novelty Co., a limited partnership (12–3456789).
Abco & Co., a nominee partnership (12–3456789).

(g) *States, public bodies, and corporations and public officers.* A security may be registered in the name of a State or

county, city, town, village, school district, or other political entity, public body or corporation established by law (including a board, commission, administration, authority or agency) which is the owner or official custodian of public funds, other than trust funds, or in the full legal title of the public officer having custody. Examples:

State of Maine.
Town of Rye, NY.
Maryland State Highway Administration.
Treasurer, City of Springfield, IL.
Treasurer of Rhode Island—State Forestry Fund.

(h) *States, public officers, corporations or bodies as trustees.* A security may be registered in the title of a public officer or in the name of a State or county or a public corporation or public body acting as trustee under express authority of law. An appropriate reference to the statute creating the trust may be included in the registration. Examples:

Insurance Commissioner of Pennsylvania, trustee for benefit of policyholders of Blank Insurance Co. (12–3456789), under Sec. —, Pa. Stats.
Rhode Island Investment Commission, trustee of General Sinking Fund under Ch. 35, Gen. Laws of RI.
State of Colorado in trust for Colorado Surplus Property Agency.

[38 FR 7078, Mar. 15, 1973; 38 FR 8153, Mar. 29, 1973]

§ 306.12 Errors in registration.

If an erroneously inscribed security is received, it should not be altered in any respect, but the Bureau, a Federal Reserve bank or branch should be furnished full particulars concerning the error and asked to furnish instructions.

§ 306.13 Nontransferable securities.

Upon authorized reissue, Treasury Bonds, Investment Series B—1975–80, may be registered in the forms set forth in § 306.11.

Subpart C—Transfers, Exchanges and Reissues

§ 306.15 Transfers and exchanges of securities—closed periods.

(a) *General.* The transfer of registered securities should be made by assignment in accordance with subpart F of this part. Transferable registered securities are eligible for denominational exchange and exchange for bearer securities. Bearer securities are eligible for denominational exchange, and when so provided in the offering circular, or eligible for exchange for registered securities. Specific instructions for issuance and delivery of the new securities, signed by the owner or his authorized representative, must accompany the securities presented. (Form PD 3905 or PD 1827, as appropriate, may be used.) Denominational exchanges, exchanges of Treasury Bonds, Investment Series B—1975–80, for the current series of EA or EO 1½ percent 5-year Treasury notes, and optional redemption of bonds at par as provided in § 306.28 may be made at any time. Securities presented for transfer or for exchange for bearer securities of the same issue must be received by the Bureau not less than 1 full month before the date on which the securities mature or become redeemable pursuant to a call for redemption before maturity. Any security so presented which is received too late to comply with this provision will be accepted for payment only.

(b) *Closing of transfer books.* The transfer books are closed for one full month preceding interest payment dates and call or maturity dates. If the date set for closing of the transfer books falls on Saturday, Sunday, or a legal holiday, the books will be closed as of the close of business on the last business day preceding that date. The books are reopened on the first business day following the date on which interest falls due. Registered securities which have not matured or been called, submitted for transfer, reissue, or exchange for coupon securities, and coupon securities which have not matured or been called, submitted for exchange for registered securities, which are received during the period the books for that loan are closed, will be processed on or after the date such books are reopened. If registered securities are received for transfer or exchange for bearer securities, or coupon securities are received for exchange for registered securities, during the time the books are closed for payment of final interest at maturity or call, unless otherwise

provided in the offering circular or notice of call, the following action will be taken:

(1) Payment of final interest will be made to the registered owner of record on the date the books were closed.

(2) Payment of principal will be made to:

(i) The assignee under a proper assignment of the securities, or

(ii) If the securities have been assigned for exchange for bearer securities, to the registered owner of record on the date the books were closed.

§ 306.16 Exchanges of registered securities.

No assignments will be required for:

(a) Authorized denominational exchanges of registered securities for like securities in the same names and forms of registration and

(b) Redemption-exchanges, or prefundings, or advance refundings in the same names and forms as appear in the registration or assignments of the securities surrendered.

§ 306.17 Exchanges of registered securities for coupon securities.

Registered securities submitted for exchange for coupon securities should be assigned to ''The Secretary of the Treasury for exchange for coupon securities to be delivered to (inserting the name and address of the person to whom delivery of the coupon securities is to be made).'' Assignments to ''The Secretary of the Treasury for exchange for coupon securities,'' or assignments in blank will also be accepted. The coupon securities issued upon exchange will have all unmatured coupons attached.

§ 306.18 Exchanges of coupon securities for registered securities.

Coupon securities presented for exchange for registered securities should have all matured interest coupons detached. All unmatured coupons should be attached, except that if presented when the transfer books are closed (in which case the exchange will be effected on or after the date on which the books are reopened), the next maturing coupons should be detached and held for collection in ordinary course when due. If any coupons which should be attached are missing, the securities must be accompanied by a remittance in an amount equal to the face amount of the missing coupons. The new registered securities will bear interest from the interest payment date next preceding the date on which the exchange is made.

§ 306.19 Denominational exchanges of coupon securities.

All matured interest coupons and all unmatured coupons likely to mature before an exchange can be completed should be detached from securities presented for denominational exchange. All unmatured coupons should be attached. If any are missing, the securities must be accompanied by a remittance in an amount equal to the face amount of the missing coupons. The new coupon securities will have all unmatured coupons attached.

§ 306.20 Reissue of registered transferable securities.

Assignments are not required for reissue of registered transferable securities in the name(s) of:

(a) The surviving joint owner(s) of securities registered in the names of or assigned to two or more persons, unless the registration or assignment includes words which preclude the right of survivorship,

(b) A succeeding fiduciary or other lawful successor,

(c) A remainderman, upon termination of a life estate,

(d) An individual, corporation or unincorporated association whose name has been legally changed,

(e) A corporation or unincorporated association which is the lawful successor to another corporation or unincorporated association, and

(f) A successor in title to a public officer or body.

Evidence of survivorship, succession, or change of name, as appropriate, must be furnished. The appropriate taxpayer identifying number also must be furnished if the registration of the securities submitted does not include such number for the person or organization to be named on the reissued securities.

§ 306.21 Reissue of nontransferable securities.

Treasury Bonds, Investment Series B—1975–80, may be reissued only in the names of:

(a) Lawful successors in title,

(b) The legal representatives or distributees of a deceased owner's estate, or the distributees of a trust estate, and

(c) State supervisory authorities in pursuance of any pledge required of the owner under State law, or upon termination of the pledge in the names of the pledgors or their successors.

Bonds presented for reissue must be accompanied by evidence of entitlement.

§ 306.22 Exchange of Treasury Bonds, Investment Series B–1975–80.

Bonds of this series presented for exchange for 1½ percent 5-year Treasury notes must bear duly executed assignments to ''The Secretary of the Treasury for exchange for the current series of EA or EO Treasury notes to be delivered to (inserting the name and address of the person to whom the notes are to be delivered).'' The notes will bear the April 1 or October 1 date next preceding the date the bonds, duly assigned with supporting evidence, if necessary, are received by the Bureau or a Federal Reserve Bank or Branch. Interest accrued at the rate of 2¾ percent on the bonds surrendered from the next preceding interest payment date to the date of exchange will be credited, and interest at the rate of 1½ percent on the notes for the same period will be charged and the difference will be paid to the owner.

§ 306.23 Securities eligible to be held in the TREASURY DIRECT Book-entry Securities System.

(a) *Eligible issues.* The Secretary will, from time to time, cause to be published in the FEDERAL REGISTER a notice describing those series of Treasury issues of bonds and notes issued before August 1, 1986, that will be eligible for conversion to the TREASURY DIRECT Book-entry Securities System. The notice shall specify the period during which requests for conversion will be accepted.

(b) *Establishment of TREASURY DIRECT account.* To convert a bearer or registered security to book-entry form to be held in TREASURY DIRECT, the owner(s) must establish at the time of conversion, or prior thereto, an account in TREASURY DIRECT in accordance with § 357.20 of part 357. Similarly, to transfer to TREASURY DIRECT a security held in book-entry form under subpart O of this part, the owner(s) must establish at the time of transfer, or prior thereto, an account in TREASURY DIRECT in accordance with § 357.20 of part 357.

(c) *Procedure for conversion of bearer security.* To convert a bearer security to TREASURY DIRECT, the owner(s) thereof must present it to a Federal Reserve Bank or the Department of the Treasury, accompanied by a request for conversion, which must include the information needed for establishing a TREASURY DIRECT account, unless such account has been previously established, and is identified by its number in the request.

(d) *Procedures for conversion of registered security.* To convert a registered security to TREASURY DIRECT, the owner(s) thereof must execute an assignment in accordance with subpart F of this part. The assignment must be in substantially the following form: ''To the Secretary of the Treasury for conversion to book-entry and deposit in TREASURY DIRECT,''. The security should be accompanied by the information needed for establishing the TREASURY DIRECT account, or where an account has been previously established, the above assignment should be reworded to include the account number.

(e) *Procedure for transfer of book-entry security held under subpart O.* To transfer a book-entry security held under subpart O of this part, the owner(s) must arrange with the bank or other entity where the security is being held to transfer the same to TREASURY DIRECT. No such transfer will be accepted unless a TREASURY DIRECT account has previously been established and the number thereof is shown in the transfer request.

(f) *Terms and conditions of securities held in TREASURY DIRECT.* An eligible security held in TREASURY DIRECT shall be subject to subpart C and other applicable portions of part 357, and the

provisions of part 306 shall not apply thereto.

(g) *Re-conversion from TREASURY DIRECT to definitive form or to book-entry under subpart O.* The owner(s) of a security converted or transferred to TREASURY DIRECT in the manner herein provided may, by executing an appropriate transaction request, transfer the book-entry security to a book-entry account held under the provisions of subpart O of this part. Thereafter, to the extent that the security was originally eligible for such conversion the book-entry security held under subpart O may be converted to one in registered or bearer form. Securities transferred from TREASURY DIRECT under this subsection shall be thereupon subject to the provisions of part 306, and part 357 shall no longer apply thereto.

[53 FR 15554, May 2, 1988]

§ 306.24 Collection of fees on definitive securities.

A fee shall be charged for each definitive security, as defined in § 306.115 (a), issued as a result of a transfer, exchange, reissue, withdrawal from book-entry, or the granting of relief on account of loss, theft, destruction, mutilation, or defacement. The applicable fee, and the basis for its determination, will be published by notice in the FEDERAL REGISTER.

[60 FR 4377, Jan. 23, 1995]

Subpart D—Redemption or Payment

§ 306.25 Presentation and surrender.

(a) *General.* Securities, whether in registered or bearer form, are payable in regular course of business at maturity unless called for redemption before maturity in accordance with their terms, in which case they will be payable in regular course of business on the date of call. The Secretary of the Treasury may provide for the exchange of maturing or called securities, or in advance of call or maturity, may afford owners the opportunity of exchanging a security for another security pursuant to a prerefunding or an advance refunding offer. Registered securities should be presented and surrendered for redemption to the Bureau, a Federal Reserve Bank or branch, and bearer securities to a Federal Reserve Bank or branch.[4] No assignments or evidence in support of assignments will be required by or on behalf of the registered owner or assignee for redemption for his or its account, or for redemption-exchange, or exchange pursuant to a prerefunding or an advance refunding offer, if the new securities are to be registered in exactly the same names and forms as appear in the registrations or assignments of the securities surrendered. To the extent appropriate, these rules also apply to securities registered in the title of public officers who are official custodians of public funds.

(b) *''Overdue'' securities.* If a bearer security or a registered security assigned in blank, or to bearer, or so assigned as to become in effect payable to bearer, is presented and surrendered for redemption after it has become overdue, the Secretary of the Treasury will ordinarily require satisfactory proof of ownership. (Form PD 1071 may be used.) A security shall be considered to be overdue after the lapse of the following periods of time from its face maturity:

(1) One month for securities issued for a term of 1 year or less.

(2) Three months for securities issued for a term of more than 1 year but not in excess of 7 years.

(3) Six months for securities issued for a term of more than 7 years.

[38 FR 7078, Mar. 15, 1973; 38 FR 8432, Apr. 2, 1973]

§ 306.26 Redemption of registered securities at maturity, upon prior call, or for prerefunding or advance refunding.

Registered securities presented and surrendered for redemption at maturity or pursuant to a call for redemption before maturity need not be assigned, unless the owner desires that payment be made to some other person, in which case assignments should be made to ''The Secretary of the

[4] See § 306.28 for presentation and surrender of bonds eligible for use in payment of Federal estate taxes.

Treasury for redemption for the account of (inserting name and address of person to whom payment is to be made).'' Specific instructions for the issuance and delivery of the redemption check, signed by the owner or his authorized representative, must accompany the securities, unless included in the assignment. (Form PD 3905 may be used.) Payment of the principal will be made either:

(a) By check drawn on the United States Treasury to the order of the person entitled and mailed in accordance with the instructions received, or

(b) Upon appropriate request, by crediting the amount in a member bank's account with the Federal Reserve Bank of its District.

Securities presented for prerefunding or advance refunding should be assigned as provided in the prerefunding or advance refunding offer.

§ 306.27 Redemption of bearer securities at maturity, upon prior call, or for advance refunding or prerefunding.

All interest coupons due and payable on or before the date of maturity or date fixed in the call for redemption before maturity should be detached from coupon securities presented for redemption and should be collected separately in regular course. All coupons bearing dates subsequent to the date fixed in a call for redemption, or offer of prerefunding or advance refunding, should be left attached to the securities. If any such coupons are missing, the full face amount thereof will be deducted from the payment to be made upon redemption or the prerefunding or advance refunding adjustment unless satisfactory evidence of their destruction is submitted. Any amounts so deducted will be held in the Department to provide for adjustments or refunds in the event it should be determined that the missing coupons were subsequently presented or their destruction is later satisfactorily established. In the absence of other instructions, payment or bearer securities will be made by check drawn to the order of the person presenting and surrendering the securities and mailed to him at his address, as given in the advice accompanying the securities. (Form PD 3905 may be used.) A Federal Reserve Bank, upon appropriate request, may make payment to a member bank from which bearer securities are received by crediting the amount of the proceeds of redemption to the member bank's account.

§ 306.28 Optional redemption of Treasury bonds at par (before maturity or call redemption date) and application of the proceeds in payment of Federal estate taxes.

(a) *General.* Treasury bonds to be redeemed at par for the purpose of applying the entire amount of principal and accrued interest to payment of the Federal estate tax on a decedent's estate[5] must be presented and surrendered to a Federal Reserve Bank or Branch or to the Bureau. They should be accompanied by Form PD 1782, fully completed and duly executed in accordance with the instructions on the form, and evidence as described therein. Redemption will be made at par plus accrued interest from the last preceding interest payment date to the date of redemption, except that if registered bonds are received by a Federal Reserve bank or branch or the Bureau within 1 month preceding an interest payment date for redemption before that date, a deduction will be made for interest from the date of redemption to the interest payment date, and a check for the full 6 months' interest will be paid in due course. The proceeds of redemption will be deposited to the credit of the Internal Revenue Service Center designated in Form PD 1782, and the representative of the estate will be notified of the deposit. A formal receipt may be obtained upon request addressed to the Center.

(b) *Conditions.* The bonds presented for redemption under this section must have:

[5] Certain issues of Treasury bonds are redeemable at par and accrued interest upon the death of the owner, at the option of the representative of, or if none, the persons entitled to, his estate, for the purpose of having the entire proceeds applied in payment of the Federal estate tax on the decedent's estate, in accordance with the terms of the offering circulars cited on the face of the bonds. A current list of eligible issues may be obtained from any Federal Reserve bank or branch or the Bureau of the Public Debt.

(1) Been owned by the decedent at the time of his death and

(2) Thereupon constituted part of his estate, as determined by the following rules in the case of joint ownership, partnership, and trust holdings:

(i) *Joint ownerships.* Bonds held by the decedent at the time of his death in joint ownership with another person or persons will be deemed to have met the above conditions either:

(A) To the extent to which the bonds actually became the property of the decedent's estate, or

(B) In an amount not to exceed the amount of the Federal estate tax which the surviving joint owner or owners is required to pay on account of such bonds and other jointly held property.[6]

(ii) *Partnerships.* Bonds held at the time of the decedent's death by a partnership in which he had an interest will be deemed to have met the above conditions to the extent of his fractional share of the bonds so held proportionate to his interest in the assets of the partnership.

(iii) *Trusts.* Bonds held in trust at the time of the decedent's death will be deemed to have met the above conditions in an amount not to exceed the amount of the Federal estate tax:

(A) If the trust actually terminated in favor of the decedent's estate, or

(B) If the trustee is required to pay the decedent's Federal estate tax under the terms of the trust instrument or otherwise, or

(C) To the extent the debts of the decedent's estate, including costs of administration, State inheritance and Federal estate taxes, exceed the assets of his estate without regard to the trust estate.

(c) *Transactions after owner's death.* No transactions involving changes of ownership may be conducted after an owner's death without affecting the eligibility of the bonds for redemption at par for application of the proceeds to payment of the Federal estate tax. Transactions involving no changes of ownership which may be conducted without affecting eligibility are:

(1) Exchange of bonds for those of lower denominations where the bonds exceed the amount of the tax and are not in the lowest authorized denominations,

(2) Exchange of registered bonds for coupon bonds,

(3) Exchange of coupon bonds for bonds registered in the names of the representatives of the estate,

(4) Transfer of bonds from the owner or his nominee to the names of the representatives of the owner's estate, and

(5) Purchases by or for the account of any owner prior to his death, held in book-entry form, and thereafter converted to definitive bonds.

However, any such transactions must be explained on Form PD 1782 or in a supplemental statement.

[6] Substantially the same rule applies to community property except that upon the death of either spouse bonds which constitute part of the community estate are deemed to meet the required conditions to the extent of one-half of each loan and issue of bonds.

Subpart E—Interest

§ 306.35 Computation of interest.

The interest on Treasury securities accrues and is payable on a semiannual basis unless otherwise provided in the circular offering them for sale or exchange. If the period of accrual is an exact 6 months, the interest accrual is an exact one-half year's interest without regard to the number of days in the period. If the period of accrual is less than an exact 6 months, the accrued interest is computed by determining the daily rate of accrual on the basis of the exact number of days in the full interest period and multiplying the daily rate by the exact number of days in the fractional period for which interest has actually accrued. A full interest period does not include the day as of which securities were issued or the day on which the last preceding interest became due, but does include the day on which the next succeeding interest payment is due. A fractional part of an interest period does not include the day as of which the securities were issued or the day on which the last preceding interest payment became due, but does include the day as of which the transaction terminating the accrual of interest is effected. The 29th of February in a leap year is included whenever it falls within either a full

interest period or a fractional part thereof.[7]

§ 306.36 Termination of interest.

Securities will cease to bear interest on the date of their maturity unless they have been called for redemption before maturity in accordance with their terms, or are presented and surrendered for redemption-exchange or exchange pursuant to an advance refunding or prerefunding offer, in which case they will cease to bear interest on the date of call, or the exchange date, as the case may be.

§ 306.37 Interest on registered securities.

(a) *Method of payment.* The interest on registered securities is payable by checks drawn on the United States Treasury to the order of the registered owners, except as otherwise provided herein. Interest checks are prepared by the Department in advance of the interest payment data and are ordinarily mailed in time to reach the addresses on that date. Interest on a registered security which has not matured or been called and which is presented for any transaction during the period the books for that loan are closed will be paid by check drawn to the order of the registered owner of record. Upon receipt of notice of the death or incompetency of an individual named as registered owner, a change in the name or in the status of a partnership, corporation, or unincorporated association, the removal, resignation, succession, or death of a fiduciary or trustee, delivery of interest checks will be withheld pending receipt and approval of evidence showing who is entitled to receive the interest checks. If the inscriptions on securities do not clearly identify the owners, delivery of interest checks will be withheld pending reissue of the securities in the correct registration. The final installment of interest, unless otherwise provided in the offering circular or notice of call, will be paid by check drawn to the order of the registered owner of record and mailed in advance of the interest payment date in time to reach the addressee on or about that date. Interest on securities presented for prerefunding or advance refunding will be adjusted as provided in the prerefunding or advance refunding offer.

(b) *Change of address.* To assure timely delivery of interest checks, owners should promptly notify the Bureau of any change of address. (Form PD 345 may be used.) The notification must be signed by the registered owner or a joint owner or an authorized representative, and should show the owner's taxpayer identifying number, the old and new addresses, the serial number and denomination of each security, the titles of the securities (for example: 4¼ percent Treasury Bonds of 1987–92, dated August 15, 1962), and the registration of each security. Notifications by attorneys in fact, trustees, or by the legal representatives of the estates of deceased, incompetent, or minor owners should be supported by proof of their authority, unless, in the case of trustees or legal representatives, they are named in the registration.

(c) *Collection of interest checks*—(1) *General.* Interest checks may be collected in accordance with the regulations governing the endorsement and payment of Government warrants and checks, which are contained in the current revision of Department Circular No. 21 (part 240 of this chapter).

(2) *By voluntary guardians of incompetents.* Interest checks drawn to the order of a person who has become incompetent and for whose estate no legal guardian or similar representative has been appointed should be returned to the Bureau with a full explanation of the circumstances. For collection of interest, the Department will recognize the relative responsible for the incompetent's care and support or some other person as voluntary guardian for the incompetent. (Application may be made on Form PD 1461.)

(d) *Nonreceipt, loss, theft, or destruction of interest checks.* If an interest

[7] The appendix to this subpart contains a complete explanation of the method of computing interest on a semiannual basis on Treasury bonds, notes, and certificates of indebtedness, and an outline of the method of computing the discount rates on Treasury bills. Also included are tables of computation of interest on semiannual and annual basis.

check is not received within a reasonable period after an interest payment date, the Bureau should be notified. Should a check be lost, stolen, or destroyed after receipt, the Bureau of Government Financial Operations, Washington, DC 20226, should be notified. Notification should include the name and address of the owner, his taxpayer identifying number, and the serial number, denomination, and title of the security upon which the interest was payable. If the check is subsequently received or recovered, the latter office should also be advised.

§ 306.38 Interest on bearer securities.

Unless the offering circular and notice of call provide otherwise, interest on coupon securities is payable in regular course of business upon presentation and surrender of the interest coupons as they mature. Such coupons are payable at any Federal Reserve bank or branch, or the Bureau of the Public Debt.[8] Interest on Treasury bills, and any other bearer securities which may be sold and issued on a discount basis and which are payable at par at maturity, is represented by the difference between the purchase price and the par value, and no coupons are attached.

APPENDIX TO SUBPART E TO PART 306—INTEREST—COMPUTATION OF INTEREST ON TREASURY BONDS, TREASURY NOTES, AND TREASURY CERTIFICATES OF INDEBTEDNESS, AND COMPUTATION OF DISCOUNT ON TREASURY BILLS—INTEREST TABLES

COMPUTATION OF INTEREST ON ANNUAL BASIS

One Day's Interest is 1/365 or 1/366 of 1-Year's Interest

Computation of interest on Treasury bonds, notes, and certificates of indebtedness will be made on an annual basis in all cases where interest is payable in one amount for the full term of the security, unless such term is an exact half-year (6 months), and it is provided that interest shall be computed on a semi-annual basis.

If the term of the securities is exactly 1 year, the interest is computed for the full period at the specified rate regardless of the number of days in such period.

If the term of the securities is less than 1 full year, the annual interest period for purposes of computation is considered to be the full year from but not including the date of issue to and including the anniversary of such date.

If the term of the securities is more than 1 full year, computation is made on the basis of one full annual interest period, ending with the maturity date, and a fractional part of the preceding full annual interest period.

The computation of interest for any fractional part of an annual interest period is made on the basis of 365 actual days in such period, or 366 days if February 29 falls within such annual period.

COMPUTATION OF INTEREST ON SEMIANNUAL BASIS

ONE DAY'S INTEREST IS 1/181, 1/182, 1/183 OR 1/184 OR ½ YEAR'S INTEREST

Computation of interest on Treasury bonds, notes, and certificates of indebtedness will be made on a semiannual basis in all cases where interest is payable for one or more full half-year (6 months) periods, or for one or more full half-year periods and a fractional part of a half-year period. A semiannual interest period is an exact half-year or 6 months, for computation purposes, and may comprise 181, 182, 183 or 184 actual days.

An exact half-year's interest at the specified rate is computed for each full period of exactly 6 months, irrespective of the actual number of days in the half-year.

If the initial interest covers a fractional part of a half-year, computation is made on the basis of the actual number of days in the half-year (exactly 6 months) ending on the day such initial interest becomes due. If the initial interest covers a period in excess of 6 months, computation is made on the basis of one full half-year, ending with the interest due date, and a fractional part of the preceding full half-year period.

Interest for any fractional part of a full half-year period is computed on the basis of the exact number of days in the full period, including February 29 whenever it falls within such a period.

The number of days in any half-year period is shown in the following table:

[8] Banking institutions will usually cash the coupons without charge as an accommodation to their customers.

FOR THE HALF-YEAR

Interest period	Beginning and ending days are 1st or 15th of months listed under interest period (number of days)		Beginning and ending days are last days of months listed under interest period (number of days)	
	Regular year	Leap year	Regular year	Leap year
January to July	181	182	181	182
February to August	181	182	184	184
March to September	184	184	183	183
April to October	183	183	184	184
May to November	184	184	183	183
June to December	183	183	184	184
July to January	184	184	184	184
August to February	184	184	181	182
September to March	181	182	182	183
October to April	182	183	181	182
November to May	181	182	182	183
December to June	182	183	181	182
1 year (any 2 consecutive half-years)	365	366	365	366

The following are dates for end-of-the-month interest computations.

When interest period ends on—	Interest-computation period will be from but will not include—
January 31	July 31.
February 28 in 365-day year..	August 31.
February 29	Do.
March 30, 31	September 30.
April 30	October 31.
May 30, 31	November 30.
June 30	December 31.
July 31	January 31.
August 29, 30, or 31	February 28 in 365-day year. February 29 in leap year.
September 30	March 31.
October 30, 31	April 30.
November 30	May 31.
December 30, 31	June 30.

USE OF INTEREST TABLES

In the appended tables decimals are set forth for use in computing interest for fractional parts of interest periods. The decimals cover interest on $1,000 for 1 day in each possible semiannual (Table I), and annual (Table II) interest period, at all rates of interest, in steps of ⅛ percent, from ⅛ to 9 percent. The amount of interest accruing on any date (for a fractional part of an interest period) on $1,000 face amount of any issue of Treasury bonds, Treasury notes, or Treasury certificates of indebtedness may be ascertained in the following way:

(1) The date of issue, the dates for the payment of interest, the basis (semiannual or annual) upon which interest is computed, and the rate of interest (percent per annum) may be determined from the text of the security, or from the official circular governing the issue.

(2) Determine the interest period of which the fraction is a part, and calculate the number of days in the full period to determine the proper column to be used in selecting the decimal for 1 day's interest.

(3) Calculate the actual number of days in the fractional period from but not including the date of issue or the day on which the last preceding interest payment was made, to and including the day on which the next succeeding interest payment is due or the day as of which the transaction which terminates the accrual of additional interest is effected.

(4) Multiply the appropriate decimal (1 day's interest on $1,000) by the number of days in the fractional part of the interest period. The appropriate decimal will be found in the appended table for interest payable semiannually or annually, as the case may be, opposite the rate borne by the security, and in the column showing the full interest period of which the fractional period is a part. (For interest on any other amount, multiply the amount of interest on $1,000 by the other amount expressed as a decimal of $1,000.)

TREASURY

The methods of computing discount rates on U.S. Treasury bills are given below:

Computation will be made on an annual basis in all cases. The annual period for bank discount is a year of 360 days, and all computations of such discount will be made on that basis. The annual period for true discount is 1 full year from but not including the date of issue to and including the anniversary of such date. Computation of true discount for a fractional part of a year will be made on the basis of 365 days in the year, or 366 days if February 29 falls within the year.

BANK DISCOUNT

The bank discount rate on a Treasury bill may be ascertained by: (1) Subtracting the sale price of the bill from its face value to obtain the amount of discount; (2) dividing the amount of discount by the number of days the bill is to run to obtain the amount of discount per day; (3) multiplying the amount of discount per day by 360 (the number of days in a commercial year of 12 months of 30 days each) to obtain the amount of discount per year; and (4) dividing the amount of discount per year by the face value of the bill to obtain the bank discount rate.

For example:

91-day bill:

Principal amount—maturity value	$100.00
Price at issue—amount received	99.50
Amount of discount	.50

$0.50÷91×360÷$100=.01978 or 1.978 percent

TRUE DISCOUNT

The true discount rate on a Treasury bill of not more than one-half year in length may be ascertained by (1 and 2) obtaining the amount of discount per day by following the first two steps described under ''Bank Discount''; (3) multiplying the amount of discount per day by the actual number of days in the year from date of issue (365 ordinarily, but 366 if February 29 falls within the year from date of issue) to obtain the amount of discount per year; and (4) dividing the amount of discount per year by the sale price of the bill to obtain the true discount rate.

For example:

91-day bill:

Principal amount—maturity value	$100.00
Price at issue—amount received	99.50
Amount of discount	.50

$0.50÷91×365÷$99.50=.02016 or 2.016 percent

TABLE I—DECIMAL FOR 1 DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE ''COMPUTATION OF INTEREST ON SEMIANNUAL BASIS'')

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
⅛	$0.003 396 739	$0.003 415 301	$0.003 434 066	$0.003 453 039
¼	.006 793 478	.006 830 601	.006 868 132	.006 906 077
⅜	.010 190 217	.010 245 902	.010 302 198	.010 359 116
½	.013 586 957	.013 661 202	.013 736 264	.013 812 155
⅝	.016 983 696	.017 076 503	.017 170 330	.017 265 193
¾	.020 380 435	.020 491 803	.020 604 396	.020 718 232
⅞	.023 777 174	.023 907 104	.024 038 462	.024 171 271
1	.027 173 913	.027 322 404	.027 472 527	.027 624 309
1⅛	.030 570 652	.030 737 705	.030 906 593	.031 077 348
1¼	.033 967 391	.034 153 005	.034 340 659	.034 530 387
1⅜	.037 364 130	.037 568 306	.037 774 725	.037 983 425
1½	.040 760 870	.040 983 607	.041 208 791	.041 436 464
1⅝	.044 157 609	.044 398 907	.044 642 857	.044 889 503
1¾	.047 554 348	.047 814 208	.048 076 923	.048 342 541
1⅞	.050 951 087	.051 229 508	.051 510 989	.051 795 580
2	.054 347 826	.054 644 809	.054 945 055	.055 248 619
2⅛	.057 744 565	.058 060 109	.058 379 121	.058 701 657
2¼	.061 141 304	.061 475 410	.061 813 187	.062 154 696
2⅜	.064 538 043	.064 890 710	.065 247 253	.065 607 735
2½	.067 934 783	.068 306 011	.068 681 319	.069 060 773
2⅝	.071 331 522	.071 721 311	.072 115 385	.072 513 812
2¾	.074 728 261	.075 136 612	.075 549 451	.075 966 851
2⅞	.078 125 000	.078 551 913	.078 983 516	.079 419 890
3	.081 521 739	.081 967 213	.082 417 582	.082 872 928
3⅛	.084 918 478	.085 382 514	.085 851 648	.086 325 967
3¼	.088 315 217	.088 797 814	.089 285 714	.089 779 006
3⅜	.091 711 957	.092 213 115	.092 719 780	.093 232 044
3½	.095 108 696	.095 628 415	.096 153 846	.096 685 083
3⅝	.098 505 435	.099 043 716	.099 021 978	.100 138 122
3¾	.101 902 174	.102 459 016	.103 021 978	.103 591 160
3⅞	.105 298 913	.105 874 317	.106 456 044	.107 044 190
4	.108 695 652	.109 289 617	.109 890 110	.110 497 238
4⅛	.112 092 391	.112 704 918	.113 324 176	.113 950 236
4¼	.115 489 130	.116 120 219	.116 758 242	.117 403 375
4⅜	.118 885 870	.119 535 519	.120 192 308	.120 856 317
4½	.122 282 609	.122 950 820	.123 626 374	.124 309 394
4⅝	.125 679 348	.126 366 120	.127 060 440	.127 762 432
4¾	.129 076 087	.129 781 421	.130 494 505	.131 215 471
4⅞	.132 472 826	.133 196 721	.133 928 571	.134 668 500
5	.135 869 565	.136 612 022	.137 362 637	.138 121 548
5⅛	.139 266 304	.140 027 322	.140 796 703	.141 574 586

TABLE I—DECIMAL FOR 1 DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE "COMPUTATION OF INTEREST ON SEMIANNUAL BASIS")—Continued

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
5¼	.142 663 043	.143 442 623	.144 230 769	.145 027 624
5⅜	.146 059 783	.146 857 923	.147 664 835	.148 480 663
5½	.149 456 522	.150 273 224	.151 098 901	.151 933 702
5⅝	.152 853 261	.153 688 525	.154 532 967	.155 386 748
5¾	.156 250 000	.157 103 825	.157 967 033	.158 839 706
5⅞	.159 646 739	.160 519 126	.161 401 099	.162 292 876
6	.163 043 478	.163 934 426	.164 835 165	.165 745 856
6⅛	166 440 217	.167 349 727	.168 269 231	.169 198 895
6¼	.169 836 957	.170 765 027	.171 703 297	.172 651 934
6⅜	.173 233 696	.174 180 328	.175 137 363	.176 104 972
6½	.176 630 435	.177 595 628	.178 571 429	.179 558 011
6⅝	.180 027 174	.181 010 929	.182 005 495	.183 011 050
6¾	.183 423 913	.184 426 230	.185 439 560	.186 464 088
6⅞	.186 820 652	.187 841 530	.188 873 626	.189 917 127
7	.190 217 391	.191 256 831	.192 307 692	.193 370 166
7⅛	.193 614 130	.194 672 131	.195 741 758	.196 823 204
7¼	.197 010 870	.198 087 432	.199 175 824	.200 276 243
7⅜	.200 407 609	.201 502 732	.202 609 890	.203 729 282
7½	.203 804 348	.204 918 033	.206 043 956	.207 182 320
7⅝	.207 201 087	.208 333 333	.209 478 022	.210 635 359
7¾	.210 597 826	.211 748 634	.212 912 088	.214 088 398
7⅞	.213 994 565	.215 163 934	.216 346 154	.217 541 436
8	.217 391 304	.218 579 235	.219 780 220	.220 994 475
8⅛	.220 788 043	.221 994 536	.223 214 286	.224 447 514
8¼	.224 184 783	.225 409 836	.226 648 352	.227 900 552
8⅜	.227 581 522	.228 825 137	.230 082 418	.231 353 591
8½	.230 978 261	.232 240 437	.233 516 484	.234 806 630
8⅝	.234 375 000	.235 655 738	.236 950 549	.238 259 669
8¾	.237 771 739	.239 071 038	.240 384 615	.241 712 707
8⅞	.241 168 478	.242 486 339	.243 818 681	.245 165 746
9	.244 565 217	.245 901 639	.247 252 747	.248 618 785
9⅛	.247 961 957	.249 316 940	.250 686 813	.252 071 823
9¼	.251 358 696	.252 732 240	.254 120 879	.255 524 862
9⅜	.254 755 435	.256 147 541	.257 554 945	.258 977 901
9½	.258 152 174	.259 562 842	.260 989 011	.262 430 939
9⅝	.261 548 913	.262 978 142	.264 423 077	.265 883 978
9¾	.264 945 652	.266 393 443	.267 857 143	.269 337 017
9⅞	.268 342 391	.269 808 743	.271 291 209	.272 790 055
10	.271 739 130	.273 224 044	.274 725 275	.276 243 094
10⅛	.275 135 870	.276 639 344	.278 159 341	.279 696 133
10¼	.278 853 609	.280 054 645	.281 593 407	.283 149 171
10⅜	.281 929 348	.283 469 945	.285 027 473	.286 602 210
10½	.285 326 087	.286 885 246	.288 461 538	.290 055 249
10⅝	.288 722 826	.290 300 546	.291 895 604	.293 508 287
10¾	.292 119 565	.293 715 847	.295 329 670	.296 961 326
10⅞	.295 516 304	.297 131 148	.298 763 736	.300 414 365
11	.298 913 043	.300 546 448	.302 197 802	.303 867 403
11⅛	.302 309 783	.303 961 749	.305 631 868	.307 320 442
11¼	.305 706 522	.307 377 049	.309 065 934	.310 773 481
11⅜	.309 103 261	.310 792 350	.312 500 000	.314 226 519
11½	.312 500 000	.314 207 650	.315 934 066	.317 679 558
11⅝	.315 896 739	.317 622 951	.319 368 132	.321 132 597
11¾	.319 293 478	.321 038 251	.322 802 198	.324 585 635
11⅞	.322 690 217	.324 453 552	.326 236 264	.328 038 674
12	.326 086 957	.327 868 852	.329 670 330	.331 491 713

TABLE II—DECIMAL FOR 1 DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE ANNUALLY OR ON AN ANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS

Rate per annum (percent)	Regular year, 365 days	Leap year, 366 days
⅛	$0.003 424 658	$0.003 415 301
¼	.006 849 315	.006 830 601
⅜	.010 273 973	.010 245 902
½	.013 698 630	.013 661 202
⅝	.017 123 288	.017 076 503
¾	.020 547 945	.020 491 803
⅞	.023 972 603	.023 907 104
1	.027 397 260	.027 322 404
1⅛	.030 821 918	.030 737 705
1¼	.034 246 575	.034 153 005
1⅜	.037 671 233	.037 568 306
1½	.041 095 890	.040 983 607
1⅝	.044 520 548	.044 398 907
1¾	.047 945 205	.047 814 208
1⅞	.051 369 863	.051 229 508
2	.054 794 521	.054 644 809
2⅛	.058 219 178	.058 060 109
2¼	.061 643 836	.061 475 410
2⅜	.065 068 493	.064 890 710
2½	.068 493 151	.068 306 011
2⅝	.071 917 808	.071 721 311
2¾	.075 342 466	.075 136 612
2⅞	.078 767 123	.078 551 913
3	.082 191 781	.081 967 213
3⅛	.085 616 438	.085 382 514
3¼	.089 041 096	.088 797 814
3⅜	.092 465 753	.092 213 115
3½	.095 890 411	.095 628 415
3⅝	.099 315 068	.099 043 716
3¾	.102 739 726	.102 459 016
3⅞	.106 164 384	.105 874 317
4	.109 589 041	.109 289 617
4⅛	.113 013 699	.112 704 918
4¼	.116 438 356	.116 120 219
4⅜	.119 863 014	.119 535 519
4½	.123 287 671	.122 950 820
4⅝	.126 712 329	.126 366 120
4¾	.130 136 986	.129 781 421
4⅞	.133 561 644	.133 196 721
5	.136 986 301	.136 612 022
5⅛	.140 410 959	.140 027 322
5¼	.143 835 616	.143 442 623
5⅜	.147 260 274	.146 857 923
5½	.150 684 932	.150 273 224
5⅝	.154 109 589	.153 688 525
5¾	.157 534 247	.157 103 825
5⅞	.160 958 904	.160 519 126
6	.164 383 562	.163 934 426
6⅛	.167 808 219	.167 349 727
6¼	.171 232 877	.170 765 027
6⅜	.174 657 534	.174 180 328
6½	.178 082 192	.177 595 628
6⅝	.181 506 849	.181 010 929
6¾	.184 931 507	.184 426 230
6⅞	.188 356 164	.187 841 530
7	.191 780 822	.191 256 831
7⅛	.195 205 479	.194 672 131
7¼	.198 630 137	.198 087 432
7⅜	.202 054 795	.201 502 732
7½	.205 479 452	.204 918 033
7⅝	.208 904 110	.208 333 333
7¾	.212 328 767	.211 748 634
7⅞	.215 753 425	.215 163 934
8	.219 178 082	.218 579 235
8⅛	.222 602 740	.221 994 536
8¼	.226 027 397	.225 409 836

TABLE II—DECIMAL FOR 1 DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE ANNUALLY OR ON AN ANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS—Continued

Rate per annum (percent)	Regular year, 365 days	Leap year, 366 days
8⅜	.229 452 055	.228 825 137
8½	.232 876 712	.232 240 437
8⅝	.236 301 370	.235 655 738
8¾	.239 726 027	.239 071 038
8⅞	.243 150 685	.242 486 339
9	.246 575 342	.245 901 639
9⅛	.250 000 000	.249 316 940
9¼	.253 424 658	.252 732 240
9⅜	.256 849 315	.256 147 541
9½	.260 273 973	.259 562 842
9⅝	.263 698 630	.262 978 142
9¾	.267 123 288	.266 393 443
9⅞	.270 547 945	.269 808 743
10	.273 972 603	.273 224 044
10⅛	.277 397 260	.276 639 344
10¼	.280 821 918	.280 054 645
10⅜	.284 246 575	.283 469 945
10½	.287 671 233	.286 885 246
10⅝	.291 095 890	.290 300 546
10¾	.294 520 548	.293 715 847
10⅞	.297 945 205	.297 131 148
11	.301 369 863	.300 546 448
11⅛	.304 794 521	.303 961 749
11¼	.308 219 178	.307 377 049
11⅜	.311 643 836	.310 792 350
11½	.315 068 493	.314 207 650
11⅝	.318 493 151	.317 622 951
11¾	.321 917 808	.321 038 251
11⅞	.325 342 466	.324 453 552
12	.328 767 123	.327 868 852

[38 FR 7078, Mar. 15, 1973; 38 FR 8153, Mar. 29, 1973; 38 FR 10004, Apr. 23, 1973, as amended at 44 FR 34125, June 14, 1979]

Subpart F—Assignments of Registered Securities—General

§ 306.40 Execution of assignments.

The assignment of a registered security should be executed by the owner, or his or her authorized representative, in the presence of an individual authorized to certify assignments. All assignments must be made on the backs of the securities, unless otherwise authorized by the Bureau, a Federal Reserve Bank or branch. An assignment by mark (X) must be witnessed not only by a certifying individual, but also by at least one other person, who should add an endorsement substantially as follows: ''Witness to signature by mark,'' followed by the witness' signature and address.

[59 FR 59036, Nov. 15, 1994]

§ 306.41 Form of assignment.

Registered securities may be assigned in blank, to bearer, to a specified transferee, to the Secretary of the Treasury for exchange for coupon securities, or to the Secretary of the Treasury for redemption or for exchange for other securities offered at maturity, upon call or pursuant to an advance refunding or prerefunding offer. Assignments to ''The Secretary of the Treasury,'' ''The Secretary of the Treasury for transfer,'' or ''The Secretary of the Treasury for exchange'' will not be accepted unless supplemented by specific instructions by or in behalf of the owner.

§ 306.42 Alterations and erasures.

If an alteration or erasure has been made in an assignment, the assignor should appear before an authorized certifying officer and execute a new assignment to the same assignee. If the new assignment is to other than the assignee whose name has been altered or erased, a disclaimer from the first-named assignee should be obtained. Otherwise, an affidavit of explanation by the person responsible for the alteration or erasure should be submitted for consideration.

§ 306.43 Voidance of assignments.

An assignment of a security to or for the account of another person, not completed by delivery, may be voided by a disclaimer of interest from that person. This disclaimer should be executed in the presence of an officer authorized to certify assignments of securities. Unless otherwise authorized by the Bureau or a Federal Reserve bank or branch, the disclaimer must be written, typed, or stamped on the back of the security in substantially the following form:

The undersigned as assignee of this security hereby disclaims any interest herein.

(Signature)

I certify that the above-named person as described, whose identity is well known or proved to me, personally appeared before me the ——— day of ——————— (Month and year) at ——————————— (Place) and signed the above disclaimer of interest.

(SEAL) ——————————————————

(Signature and official designation of certifying officer)

In the absence of a disclaimer, an affidavit or affidavits should be submitted for consideration explaining why a disclaimer cannot be obtained, reciting all other material facts and circumstances relating to the transaction, including whether or not the security was delivered to the person named as assignee and whether or not the affiants know of any basis for the assignee claiming any right, title, or interest in the security. After an assignment has been voided, in order to dispose of the security, an assignment by or on behalf of the owner will be required.

§ 306.44 Discrepancies in names.

The Department will ordinarily require an explanation of discrepancies in the names which appear in inscriptions, assignments, supporting evidence or in the signatures to any assignments. (Form PD 385 may be used for this purpose.) However, where the variations in the name of the registered owner, as inscribed on securities of the same or different issues, are such that both may properly represent the same person, for example, ''J. T. Smith'' and ''John T. Smith,'' no proof of identity will be required if the assignments are signed exactly as the securities are inscribed and are duly certified by the same certifying officer.

§ 306.45 Certifying individuals.

(a) *General.* The following individuals may certify assignments of, or forms with respect to, securities:

(1) Officers and employees of depository institutions, corporate central credit unions, and institutions that are members of Treasury-recognized signature guarantee programs who have been authorized:

(i) Generally to bind their respective institutions by their acts;

(ii) Unqualifiedly to guarantee signatures to assignments of securities; or

(iii) To certify assignments of securities.

(2) Officers and authorized employees of Federal Reserve Banks and branches.

(3) Officers of Federal Land Banks, Federal Intermediate Credit Banks and

Banks for Cooperatives, and Federal Home Loan Banks.

(4) Commissioned officers and warrant officers of the Armed Forces of the United States but only with respect to signatures executed by Armed Forces personnel, civilian field employees, and members of their families.

(5) U.S. Attorneys, Collectors of Customs, and Regional Commissioners, District Directors, and Service Center Directors, Internal Revenue Service.

(6) Judges and Clerks of U.S. Courts.

(7) Such other persons as the Commissioner of the Public Debt or his designee may authorize.

(b) *Foreign countries.* The following individuals are authorized to certify assignments of, or forms with respect to, securities executed in a foreign country:

(1) United States diplomatic or consular officials.

(2) Managers and officers of foreign branches of depository institutions and institutions that are members of Treasury-recognized signature guarantee programs.

(3) Notaries public and other officers authorized to administer oaths, provided their official position and authority are certified by a United States diplomatic or consular official under seal of the office.

(c) *Duties and liabilities of certifying individuals*—(1) *General.* Except as specified in paragraph (c)(2) of this section, a certifying individual shall require that the security or related form be signed in the certifying individual's presence after he or she has established the identity of the person seeking the certification. An employee who is not an officer should insert the words ''Authorized signature'' in the space provided for the title. A certifying individual and the organization for which he or she is acting are jointly and severally liable for any loss the United States may incur as a result of the individual's negligence in making the certification.

(2) *Signature guaranteed.* The assignment or related form need not be executed in the presence of a certifying individual if he or she unqualifiedly guarantees the signature, in which case the certifying individual shall, after the signature, add the following endorsement: ''Signature guaranteed, First National Bank of Smithville, Smithville, NH, by A.B. Doe, President'', and add the date. In guaranteeing a signature, the certifying individual and the organization for which he or she is acting warrant to the Department that the signature is genuine and that the signer had the legal capacity to execute the assignment or related form.

(3) *Absence of signature guaranteed by depository institution.* A security or related form need not be actually signed by the owner in any case where a certifying individual associated with a depository institution has placed an endorsement on the security or the form reading substantially as follows: ''Absence of signature by owner and validity of transaction guaranteed, Second State Bank of Jonesville, Jonesville, NC, by B.R. Butler, Vice President''. The endorsement should be dated, and the seal of the institution should be added. This form of endorsement is an unconditional guarantee to the Department that the institution is acting for the owner under proper authorization.

(d) *Evidence of certifying individual's authority.* The authority of a certifying individual to act is evidenced by affixing to the certification the following:

(1) *Officers and employees of depository institutions.* The institution's seal or signature guarantee stamp; if the institution is an authorized paying agent for U.S. Savings Bonds, a legible imprint of the paying agent's stamp; or, if the institution is a member of the Securities Transfer Agents Medallion Program (STAMP), a legible imprint of the STAMP signature guarantee stamp.

(2) *Officers and authorized employees of institutions that are members of Treasury-recognized signature guarantee programs.* A legible imprint of the program's signature guarantee stamp, e.g., the STAMP, SEMP, or MSP stamp for members of the Securities Transfer Agents Medallion Program, the Stock Exchanges Medallion Program, or the New York Stock Exchange Incorporated Medallion Signature Program, respectively.

(3) *Officers and authorized employees of Federal Reserve Banks.* Whatever is prescribed in procedures established by the Department.

(4) *Officers and employees of corporate central credit unions and other entities listed in paragraph (a)(3) of this section.* The entity's seal.

(5) *Notaries public, diplomatic or consular officials.* The official seal or stamp of the office. If the certifying individual has no seal or stamp, then the official's position must be certified by some other authorized individual, under seal or stamp, or otherwise proved to the satisfaction of the Department.

(6) *Commissioned or warrant officers of the United States Armed Forces.* A statement which sets out the officer's rank and the fact that the person executing the assignment or form is one whose signature the officer is authorized to certify under the regulations in this part.

(7) *A judge or clerk of the court.* The seal of the court.

(8) *Any other certifying individual.* The official seal or stamp of the office. If the certifying individual has no seal or stamp, then the certifying individual's position and signature must be certified by some other authorized individual under official seal or stamp, or otherwise proved to the satisfaction of the Department.

(e) *Interested persons not to act as certifying individual.* Neither the transferor, the transferee, nor any person having an interest in a security involved in the transaction may act as a certifying individual. However, an authorized officer or employee of a depository institution or of an institution that is a member of a Treasury-recognized signature guarantee program may act as a certifying individual on a security or related form for transfer of a security to the institution, or any security or related form executed by another individual on behalf of the institution.

[59 FR 59037, Nov. 15, 1994]

Subpart G—Assignments by or in Behalf of Individuals

§ 306.55 Signatures, minor errors and change of name.

The owner's signature to an assignment should be in the form in which the security is inscribed or assigned, unless such inscription or assignment is incorrect or the name has since been changed. In case of a change of name, the signature to the assignment should show both names and the manner in which the change was made, for example, ''John Young, changed by order of court from Hans Jung.'' Evidence of the change will be required. However, no evidence is required to support an assignment if the change resulted from marriage and the signature, which must be duly certified by an authorized officer, is written to show that fact, for example, ''Mrs. Mary J. Brown, changed by marriage from Miss Mary Jones.''

§ 306.56 Assignment of securities registered in the names of or assigned to two or more persons.

(a) *Transfer or exchange.* Securities registered in the names of or assigned to two or more persons may be transferred or exchanged for coupon bonds during the lives of all the joint owners only upon assignments by all or on their behalf by authorized representatives. Upon proof of the death of one, the Department will accept an assignment by or in behalf of the survivor or survivors, unless the form of registration or assignment includes words which precludes the right of survivorship.[9] In the latter case, in addition to assignment by or in behalf of the survivor or survivors, an assignment in behalf of the decedent's estate will be required.

(b) *Advance refunding or prerefunding offers.* No assignments are required for exchange of securities registered in the names of or assigned to two or more persons if the securities to be received in the exchange are to be registered in

[9] See § 306.11(a) (2) for forms of registration expressing or precluding survivorship.

the same names and form. If bearer securities or securities in a different form are to be issued, all persons named must assign, except that in case of death paragraph (a) of this section shall apply.

(c) *Redemption or redemption-exchange*—(1) *Alternative registration or assignment.* Securities registered in the names of or assigned to two or more persons in the alternative, for example, ''John B. Smith or Mrs. Mary J. Smith'' or ''John B. Smith or Mrs. Mary J. Smith or the survivor,'' may be assigned by one of them at maturity or upon call, for redemption or redemption-exchange, for his own account or otherwise, whether or not the other joint owner or owners are deceased.

(2) *Joint registration or assignment.* Securities registered in the names of or assigned to two or more persons jointly, for example, ''John B. Smith and Mrs. Mary J. Smith,'' or ''John B. Smith and Mrs. Mary J. Smith as tenants in common,'' or ''John B. Smith and Mary J. Smith as partners in community,'' may be assigned by one of them during the lives of all only for redemption at maturity or upon call, and then only for redemption for the account of all. No assignments are required for redemption-exchange for securities to be registered in the same names and forms as appear in the registration or assignment of the securities surrendered. Upon proof of the death of a joint owner, the survivor or survivors may assign securities so registered or assigned for redemption or redemption-exchange for any account, except that, if words which preclude the right of survivorship [9] appear in the registration or assignment, assignment in behalf of the decedent's estate also will be required.

§ 306.57 Minors and incompetents.

(a) *Assignments by natural guardian of securities registered in name of minor.* Securities registered in the name of a minor for whose estate no legal guardian or similar representative has qualified may be assigned by the natural guardian upon qualification. (Form PD 2481 may be used for this purpose.)

(b) *Assignments of securities registered in name of natural guardian of minor.* Securities registered in the name of a natural guardian of a minor may be assigned by the natural guardian for any authorized transaction except one for the apparent benefit of the natural guardian. If the natural guardian in whose name the securities are registered is deceased or is no longer qualified to act as natural guardian, the securities may be assigned by the person then acting as natural guardian. The assignment by the new natural guardian should be supported by proof of the death or disqualification of the former natural guardian and by evidence of his own status as natural guardian. (Form PD 2481 may be used for this purpose.) No assignment by a natural guardian will be accepted after receipt of notice of the minor's attainment of majority, removal of his disability of minority, disqualification of the natural guardian to act as such, qualification of a legal guardian or similar representative, or the death of the minor.

(c) *Assignments by voluntary guardian of incompetents.* Registered securities belonging to an incompetent for whose estate no legal guardian or similar representative is legally qualified may be assigned by the relative responsible for his care and support or some other person as voluntary guardian:

(1) For redemption or exchange for bearer securities, if the proceeds of the securities are needed to pay expenses already incurred, or to be incurred during any 90-day period, for the care and support of the incompetent or his legal dependents.

(2) For redemption-exchange, if the securities are matured or have been called, or pursuant to an advance refunding or prerefunding offer, for reinvestment in other securities to be registered in the form ''A, an incompetent (123–45–6789) under voluntary guardianship.''

An application on Form PD 1461 by the person seeking authority to act as voluntary guardian will be required.

(d) *Assignments by legal guardians of minors or incompetents.* Securities registered in the name and title of the

legal guardian or similar representative of the estate of a minor or incompetent may be assigned by the representative for any authorized transaction without proof of his qualification. Assignments by a representative of any other securities belonging to a minor or incompetent must be supported by properly certified evidence of qualification. The evidence must be dated not more than 1 year before the date of the assignments and must contain a statement showing the appointment is in full force unless (1) it shows the appointment was made not more than 1 year before the date of the assignment, or (2) the representative or a corepresentative is a corporation. An assignment by the representative will not be accepted after receipt of notice of termination of the guardianship, except for transfer to the former ward.

§ 306.58 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern transactions in Treasury Bonds, Investment Series B–1975–80.

Subpart H—Assignments in Behalf of Estates of Deceased Owners

§ 306.65 Special provisions applicable to small amounts of securities, interest checks or redemption checks.

Entitlement to, or the authority to dispose of, a small amount of securities and checks issued in payment thereof or in payment of interest thereon, belonging to the estate of a decedent, may be established through the use of certain short forms, according to the aggregate amount of securities and checks involved (excluding checks representing interest on the securities), as indicated by the following table:

Amount	Circumstances	Form	To be executed by—
$100	No administration.	PD2216 ..	Person who paid burial expenses.
500	Estate being administered.	PD2488 ..	Executor or administrator.
500	Estate settled ..	PD2458–1.	Former executor or administrator, attorneys or other qualified person.

§ 306.66 Estates—administration.

(a) *Temporary or special administrators.* Temporary or special administrators may assign securities for any authorized transaction within the scope of their authority. The assignments must be supported by:

(1) *Temporary administrators.* A certificate, under court seal, showing the appointment in full force within thirty days preceding the date of receipt of the securities.

(2) *Special administrators.* A certificate, under court seal, showing the appointment in full force within 6 months preceding the date of receipt of the securities.

Authority for assignments for transactions not within the scope of appointment must be established by a duly certified copy of a special order of court.

(b) *In course of administration.* A security belonging to the estate of a decedent which is being administered by a duly qualified executor or general administrator will be accepted for any authorized transaction upon assignment by such representative. (See § 306.77.) Unless the security is registered in the name of and shows the capacity of the representative, the assignment must be supported by a certificate or a copy of the letters of appointment, certified under court seal. The certificate or certification, if required, must be dated not more than 6 months before the date of the assignment and must contain a statement that the appointment is in full force, unless:

(1) It shows the appointment was made not more than 1 year before the date of the assignment, or

(2) The representative or a corepresentative is a corporation, or

(3) Redemption is being made for application of the proceeds in payment of Federal estate taxes as provided by § 306.28.

(c) *After settlement through court proceedings.* Securities belonging to the estate of a decedent which has been settled in court will be accepted for any authorized transaction upon assignments by the person or persons entitled, as determined by the court. The assignments should be supported by a copy, certified under court seal, of the

decree of distribution, the representative's final account as approved by the court, or other pertinent court records.

§ 306.67 Estates not administered.

(a) *Special provisions under State laws.* If, under State law, a person has been recognized or appointed to receive or distribute the assets of a decedent's estate without regular administration, his assignment of securities belonging to the estate will be accepted provided he submits appropriate evidence of his authority.

(b) *Agreement of persons entitled.* When it appears that no legal representative of a decedent's estate has been or is to be appointed, securities belonging to the estate may be duly disposed of pursuant to an agreement and assignment by all persons entitled to share in the decedent's personal estate. (Form PD 1646 may be used.) However, all debts of the decedent and his estate must be paid or provided for and the interests of any minors or incompetents must be protected.

§ 306.68 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern transactions in Treasury Bonds, Investment Series B–1975–80.

Subpart I—Assignments by or in Behalf of Trustees and Similar Fiduciaries

§ 306.75 Individual fiduciaries.

(a) *General.* Securities registered in, or assigned to, the names and titles of individual fiduciaries will be accepted for any authorized transaction upon assignment by the designated fiduciaries without proof of their qualification. If the fiduciaries in whose names the securities are registered, or to whom they have been assigned, have been succeeded by other fiduciaries, evidence of successorship must be furnished. If the appointment of a successor is not required under the terms of the trust instrument or otherwise and is not contemplated, assignments by the surviving or remaining fiduciary or fiduciaries must be supported by appropriate proof. This requires:

(1) Proof of the death, resignation, removal or disqualification of the former fiduciary and

(2) Evidence that the surviving or remaining fiduciary or fiduciaries are fully qualified to administer the fiduciary estate, which may be in the form of a certificate by them showing the appointment of a successor has not been applied for, is not contemplated and is not necessary under the terms of the trust instrument or otherwise.

Assignments of securities registered in the titles, without the names of the fiduciaries, for example, ''Trustees of the George E. White Memorial Scholarship Fund under deed of trust dated 11/10/40, executed by John W. White,'' must be supported by proof that the assignors are the qualified and acting trustees of the designated trust estate, unless they are empowered to act as a unit in which case the provisions of § 306.76 shall apply. (Form PD 2446 may be used to furnish proof of incumbency of fiduciaries.) Assignments by fiduciaries of securities not registered or assigned in such manner as to show that they belong to the estate for which the assignors are acting must also be supported by evidence that the estate is entitled to the securities.

(b) *Life tenants.* Upon termination of a life estate by reason of the death of the life tenant in whose name a security is registered, or to whom it has been assigned, the security will be accepted for any authorized transaction upon assignment by the remainderman, supported by evidence of entitlement.

§ 306.76 Fiduciaries acting as a unit.

Securities registered in the name of or assigned to a board, committee or other body authorized to act as a unit for any public or private trust estate may be assigned for any authorized transaction by anyone authorized to act in behalf of such body. Except as otherwise provided in this section, the assignments must be supported by a copy of a resolution adopted by the body, properly certified under its seal, or, if none, sworn to by a member of the body having access to its records. (Form PD 2495 may be used.) If the person assigning is designated in the resolution by title only, his incumbency must be duly certified by another

member of the body. (Form PD 2446 may be used.) If the fiduciaries of any trust estate are empowered to act as a unit, although not designated as a board, committee or other body, securities registered in their names or assigned to them as such, or in their titles without their names, may be assigned by anyone authorized by the group to act in its behalf. Such assignments may be supported by a sworn copy of a resolution adopted by the group in accordance with the terms of the trust instrument, and proof of their authority to act as a unit may be required. As an alternative, assignments by all the fiduciaries, supported by proof of their incumbency, if not named on the securities, will be accepted.

[38 FR 7078, Mar. 15, 1973; 38 FR 10004, Apr. 23, 1973]

§ 306.77 Corepresentatives and fiduciaries.

If there are two or more executors, administrators, guardians or similar representatives, or trustees of an estate, all must unite in the assignment of any securities belonging to the estate. However, when a statute, a decree of court, or the instrument under which the representatives or fiduciaries are acting provides otherwise, assignments in accordance with their authority will be accepted. If the securities have matured or been called and are submitted for redemption for the account of all, or for redemption-exchange or pursuant to an advance refunding or prerefunding offer, and the securities offered in exchange are to be registered in the names of all, no assignment is required.

§ 306.78 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern assignments of Treasury Bonds, Investment Series B–1975–80.

Subpart J—Assignments in Behalf of Private or Public Organizations

§ 306.85 Private corporations and unincorporated associations (including nominees).

Securities registered in the name of, or assigned to, an unincorporated association, or a private corporation in its own right or in a representative or fiduciary capacity, or as nominee, may be assigned in its behalf for any authorized transaction by any duly authorized officer or officers. Evidence, in the form of a resolution of the governing body, authorizing the assigning officer to assign, or to sell, or to otherwise dispose of the securities will ordinarily be required. Resolutions may relate to any or all registered securities owned by the organization or held by it in a representative or fiduciary capacity. (Form PD 1010, or any substantially similar form, may be used when the authority relates to specific securities; Form PD 1011, or any substantially similar form, may be used for securities generally.) If the officer derives his authority from a charter, constitution or bylaws, a copy, or a pertinent extract therefrom, properly certified, will be required in lieu of a resolution. If the resolution or other supporting document shows the title of an authorized officer, without his name, it must be supplemented by a certificate of incumbency. (Form PD 1014 may be used.)

§ 306.86 Change of name and succession of private organizations.

If a private corporation or unincorporated association changes its name or is lawfully succeeded by another corporation or unincorporated association, its securities may be assigned in behalf of the organization in its new name or that of its successor by an authorized officer in accordance with § 306.85. The assignment must be supported by evidence of the change of name or successorship.

§ 306.87 Partnerships (including nominee partnerships).

An assignment of a security registered in the name of or assigned to a partnership must be executed by a general partner. Upon dissolution of a partnership, assignment by all living partners and by the persons entitled to assign in behalf of any deceased partner's estate will be required unless the laws of the jurisdiction authorize a general partner to bind the partnership by any act appropriate for winding up partnership affairs. In those cases

where assignments by or in behalf of all partners are required this fact must be shown in the assignment; otherwise, an affidavit by a former general partner must be furnished identifying all the persons who had been partners immediately prior to dissolution. Upon voluntary dissolution, for any jurisdiction where a general partner may not act in winding up partnership affairs, an assignment by a liquidating partner, as such, must be supported by a duly executed agreement among the partners appointing the liquidating partner.

§ 306.88 Political entities and public corporations.

Securities registered in the name of, or assigned to, a State, county, city, town, village, school district or other political entity, public body or corporation, may be assigned by a duly authorized officer, supported by evidence of his authority.

§ 306.89 Public officers.

Securities registered in the name of, or assigned to, a public officer designated by title may be assigned by such officer, supported by evidence of incumbency. Assignments for the officer's own apparent individual benefit will not be recognized.

§ 306.90 Nontransferable securities.

The provisions of this subpart apply to Treasury Bonds, Investment Series B–1975–80.

Subpart K—Attorneys in Fact

§ 306.95 Attorneys in fact.

(a) *General.* Assignments by an attorney in fact will be recognized if supported by an adequate power of attorney. Every power must be executed in the presence of an authorized certifying officer under the conditions set out in § 306.45 for certification of assignments. Powers need not be submitted to support redemption-exchanges or exchanges pursuant to advance refunding or prefunding offers where the securities to be issued are to be registered in the same names and forms as appear in the inscriptions or assignments of the securities surrendered. In all other cases, the original power, or a photocopy showing the grantor's autograph signature, properly certified, must be submitted, together with the security assigned on the owner's behalf by the attorney in fact. An assignment by a substitute attorney in fact must be supported by an authorizing power of attorney and power of substitution. An assignment by an attorney in fact or a substitute attorney in fact for the apparent benefit of either will not be accepted unless expressly authorized. (Form PD 1001 or 1003, as appropriate, may be used to appoint an attorney in fact. An attorney in fact may use Form PD 1006 or 1008 to appoint a substitute. However, any form sufficient in substance may be used.) If there are two or more joint attorneys in fact or substitutes, all must unite in an assignment, unless the power authorizes less than all to act. A power of attorney or of substitution not coupled with an interest will be recognized until the Bureau receives proof of revocation or proof of the grantor's death or incompetency.

(b) *For legal representatives and fiduciaries.* Assignments by an attorney in fact or substitute attorney in fact for a legal representative or fiduciary, in addition to the power of attorney and of substitution, must be supported by evidence, if any, as required by §§ 306.57(d), 306.66(b), 306.75, and 306.76. Powers must specifically designate the securities to be assigned.

(c) *For corporations or unincorporated associations.* Assignments by an attorney in fact or a substitute attorney in fact in behalf of a corporation or unincorporated association, in addition to the power of attorney and power of substitution, must be supported by one of the following documents certified under seal of the organization, or, if it has no seal, sworn to by an officer who has access to the records:

(1) A copy of the resolution of the governing body authorizing an officer to appoint an attorney in fact, with power of substitution, if pertinent, to assign, or to sell, or to otherwise dispose of, the securities, or

(2) A copy of the charter, constitution, or bylaws, or a pertinent extract therefrom, showing the authority of an officer to appoint an attorney in fact, or

(3) A copy of the resolution of the governing body directly appointing an attorney in fact.

If the resolution or other supporting document shows only the title of the authorized officer, without his name, a certificate of incumbency must also be furnished. (Form PD 1014 may be used.) The power may not be broader than the resolution or other authority.

(d) *For public corporations.* A general power of attorney in behalf of a public corporation will be recognized only if it is authorized by statute.

§ 306.96 Nontransferable securities.

The provisions of this subpart shall apply to nontransferable securities, subject only to the limitations imposed by the terms of the particular issues.

Subpart L—Transfer Through Judicial Proceedings

§ 306.100 Transferable securities.

The Department will recognize valid judicial proceedings affecting the ownership of or interest in transferable securities, upon presentation of the securities together with evidence of the proceedings. In the case of securities registered in the names of two or more persons, the extent of their respective interests in the securities must be determined by the court in proceedings to which they are parties or must otherwise be validly established.[10]

§ 306.101 Evidence required.

Copies of a final judgment, decree, or order of court and of any necessary supplementary proceedings must be submitted. Assignments by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of his qualification. Assignments by a receiver in equity or a similar court officer must be supported by a copy of an order authorizing him to assign, or to sell, or to otherwise dispose of, the securities. Where the documents are dated more than 6 months prior to presentation of the securities, there must also be submitted a certificate dated within 6 months of presentation of the securities, showing the judgment, decree, or order, or evidence of qualification, is in full force. Any such evidence must be certified under court seal.

§ 306.102 Nontransferable securities.

The provisions of this subpart shall apply to Treasury Bonds, Investment Series B–1975–80, except that prior to maturity any reference to assignments shall be deemed to refer to assignments of the bonds for exchange for the current series of 1½ percent 5-year EA or EO Treasury notes.

Subpart M—Requests for Suspension of Transactions

§ 306.105 Requests for suspension of transactions in registered securities.

(a) *Timely notice.* If prior to the time a registered security bearing an apparently valid assignment has been functioned, a claim is received from the owner or his authorized representative showing that:

(1) The security was lost, stolen, or destroyed and that it was unassigned, or not so assigned as to have become in effect payable to bearer, or

(2) The assignment was affected by fraud, the transaction for which the security was received will be suspended.

The interested parties will be given a reasonable period of time in which to effect settlement of their interests by agreement, or to institute judicial proceedings.

(b) *Late notice.* If, after a registered security has been transferred, exchanged, or redeemed in reliance on an apparently valid assignment, an owner notifies the Bureau that the assignment was affected by fraud or that the security had been lost or stolen, the Department will undertake only to furnish available information.

(c) *Forged assignments.* A claim that an assignment of a registered security is a forgery will be investigated. If it is

[10] Title in a finder claiming ownership of a registered security will not be recognized. A finder claiming ownership of a bearer security or a registered security assigned in blank or so assigned as to become in effect payable to bearer must perfect his title in accordance with the provisions of State law. If there are no such provisions, the Department will not recognize his title to the security.

established that the assignment was in fact forged and that the owner did not authorize or ratify it, or receive any benefit therefrom, the Department will recognize his ownership and grant appropriate relief.

§ 306.106 Requests for suspension of transactions in bearer securities.

(a) *Securities not overdue.* Neither the Department nor any of its agents will accept notice of any claim or of pending judicial proceedings by any person for the purpose of suspending transactions in bearer securities, or registered securities so assigned as to become in effect payable to bearer which are not overdue as defined in § 306.25.[11] However, if the securities are received and retired, the department will undertake to notify persons who appear to be entitled to any available information concerning the source from which the securities were received.

(b) *Overdue securities.* Reports that bearer securities, or registered securities so assigned as to become in effect payable to bearer, were lost, stolen, or possibly destroyed after they became overdue as defined in § 306.25 will be accepted by the Bureau for the purpose of suspending redemption of the securities if the claimant establishes his interest. If the securities are presented, their redemption will be suspended and the presenter and the claimant will each be given an opportunity to establish ownership.

[11] It has been the longstanding policy of the Department to assume no responsibility for the protection of bearer securities not in the possession of persons claiming rights therein and to give no effect to any notice of such claims. This policy was formalized on April 27, 1867, when the Secretary of the Treasury issued the following statement:

''In consequence of the increasing trouble, wholly without practical benefit, arising from notices which are constantly received at the Department respecting the loss of coupon bonds, which are payable to bearer, and of Treasury notes issued and remaining in blank at the time of loss, it becomes necessary to give this public notice, that the Government cannot protect and will not undertake to protect the owners of such bonds and notes against the consequences of their own fault or misfortune.''

''Hereafter all bonds, notes, and coupons, payable to bearer, and Treasury notes issued and remaining in blank, will be paid to the party presenting them in pursuance of the regulations of the Department, in the course of regular business; and no attention will be paid to caveats which may be filed for the purpose of preventing such payment.''

Subpart N—Relief for Loss, Theft, Destruction, Mutilation, or Defacement of Securities

§ 306.110 Statutory authority and requirements.

Relief is authorized, under certain conditions, for the loss, theft, destruction, mutilation or defacement of U.S. securities, whether before, at, or after maturity. A bond of indemnity, in such form and with such surety, sureties or security as may be required to protect the interests of the United States, is required as a condition of relief on account of any bearer security or any registered security assigned in blank or so assigned as to become in effect payable to bearer, and is ordinarily required in the case of unassigned registered securities.

§ 306.111 Procedure for applying for relief.

Prompt report of the loss, theft, destruction, mutilation or defacement of a security should be made to the Bureau. The report should include:

(a) The name and present address of the owner and his address at the time the security was issued, and, if the report is made by some other person, the capacity in which he represents the owner.

(b) The identity of the security by title of loan, issue date, interest rate, serial number and denomination, and in the case of a registered security, the exact form of inscription and a full description of any assignment, endorsement or other writing.

(c) A full statement of the circumstances.

All available portions of a mutilated, defaced or partially destroyed security must also be submitted.

§ 306.112 Type of relief granted.

(a) *Prior to call or maturity.* After a claim on account of the loss, theft, destruction, mutilation, or defacement of a security which has not matured or

been called has been satisfactorily established and the conditions for granting relief have been met, a security of like description will be issued to replace the original security.

(b) *At or after call or maturity*. Payment will be made on account of the loss, theft, destruction, mutilation, or defacement of a called or matured security after the claim has been satisfactorily established and the conditions for granting relief have been met.

(c) *Interest coupons*. Where relief has been authorized on account of a destroyed, mutilated or defaced coupon security which has not matured or been called, the replacement security will have attached all unmatured interest coupons if it is established to the satisfaction of the Secretary of the Treasury that the coupons were attached to the original security at the time of its destruction, mutilation or defacement. In every other case only those unmatured interest coupons for which the Department has received payment will be attached. The price of the coupons will be their value as determined by the Department at the time relief is authorized using interest rate factors based on then current market yields on Treasury securities of comparable maturities.

§ 306.113 Cases not requiring bonds of indemnity.

A bond of indemnity will not be required as a condition of relief for the loss, theft, destruction, mutilation, or defacement of registered securities in any of the following classes of cases unless the Secretary of the Treasury deems it essential in the public interest:

(a) If the loss, theft, destruction, mutilation, or defacement, as the case may be, occurred while the security was in the custody or control of the United States, or a duly authorized agent thereof (not including the Postal Service when acting solely in its capacity as public carrier of the mails), or while in the course of shipment effected under regulations issued pursuant to the Government Losses in Shipment Act (parts 260, 261, and 262 of this chapter).

(b) If substantially the entire security is presented and surrendered and the Security of the Treasury is satisfied as to the identity of the security and that any missing portions are not sufficient to form the basis of a valid claim against the United States.

(c) If the security is one which by the provisions of law or by the terms of its issue is nontransferable or is transferable only by operation of law.

(d) If the owner or holder is the United States, a Federal Reserve bank, a Federal Government corporation, a State, the District of Columbia, a territory or possession of the United States, a municipal corporation, or, if applicable, a political subdivision of any of the foregoing, or a foreign government.

Subpart O—Book-Entry Procedure

§ 306.115 Definition of terms.

For the purposes of this subpart, the definitions provided in 31 CFR 357.3 are applicable, with the following additions:

Definitive Treasury security means a Treasury bond, note, certificate of indebtedness, or bill issued under 31 U.S.C. chapter 31 in engraved or printed form.

Eligible book-entry Treasury security means a security maintained in TRADES that was originally issued prior to August 15, 1986, which by the terms of its offering circular is available in either definitive or book-entry form.

[61 FR 43637, Aug. 23, 1996]

§ 306.116 Scope and effect of book-entry procedure.

(a) Except as provided in § 306.117, the provisions of 31 CFR part 357, subparts A, B, and D apply.

(b) This subpart is effective January 1, 1997.

[61 FR 43637, Aug. 23, 1996]

§ 306.117 Withdrawal of eligible book-entry Treasury securities for conversion to definitive form.

(a) Eligible book-entry Treasury securities may be withdrawn from TRADES by requesting delivery of like definitive Treasury securities.

(b) A Reserve bank shall, upon receipt of appropriate instructions to withdraw eligible book-entry Treasury

securities from book-entry form in TRADES, convert such securities into definitive Treasury securities and deliver them in accordance with such instructions; no such conversion shall affect existing interests in such Treasury securities.

(c) All requests for withdrawal of eligible book-entry Treasury securities must be made prior to the maturity or date of call of the securities.

(d) Treasury securities which are to be delivered upon withdrawal may be issued in either registered or bearer form, to the extent permitted by the applicable offering circular.

[61 FR 43637, Aug. 23, 1996]

Subpart P—Miscellaneous Provisions

§ 306.125 Additional requirements.

In any case or any class of cases arising under these regulations the Secretary of the Treasury may require such additional evidence and a bond of indemnity, with or without surety, as may in his judgment be necessary for the protection of the interests of the United States.

§ 306.126 Waiver of regulations.

The Secretary of the Treasury reserves the right, in his discretion, to waive or modify any provision or provisions of these regulations 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, if such action is not inconsistent with law, does not impair any existing rights, and he is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 306.127 Preservation of existing rights.

Nothing contained in these regulations shall limit or restrict existing rights which holders of securities heretofore issued may have acquired under the circulars offering such securities for sale or under the regulations in force at the time of acquisition.

§ 306.128 Supplements, amendments or revisions.

The Secretary of the Treasury may at any time, or from time to time, prescribe additional supplemental, amendatory or revised regulations with respect to U.S. securities.

PART 308—GENERAL REGULATIONS GOVERNING FULL-PAID INTERIM CERTIFICATES

Sec.

308.1 Issue.
308.2 Exchange for definitive securities.
308.3 Exchanges of denominations.
308.4 Applicable regulations.
308.5 Reservations.

AUTHORITY: 80 Stat. 379; sec. 8. 50 Stat. 481, as amended; secs. 1, 18, 5, 40 Stat. 288, as amended, 1309, as amended, 290, as amended; sec. 32, 30 Stat. 466, as amended; 5 U.S.C. 301; 31 U.S.C. 738a, 752, 753, 754, 756.

SOURCE: 6 FR 5289, Oct. 17, 1941, unless otherwise noted.

§ 308.1 Issue.

Federal Reserve Banks, as Fiscal Agents of the United States, and the Treasury Department may issue full-paid interim certificates in lieu of definitive securities, against full-paid allotments of subscriptions, when specifically authorized by the Secretary of the Treasury in connection with the issue, hereafter, to the public, of United States securities. Interim certificates shall be in such form, and in such denominations, as the Secretary of the Treasury may determine when an issue is authorized.

§ 308.2 Exchange for definitive securities.

Upon surrender of a full-paid interim certificate to a Federal Reserve Bank, or to the Treasury Department, Washington, DC 20226, the definitive securities described therein, when prepared, will be delivered. Exchanges shall be made on like par amount basis.

§ 308.3 Exchanges of denominations.

Pending availability of definitive securities, exchanges of authorized denominations of interim certificates, from higher to lower will be permitted.

§ 308.4 Applicable regulations.

Except as may otherwise be provided, and in so far as applicable, the general regulations of the Treasury Department, as contained in part 306 of this subchapter, as amended or revised, shall apply to full-paid interim certificates.

§ 308.5 Reservations.

The Secretary of the Treasury reserves the right to withdraw or amend at any time or from time to time any or all of the provisions of this part.

PART 309—ISSUE AND SALE OF TREASURY BILLS

Sec.

309.1 Authority for issue and sale.
309.2 Description of Treasury bills (General).
309.3 Denominations and exchange.
309.4 Taxation.
309.5 Acceptance of Treasury bills for various purposes.
309.6 Public notice of offering.
309.7 Tenders; submission through Federal Reserve Banks and branches and to the Bureau of the Public Debt.
309.8 Tenders; when cash deposit is required.
309.9 Tenders; acceptance by the Secretary of the Treasury.
309.10 Tenders; reservation of right to reject.
309.11 Tenders; payment of accepted tenders.
309.12 Relief on account of loss, theft or destruction, etc.
309.13 Functions of Federal Reserve Banks.
309.14 Reservation as to terms of circular.

AUTHORITY: 80 Stat. 379; sec. 8, 50 Stat. 481, as amended; sec. 5, 40 Stat. 290, as amended; 5 U.S.C. 301; 31 U.S.C. 738a, 754.

SOURCE: 41 FR 44006, Oct. 5, 1976, unless otherwise noted.

§ 309.1 Authority for issue and sale.

The Secretary of the Treasury is authorized by the Second Liberty Bond Act, as amended, to issue Treasury bills of the United States on an interest-bearing basis, on a discount basis, or on a combination interest-bearing and discount basis, at such price or prices and with interest computed in such manner and payable at such time or times as he may prescribe; and to fix the form, terms, and conditions thereof, and to offer them for sale on a competitive or other basis, under such regulations and upon such terms and conditions as he may prescribe. Pursuant to said authorization, the Secretary of the Treasury may, from time to time, by public notice, offer Treasury bills for sale, and invite tenders therefor, through the Federal Reserve Banks and branches and through the Department of the Treasury, Bureau of the Public Debt. The Treasury bills so offered, and the tenders made, will be subject to the terms and conditions and to the general rules and regulations herein set forth, except as they may be modified in the public notices issued by the Secretary of the Treasury in connection with particular offerings.[1]

§ 309.2 Description of Treasury bills (General).

Treasury bills are bearer obligations of the United States promising to pay a specified amount on a specified date. They will be payable at maturity upon presentation to the Bureau of the Public Debt, Washington, DC 20226, or to any Federal Reserve Bank or branch. Treasury bills are issued only by Federal Reserve Banks and branches and the Bureau of the Public Debt pursuant to tenders accepted by the Secretary of the Treasury, and shall not be valid unless the issue date and the maturity date are entered thereon. Treasury bills bearing the same issue date and the same maturity date shall constitute a series.

§ 309.3 Denominations and exchange.

Treasury bills will be issued in denominations (maturity value) of $10,000, $15,000, $50,000, $100,000, $500,000, and $1,000,000. Exchanges from higher to lower and lower to higher denominations of the same series (bearing the same issue and maturity dates) will be permitted at Federal Reserve Banks and branches and at the Bureau of the Public Debt, Washington, DC 20226. Insofar as applicable, the general regulations of the Treasury Department governing transactions in bonds and notes will govern transactions in Treasury bills.

[1] Accordingly, these regulations do not constitute a specific offering of Treasury bills.

§ 309.4 Taxation.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. The bills shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

§ 309.5 Acceptance of Treasury bills for various purposes.

(a) *Acceptable as security for public deposits.* Treasury bills will be acceptable at maturity value to secure deposits of public monies.

(b) *Acceptable in payment of taxes.* The Secretary of the Treasury, in his discretion, when inviting tenders for Treasury bills, may provide that Treasury bills of any series will be acceptable at maturity value, whether at or before maturity, under such rules and regulations as he shall prescribe or approve, in payment of income taxes payable under the provisions of the Internal Revenue Code. Treasury bills which by the terms of their issue are acceptable in payment of income taxes may be surrendered to any Federal Reserve Bank or Branch, acting as fiscal agent of the United States, or to the Bureau of the Public Debt, Washington, DC 20226, 15 days or less before the date on which the taxes become due.

(1) In the case of payments of corporation income taxes (including payments of estimates) for taxable years ending on or after December 31, 1967, the bills shall be accompanied by a preinscribed Form 503, Federal Tax Deposit, Corporation Income Taxes, on which the face amount of the bills being surrendered should be entered in the space provided for the amount of the tax deposit. The office receiving the bills and Form 503 will acknowledge receipt of the bills to the owner corporation and effect the tax deposit on the date on which the taxes become due. Accordingly, in these cases, it will no longer be necessary to submit receipts for Treasury bills to the Internal Revenue Service with the corporation's declaration or tax return.

(2) In the case of payments of all other income taxes the office receiving the bills will issue receipts (in duplicate) to the owners. The original of the receipt shall be submitted, by the owner, in lieu of the bills, together with the tax return, to the District Director, Internal Revenue Service.

(c) *Discounting by Federal Reserve Bank of notes secured by Treasury bills.* Notes securied by Treasury bills are eligible for discount or rediscount at Federal Reserve Banks as provided under the provisions of section 13 of the Federal Reserve Act, as are notes securied by bonds and notes of the United States.

(d) *Acceptable in connection with foreign obligations held by United States.* Treasury bills will be acceptable at maturity, but not before, in payment of interest or of principal on account of obligations of foreign governments held by the United States.

§ 309.6 Public notice of offering.

When Treasury bills are to be offered, tenders therefor will be invited through public notice given by the Secretary of the Treasury. Such public notices may be issued by the Secretary of the Treasury in the name of ''the Treasury Department'' with the same force and effect as if issued in the name of the Secretary of the Treasury. In such notice there will be set forth the amount of Treasury bills for which tenders are then invited, the date of issue, the date or dates when such bills will become due and payable, the date and closing hour for the receipt of tenders at the Federal Reserve Banks and branches and at the Bureau of the Public Debt, Washington, DC 20226, and the date on which payment for accepted tenders must be made or completed.

§ 309.7 Tenders; submission through Federal Reserve Banks and branches and to the Bureau of the Public Debt.

Tenders in response to any such public notice will be received at the Federal Reserve Banks, or Branches thereof and at the Bureau of the Public Debt, Washington, DC 20226, and unless received before the time fixed for closing will be disregarded. Each tender must be for a minimum amount of $10,000. Tenders over $10,000 must be in multiples of $5,000 (maturity value). In the case of competitive tenders the price or prices offered by the bidder for the amount or amounts (at maturity value) applied for must be stated, and must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

§ 309.8 Tenders; when cash deposit is required.

Tenders should be submitted on the printed forms and forwarded in the special envelopes which will be supplied on application to any Federal Reserve Bank, or Branch or to the Bureau of the Public Debt, Washington, DC 20226. If a special envelope is not available, the inscription ''Tender for Treasury Bills'' should be placed on the envelope used. The instructions set forth in the public notice announcing the offering should be observed with respect to the submission of tenders. Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions, will not be permitted to submit tenders except for their own account. Tenders from incorporated banks and trust companies, and from responsible and recognized dealers in investment securities will be received without deposit. Tenders from all others must be accompanied by a payment of such percent of the face amount of the Treasury bills applied for as the Secretary of the Treasury may from time to time prescribe: *Provided, however,* That such deposit will not be required if the tender is accompanied by an express guaranty of payment in full by an incorporated bank or trust company. Forfeiture of the prescribed payment may be declared by the Secretary of the Treasury, if payment is not completed, in the case of accepted tenders, on the prescribed date.

§ 309.9 Tenders; acceptance by the Secretary of the Treasury.

At the time fixed for closing, as specified in the public notice, all tenders received by the Federal Reserve Banks and Branches and by the Bureau of the Public Debt will be opened. The Secretary of the Treasury will determine the acceptable prices offered and will make public announcement thereof those submitting tenders will be advised of the acceptance or rejection thereof, and payment on accepted tenders must be made or completed on the date specified in the public notice.

§ 309.10 Tenders; reservation of right to reject.

In considering the acceptance of tenders, the highest prices offered will be accepted in full down to the amount required, and if the same price appears in two or more tenders and it is necessary to accept only a part of the amount offered at such price, the amount accepted at such price will be prorated in accordance with the respective amounts applied for. However, the Secretary of the Treasury expressly reserves the right on any occasion to accept non-competitive tenders entered in accordance with specific offerings, to reject any or all tenders or parts of tenders, and to award less than the amount applied for; and any action he may take in any such respect or respects shall be final.

§ 309.11 Tenders; payment of accepted tenders.

Settlement for accepted tenders in accordance with the bids must be made or completed at the appropriate Federal Reserve Bank or branch or at the Bureau of the Public Debt in cash or other immediately available funds on or before the date specified, except that the Secretary of the Treasury, in his discretion, when inviting tenders for Treasury bills, may provide:

(a) That any qualified depositary may make such settlement by credit, on behalf of itself and its customers, up to any amount for which it shall be qualified in excess of existing deposits,

when so notified by the Federal Reserve Bank of its District or

(b) That such settlement may be made in maturing Treasury bills accepted in exchange.

Whenever the Secretary provides for settlement in maturing Treasury bills, cash adjustments will be made for differences between the par value of the maturing bills and the issue price of the new bills.

§ 309.12 Relief on account of loss, theft or destruction, etc.

(a) Relief on account of the loss, theft, destruction, mutilation or defacement of Treasury bills may be given only under the authority of, and subject to the conditions set forth in section 8 of the act of July 8, 1937 (50 Stat. 481), as amended (31 U.S.C. 738a) and the regulations pursuant thereto in (Treasury Department Circular No. 300 insofar as applicable.

(b) In case of the loss, theft, destruction, mutilation or defacement of Treasury bills, immediate advice, with a full description of the bill or bills involved, should be sent to the Bureau of the Public Debt, Division of Securities Operations, Department of the Treasury, Washington, DC 20226, either direct or though any Federal Reserve Bank or Branch, and, if relief under the statutes may be given, instructions and necessary blank forms will be furnished.

§ 309.13 Functions of Federal Reserve Banks.

Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform all such acts as may be necessary to carry out the provisions of this circular and of any public notice or notices issued in connection with any offering of Treasury bills.

§ 309.14 Reservation as to terms of circular.

The Secretary of the Treasury reserves the right further to amend, supplement, revise or withdraw all or any of the provisions of this circular at any time, or from time to time.

PART 312—FEDERAL SAVINGS AND LOAN ASSOCIATIONS AND FEDERAL CREDIT UNIONS AS FISCAL AGENTS OF THE UNITED STATES

NOTE: Pursuant to the regulations in this part, the Acting Secretary of the Treasury on September 15, 1936, designated for employment as fiscal agents of the United States for the purpose of taking applications solely from their own members and forwarding remittances for, and making delivery of, United States Savings Bonds, all Federal savings and loan associations and Federal credit unions in good standing having five hundred or more members, and further designated all Federal savings and loan associations in good standing for employment as fiscal agents of the United States, for the purpose of collecting delinquent accounts arising out of insurance and loan transactions of the Administrator under Title I of the National Housing Act, and making investigations and rendering reports respecting the said delinquencies as may be directed from time to time by the Administrator.

Pursuant to these same regulations, the Fiscal Assistant Secretary has now designated for employment, as fiscal agents of the United States, for the purpose of taking applications from nonmembers, as well as their own members, and forwarding remittances for, and making delivery of United States Savings Bonds, all Federal credit unions in good standing.

Sec.

312.1 Authority.
312.2 [Reserved]
312.3 Collections, investigations, and reports for the Federal Housing Administration.
312.4 Bond of indemnity.
312.5 Fiscal agents to serve without compensation.
312.6 Applications other than to Federal Reserve Banks.

AUTHORITY: Secs. 5(k), 17, 48 Stat. 646, 1222; 12 U.S.C. 1464(k), 1767.

SOURCE: 1 FR 1587, Sept. 17, 1936, unless otherwise noted; 57 FR 34684, Aug. 6, 1992.

CROSS REFERENCES: For National Credit Union Administration, see 12 CFR chapter VII. For Farm Credit Administration, see 12 CFR chapter VI. For Federal Home Loan Bank Board, see 12 CFR chapter V. For Federal Housing Commissioner, Office of Assistant Secretary for Housing, Department of Housing and Urban Development, see 24 CFR chapter II.

§ 312.1 Authority.

(a) *Home Owners' Loan Act.* Section 5(k) of the Home Owners' Loan Act of

1933, as amended (48 Stat. 645; 12 U.S.C. 1464(k), is as follows:

(k) When designated for that purpose by the Secretary of the Treasury, any Federal savings and loan association * * * may be employed as fiscal agent of the Government under such regulations as may be prescribed by said Secretary and shall perform all such reasonable duties as fiscal agent of the Government as may be required of it * * *.

(b) *Federal Credit Union Act.* Section 17 of the Federal Credit Union Act (48 Stat. 1222; 12 U.S.C. 1767) is as follows:

Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with * * * the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States * * *.

§ 312.2 [Reserved]

§ 312.3 Collections, investigations, and reports for the Federal Housing Administration.

Federal savings and loan associations, when designated for employment as fiscal agents of the United States for the purpose of collecting delinquent accounts arising out of insurance and loan transactions of the Administrator under Title I of the National Housing Act (48 Stat. 1246, 1247; 12 U.S.C. 1702–1706), and making investigations and rendering reports respecting the said delinquencies as may be directed from time to time by the Administrator, shall promptly forward remittances in the form collected to the Commissioner of the Federal Housing Administration, except, that remittances received in cash should be forwarded in the form of money order or check.

§ 312.4 Bond of indemnity.

No Federal savings and loan association or Federal credit union which may have been designated for employment mentioned in this part shall perform, or make any effort to perform any of the acts included in such employment, or advertise in any manner that it is authorized to perform such acts until it has qualified by the execution of, delivery to, and approval of a bond of indemnity in favor of the United States with satisfactory surety, or with the pledge of collateral security as provided in part 225 of this chapter, conditioned upon the faithful performance of the obligor's duties as fiscal agent of the United States in the principal amount of $1,000 and until the Federal Home Loan Bank Board or the Bureau of Federal Credit Unions, Department of Health, Education, and Welfare, respectively, shall have certified to the Secretary of the Treasury that such association or credit union is in good standing and is eligible, under the terms and conditions prescribed by the Secretary, to qualify for the performance of the designated acts. The Federal Home Loan Bank Board and the Bureau of Credit Unions, respectively, shall keep the Secretary of the Treasury currently advised of the changes in the lists of associations and credit unions which are eligible, under the aforesaid terms and conditions, to qualify for the performance of the designated acts.

[32 FR 3447, Mar. 2, 1967]

§ 312.5 Fiscal agents to serve without compensation.

All of the fiscal agency employment mentioned in this part shall be performed without compensation, reimbursement for expenses, or allowance of service charges.

§ 312.6 Applications other than to Federal Reserve Banks.

Nothing contained in this part shall be construed as preventing such associations and credit unions, if they desire to assume such responsibility, from acting as agents of prospective purchasers in making applications to, and obtaining United States Savings Bonds from post offices or other designated places of issuance.

PART 315—REGULATIONS GOVERNING U.S. SAVINGS BONDS, SERIES A, B, C, D, E, F, G, H, J, AND K, AND U.S. SAVINGS NOTES

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AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 45 FR 64091, Sept. 26, 1980, unless otherwise noted.

Subpart A—General Information

§ 315.0 Applicability.

The regulations in this circular, Department of the Treasury Circular No. 530, and the provisions of the respective offering circulars, govern—

(a) United States Savings Bonds of Series E and Series H and United States Savings Notes, and

(b) United States Savings Bonds of Series A, B, C, D, F, G, J, and K, all of which have matured and are no longer earning interest.

The regulations in Department of the Treasury Circular, Public Debt Series No. 3–80 (31 CFR, part 353), govern United States Savings Bonds of Series EE and Series HH.

§ 315.1 Official agencies.

(a) The Bureau of the Public Debt of the Department of the Treasury is responsible for administering the Savings Bonds Program. Authority to process most transactions has been delegated to Federal Reserve Banks and Branches in the list below, as fiscal agents of the United States.

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

(1) A Federal Reserve Bank or Branch in the list below; the Bureau of the Public Debt. 200 Third Street, Parkersburg, WV 26101; or the Bureau of the Public Debt, Washington, DC 20226.

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

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, Vt, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(ii) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[45 FR 64091, Sept. 26, 1980, as amended at 59 FR 10534, Mar. 4, 1994]

§ 315.2 Definitions.

As used in these regulations—

(a) *Bond* means a United States Savings Bond of any series except EE and HH, unless the context indicates otherwise. General references to bonds and direct references to Series E bonds also include United States Savings Notes, unless specifically excluded.

(b) *Extended maturity period* means any period after the original maturity date during which the owner may retain a bond and continue to earn interest on the maturity value or extended maturity value under applicable provisions of the circular offering the bond for sale.

(c) *Extended maturity value* is the value of a bond at the end of the applicable extended maturity period.

(d) *Final extended maturity date* is the date on which a bond will mature and cease to bear interest at the end of the final extended maturity period.

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

(f) *Issuing agent* means an organization that has been qualified under the provisions of Department of the Treasury Circular, Public Debt Series No. 4–67, current revision (31 CFR part 317), to issue savings bonds.

(g) *Original maturity date* means the date on which the bond reaches the end of the term for which it was initially offered and, unless further extended, ceases to earn interest.

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

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

(j) *Person* means any legal entity including, but without limitation, and individual, corporation (public or private), partnership, unincorporated association, or fiduciary estate.

(k) *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.

(l) *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.

(m) *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, or the executors or administrators of decedents' estates.

(n) *Surrender* means the actual receipt of a bond with an appropriate request for payment or reissue by either a Federal Reserve Bank or Branch, the Bureau of the Public Debt, or, if a paying agent is authorized to handle the transaction, the actual receipt of the bond and the request for payment by the paying agent.

(o) *Taxpayer identifying number* means a social security account number or an employer identification number.

(p) *Voluntary guardian* means an individual who is recognized as authorized to act for an incompetent, as provided by § 315.64.

Subpart B—Registration

§ 315.5 General rules.

(a) *Registration is conclusive of ownership.* Savings bonds 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 § 315.49.

(b) *Requests for registration.* 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 taxpayer identifying number of the second-named coowner or beneficiary is not required but its inclusion is desirable. The registration of all bonds owned by the same person, organization, or fiduciary should be uniform with respect to the name of the owner and any description of the fiduciary capacity. 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 *Miss, Mr., Mrs., Ms., 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 given 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.

§315.6 Restrictions on registration.

(a) *Natural persons.* Only an individual in his or her own right may be designated as coowner or beneficiary along with any other individual, whether on original issue or reissue, except as provided in §315.7(g).

(b) *Residence.* The designation of an owner or first-named coowner is restricted, on original issue only, to persons (whether individuals or others) who are—

(1) Residents of the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the former Canal Zone;

(2) Citizens of the United States residing abroad;

(3) Civilian employees of the United States or members of its armed forces, regardless of their residence or citizenship; and

(4) Residents of Canada or Mexico who work in the United States but only if the bonds are purchased on a payroll deduction plan and the owner provides a taxpayer identifying number.

A nonresident alien may be designated coowner or beneficiary or, on authorized reissue, owner, unless the nonresident alien is a resident of an area with respect to which the Department of the Treasury restricts or regulates the delivery of checks drawn against funds of the United States or its agencies or instrumentalities. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211). Registration is not permitted in any form which includes the name of any alien who is a resident of any restricted area.

(c) *Minors.* (1) Minors may purchase with their wages, earnings, or other funds belonging to them and under their control bonds registered in their names alone or with a coowner or beneficiary.

(2) Bonds purchased by another person with funds belonging to a minor not under legal guardianship or similar fiduciary estate must be registered, without a coowner or beneficiary, in the name of the minor or a natural guardian on behalf of a minor.

(3) Bonds purchased with funds of another may be registered to name the minor as owner, coowner, or beneficiary. If the minor is under legal guardianship or similar fiduciary estate, the registration must include an appropriate reference to it.

(4) Bonds purchased as a gift to a minor under a gifts-to-minors statute must be registered as prescribed by the statute and no coowner or beneficiary may be named.

(5) Bonds purchased by a representative of a minor's estate must be registered in the name of the minor and must include in the registration an appropriate reference to the guardianship or similar fiduciary estate. Bonds purchased by a representative of the estates of two or more minors, even though appointed in a single proceeding, must be registered in the name of each minor separately with appropriate reference to the guardianship or similar fiduciary estate.

(d) *Incompetents.* Bonds may be registered to a name as owner, coowner, or beneficiary an incompetent for whose estate a guardian or similar representative has been appointed, except that a coowner or beneficiary may not be named on bonds purchased with funds belonging to the incompetent. The registration must include appropriate reference to the guardianship or similar fiduciary estate. Bonds should not be registered in the name of an incompetent unless there is a representative for his or her estate, except as provided in §315.64.

§315.7 Authorized forms of registration.

(a) *General.* 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 below. 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.

(b) *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.

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

John A. 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:

John A. Jones 123–45–6789 or Ella S. Jones 987–65–4321.
John A. Jones 123–45–6789 or (Miss, Ms. or Mrs.) Ella S. Jones.
Ella S. Jones 987–65–4321 or John A. Jones.

(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:

John A. Jones 123–45–6789 payable on death to Mrs. Ella S. Jones.
John A. Jones 123–45–6789 P.O.D. Ella S. Jones 987–65–4321.

(c) *Fiduciaries (including legal guardians and similar representatives, certain custodians, natural guardians, executors, administrators, and trustees)*—(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. Registration should conform to a form authorized by this paragraph. A coowner or beneficiary may be named only in accordance with the applicable provisions of § 315.6(c) and (d). 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 these regulations.

(2) *Legal guardians, conservators, similar representives, certain custodians.* A bond may be registered in the name and title or capacity of the legally appointed or authorized representative of the estate of a minor, incompetent, aged or infirm person, absentee, et al., or in the name of that individual followed by an appropriate reference to the estate. 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.
John F. Green 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.
Arnold A. Ames, as custodian for Barry B. Bryan 123–45–6789, under the California Uniform Gifts to Minors Act.
Thomas J. Reed, as custodian for Lawrence W. Reed 123–45–6789, a minor, under the laws of Georgia.
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). (If the beneficiary is a minor, the words ''a minor'' should appear immediately after the social security number.)
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.
Redd State Hospital and School, selected payee for John A. Jones 123–45–6789, a Civil Service annuitant, pursuant to 5 U.S.C. 8345(e).

(3) *Natural guardians.* A bond may be registered in the name of either parent of a minor, as natural guardian. The registration of a bond in this form is considered as establishing a fiduciary relationship. A coowner or beneficiary may be named but only if the funds used to purchase the bond do not belong to the minor. Examples:

John A. Jones, as natural guardian for Henry M. Jones 123–45–6789.
Melba Smith, as natural guardian for Thelma Smith 123–45–6789 P.O.D. Bartholomew Smith.

(4) *Executors and administrators.* A bond may be registered in the name of the representative appointed by a court to act for an estate of a decedent, or in the name of an executor authorized to administer a trust under the terms of a will although not named trustee. The name and capacity of all the representatives as shown in the letters of appointment must be included in the registration and be followed by an adequate identifying reference to the estate. Examples:

John H. Smith and Calvin N. Jones, executors of the will (or administrators of the estate) of Robert J. Smith, deceased 12–3456789.

John H. Smith, executor of the will of Robert J. Smith, deceased, in trust for Mrs. Jane L. Smith, with remainder over 12–3456789.

(5) *Trustee or life tenants under wills, deeds of trust, agreements, or similar instruments.* A bond may be registered in the name and title of the trustee of a trust estate, or in the name of a life tenant, followed by an adequate identifying reference to the authority governing the trust or life tenancy. Examples:

Thomas J. White and Tenth National Bank, trustees under the will of Robert J. Smith, deceased 12–3456789.

Jane N. Black 123–45–6789, life tenant under the will of Robert J. Black, deceased.

Tenth National Bank, trustee under agreement with Paul E. White, dated 2/1/76, 12–3456789.

Carl A. Black and Henry B. Green, trustees under agreement with Paul E. White, dated 2/1/76, 12–3456789.

Paul E. White, trustee under declaration of trust dated 2/1/76, 12–3456789.

(i) If the trust instrument designates by title only an officer of a board or an organization as trustee, only the title of the officer should be used. Example:

Chairman, Board of Trustees, First Church of Christ, Scientist, of Chicago, Illinois, in trust under the will of Robert J. Smith, deceased 12–3456789.

(ii) The names of all trustees, in the form used in the trust instrument, must be included in the registration, except as follows:

(A) If there are several trustees designated as a board or they are required to act as a unit, their names may be omitted and the words ''Board of Trustees'' substituted for the word ''trustee''. Example:

Board of Trustees of Immediate Relief Trust of Federal Aid Association, under trust indenture dated 2/1/76, 12–3456789.

(B) If the trustees do not constitute a board or are not required to act as a unit, and are too numerous to be designated in the registration by names and title, some or all the names may be omitted. Examples:

John A. Smith, Henry B. Jones, et al., trustees under the will of Edwin O. Mann, deceased 12–3456789.

Trustees under the will of Edwin O. Mann, deceased 12–3456789.

(6) *Employee thrift, savings, vacation and similar plans.* A bond may be registered in the name and title, or title alone, of the trustee of an eligible employee thrift, savings, vacation or similar plan, as defined in § 316.5, of Department of the Treasury Circular No. 653, current revision. 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, 1976, 12–3456789.

Trustees of Retirement Fund of Safety Manufacturing Company, under directors' resolution adopted March 31, 1976, 12–3456789.

County Trust Company, Trustee of the Employee Savings Plan of Jones Company, Inc., U/A dated January 17, 1976, 12–3456789.

Trustee of the Employee Savings Plan of Brown Brothers, Inc., U/A dated January 20, 1976, 12–3456789.

(7) *Funds of lodges, churches, societies, or similar organizations.* A bond may be registered in the title of the trustees, or a board of trustees, holding funds in trust for a lodge, church, or society, or similar organization, whether or not incorporated. Examples:

Trustees of the First Baptist Church, Akron, Ohio, acting as a Board under section 15 of its bylaws 12–3456789.

Trustees of Jamestown Lodge No. 1000, Benevolent and Protective Order of Elks, under section 10 of its bylaws 12–3456789.

Board of Trustees of Lotus Club, Washington, Indiana, under Article 10 of its constitution 12–3456789.

(8) *Investment agents for religious, educational, charitable and non-profit organizations.* A bond may be registered in the name of a bank, trust company, or other financial institution, or an individual, as agent under an agreement with a religious, educational, charitable or non-profit organization, whether or not incorporated, if the agent holds funds for the sole purpose of investing them and paying the income to the organization. The name and designation of the agent must be followed by an adequate reference to the agreement. Examples:

Tenth National Bank, fiscal agent U/A with the Evangelical Lutheran Church of

the Holy Trinity, dated 12/28/76, 12–3456789.

Sixth Trust Company, Investment Agent U/A dated September 16, 1976, with Central City Post, Department of Illinois, American Legion, 12–3456789.

John Jones, Investment Agent U/A dated September 16, 1976, with Central City Post, Department of Illinois, American Legion, 12–3456789.

(9) *Funds of school groups or activities.* A bond may be registered in the title of the principal or other officer of a public, private, or parochial school holding funds in trust for a student body fund or for a class, group, or activity. If the amount purchased for any one fund does not exceed $2,500 (face amount), no reference need be made to a trust instrument. Examples:

Principal, Western High School, in trust for the Class of 1976 Library Fund, 12–3456789.

Director of Athletics, Western High School, in trust for Student Activities Association, under resolution adopted 5/12/76, 12–3456789.

(10) *Public corporations, bodies, or officers as trustees.* A bond may be registered in the name of a public corporation or a public body, or in the title of a public officer, acting as trustee under express authority of law, followed by an appropriate reference to the statute creating the trust. Examples:

Rhode Island Investment Commission, trustee of the General Sinking Fund under Title 35, Ch. 8, Gen. Laws of Rhode Island.

Superintendent of the Austin State Hospital Annex, in trust for the Benefit Fund under Article 3183C, Vernon's Civ. Stat. of Texas Ann.

(d) *Private organizations (corporations, associations, partnerships)*—(1) *General.* A bond may be registered in the name of any private organization in its own right. The full legal name of the organization as set forth in its charter, articles of incorporation, constitution, partnership agreement, or other authority from which its powers are derived, must be included in the registration and may be followed by a parenthetical reference to a particular account other than a trust account.

(2) *Corporations.* A bond may be registered in the name of a business, fraternal, religious, non-profit, or other private corporation. The words ''a corporation'' must be included in the registration unless the fact of incorporation is shown in the name. Examples:

Smith Manufacturing Company, a corporation 12–3456789.

Green and Redd, Inc. 12–3456789 (Depreciation Acct.).

(3) *Unincorporated associations.* A bond may be registered in the name of a club, lodge, society, or a similar self-governing association which is unincorporated. The words ''an unincorporated association'' must be included in the registration. This form of registration must not be used for a trust fund, board of trustees, a partnership, or a sole proprietorship. If the association is chartered by or affiliated with a parent organization, the name or designation of the subordinate or local organization must be given first, followed by the name of the parent organization. The name of the parent organization may be placed in parentheses and, if well known, may be abbreviated. Examples:

The Lotus Club, an unincorporated association, 12–3456789.

Local 447, Brotherhood of Railroad Trainmen, an unincorporated association, 12–3456789.

Eureka Lodge 317 (A.F. and A.M.), an unincorporated association, 12–3456789.

(4) *Partnerships.* A bond may be registered in the name of a partnership. The words ''a partnership'' must be included in the registration. Examples:

Smith & Jones, a partnership, 12–3456789.

Acme Novelty Company, a partnership, 12–3456789.

(5) *Sole proprietorships.* A bond may be registered in the name of an individual who is doing business as a sole proprietor. A reference may be made to the trade name under which the business is conducted. Example:

John Jones d.b.a. Jones Roofing Company, 123–45–6789

(e) *Institutions (churches, hospitals, homes, schools, etc.).* A bond may be registered in the name of a church, hospital, home, school, or similar institution conducted by a private organization or by private trustees, regardless of the manner in which it is organized or governed or title to its property is

held. Descriptive words, such as ''a corporation'' or ''an unincorporated association'', must not be included in the registration. Examples:

Shriners' Hospital for Crippled Children, St. Louis, MO, 12–3456789.
St. Mary's Roman Catholic Church, Albany, NY, 12–3456789.
Rodeph Shalom Sunday School, Philadelphia, PA, 12–3456789.

(f) *States, public bodies and corporations, and public officers.* A bond may be registered in the name of a State, county, city, town, village, school district, or other political entity, public body, or corporation established by law (including a board, commission, administration, authority, or agency) which is the owner or official custodian of public funds, other than trust funds, or in the full legal title of the public officer having custody of the funds. Examples:

State of Maine.
Town of Rye, NY (Street Improvement Fund).
Maryland State Highway Administration.
Treasurer, City of Chicago.

(g) *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 coowner or beneficiary. Examples:

George T. Jones 123–45–6789 or the United States Treasury.
George T. Jones 123–45–6789 P.O.D. the United States Treasury.

Subpart C—Limitations on Annual Purchases

§ 315.10 Limitations.

Specific limitations have been placed on the amounts of bonds of each series and savings notes that might be purchased in any one year in the name of any one person or organization. The amounts applicable to each series of bonds and savings notes for each specific year, which has varied from time to time, can be found in the appropriate offering circulars, as revised and amended.

§ 315.11 Excess purchases.

The Commissioner of the Public Debt may permit excess purchases to stand in any particular case or class of cases.

Subpart D—Limitations on Transfer or Pledge

§ 315.15 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.

§ 315.16 Pledge.

(a) *General.* A savings bond may not be hypothecated, pledged, or used as security for the performance of an obligation, except as provided in paragraph (b) of this section.

(b) *Pledge under Treasury Circular No. 154.* A bond may be pledged by the registered owner in lieu of surety under the provisions of Department of the Treasury Circular No. 154, current revision (31 CFR part 225), if the bond approving officer is the Secretary of the Treasury. In this case, an irrevocable power of attorney shall be executed authorizing the Secretary of the Treasury to request payment.

Subpart E—Limitations on Judicial Proceedings—No Stoppage or Caveats Permitted

§ 315.20 General.

The following general rules apply to the recognition of a judicial determination on adverse claims affecting savings bonds:

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

(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 315.23 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.

§ 315.21 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. 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.

(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.

§ 315.22 Payment or reissue pursuant to judgment.

(a) *Divorce.* 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:

(1) A request for reissue by the other person or

(2) 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. The evidence required under § 315.23 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) *Gift causa mortis.* A savings bond belonging solely to one individual will be paid or reissued at the request of the person found by a court to be entitled by reason of a gift causa mortis from the sole owner.

(c) *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.

§ 315.23 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 certificate 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 the 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.

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

§ 315.25 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 considers necessary to protect the interests of the United States. In all cases the savings bond must be identified by serial number and the applicant must submit satisfactory evidence of the loss, theft, or destruction, or a satisfactory explanation of the mutilation or defacement.

§ 315.26 Application for relief—after receipt of bond.

(a) *Serial number known.* If the serial number of the lost, stolen, or destroyed bond is 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 26101.

(b) *Serial number not known.* If the bond serial number is not known, the claimant must provide sufficient information to enable the Bureau of the Public Debt to identify the bond by serial number. See § 315.29(c). The Bureau will furnish the proper application form and instructions.

(c) *Defaced or mutilated bond.* A defaced bond and all available fragments of a mutilated bond should be submitted to the Bureau.

(d) *Execution of claims application.* The application must be made by the person or persons (including both coowners, if living) authorized under these regulations to request payment of the bonds. In addition—

(1) If the bond is in beneficiary form and the owner and beneficiary are both living, both will ordinarily be required to join in the application.

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

(e) If the application is approved, relief will be granted 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 check in payment.

§ 315.27 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.

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

(a) *Recovery prior to granting relief.* 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 26101, must be notified promptly.

(b) *Recovery subsequent to granting of relief.* 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, WV 26101, for cancellation.

§ 315.29 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 ten years after payment.* A bond for which no claim has been filed within ten years of the recorded date of redemption will be presumed to have been properly paid. If a claim is subsequently filed, a photographic copy of the bond will not be available to support the disallowance. This provision will be effective 60 days after the effective date of the Eleventh Revision of Department of the Treasury Circular No. 530 (31 CFR part 315).

(c) *Claims filed six years after final maturity.* No claim filed six years or more after the final maturity of a savings bond will be entertained, unless the claimant supplies the serial number of the bond.

Subpart G—Interest

§ 315.30 Series E bonds and savings notes.

Series E bonds and savings notes are discount securities. The accrued interest is added to the issue price at stated intervals and is payable only at redemption as part of the redemption value. All Series E bonds and savings notes have been extended and continue to earn interest until their final maturity dates, unless redeemed earlier. Information regarding extended maturity periods, investment yields and redemption values is found in Department of the Treasury Circular No. 653, current revision (31 CFR part 316) for Series E bonds, and in Department of the Treasury Circular, Public Debt Series No. 3–67, current revision (31 CFR part 342) for savings notes.

§ 315.31 Series H bonds.

(a) *General.* Series H bonds are current income bonds issued at par (face amount). Interest on a Series H bond is paid semiannually beginning six months from the issue date. Interest ceases at final maturity, or if the bond is redeemed prior to final maturity, as of the end of the interest period last preceding the date of redemption. For example, if a bond on which interest is payable on January 1 and July 1 is redeemed on September 1, interest ceases as of the preceding July 1, and no interest will be paid for the period from July 1 to September 1. However, if the redemption date falls on an interest payment date, interest ceases on that date. Information regarding authorized extended maturity periods and investment yields is found in Department Circular No. 905, current revision (31 CFR part 332).

(b) *Payment of interest.* Series H bond interest accounts are maintained by the Bureau of the Public Debt, Parkersburg, WV. Interest is paid on each payment date by check drawn to the order of the owner or both coowners or, upon request, by the Automated Clearing House (ACH) method to the owner or coowner's account at a financial institution. Checks will be mailed to the delivery address provided to the Bureau. Deposit account information for Automated Clearing House (ACH) payments shall be provided on the form designated by the Bureau. Rules governing submission of deposit account information are contained in paragraph (h) of this section.

(c) *Delivery of interest*—(1) *Notices affecting the delivery of interest payments.* To ensure appropriate action, notices affecting the delivery of interest payments on Series H bonds must be received by the Bureau of the Public Debt, Parkersburg, WV, 26102–1328, at least one month prior to the interest payment date. Each notice must include the owner or coowner's name and the taxpayer identifying number appearing on the account under which records of the bonds are maintained. The notice must be signed by the owner or coowner, or, in the case of a minor or incompetent, as provided in paragraph (d) or (e) of this section.

(Approved by the Office of Management and Budget under control number 1535–0094)

(2) *Owner or coowner deceased*—(i) *Sole owner.* Upon receipt of notice of the death of the owner of a bond, payment of interest will be suspended until satisfactory evidence is submitted as to who is authorized to receive and collect

interest payments on behalf of the estate of the decedent, in accordance with the provisions of subpart L.

(ii) *Coowner.* Upon receipt of notice of the death of the ooowner to whom interest payments have been directed, payment of interest will be suspended until delivery instructions are received from the other coowner, if living. If both coowners are deceased, payment of interest will be suspended until satisfactory evidence is submitted as to who is authorized to receive and collect interest payments on behalf of the estate of the last deceased coowner, in accordance with the provisions of subpart L.

(iii) *Owner with beneficiary.* Interest on a bond registered in beneficiary form is paid to the owner during his or her lifetime. Upon receiving notice of the owner's death, the Bureau of the Public Debt will suspend payment of interest until the bond is presented for payment or reissue by the beneficiary, if surviving, or some other proper party. Interest so withheld will be paid to the person entitled to the bond.

(d) *Representative appointed for the estate of a minor, incompetent, absentee, et al.* Interest on Series H bonds is paid in accordance with the provisions of § 315.60 to the representative appointed for the estate of an owner who is a minor, incompetent, absentee, *et al.* If the registration of the bonds does not include reference to the owner's status, the bonds should be submitted for reissue to a designated Federal Reserve Bank so that interest payments may be properly delivered. They must be accompanied by proof of appointment as required by § 315.60.

(e) *Adult incapacitated owner having no representative.* If an adult owner of a Series H bond is incompetent to receive and collect interest payments, and no legal guardian or similar representative has been appointed to act for him or her, the relative, or other person, responsible for the owner's care and support may apply to the Bureau of the Public Debt for recognition as voluntary guardian for the purpose of receiving and collecting the payments.

(f) *Reissue during interest period.* Physical reissue of a Series H bond may be made without regard to interest payment dates. The Series H accounts maintained by the Bureau of the Public Debt will be closed in the first week of the month preceding each interest payment date, and payments will be made pursuant to the information contained in the accounts as of the date they are closed.

(g) *Endorsement of checks.* Interest checks must be endorsed in accordance with the regulations governing the payment of fiscal agency checks contained in 31 CFR part 355.

(h) *Deposit account information for ACH payments*—(1) *Submission of deposit account information.* To obtain payment of interest by the ACH method, the owner or coowner must furnish the name and ABA routing/transit number of the financial institution to which the payments are to be directed, as well as the deposit account title, number, and type or classification of the account. Deposit account information shall be provided on the form(s) prescribed by the Bureau of the Public Debt. Payments on all Series H bonds assigned to the same account maintained by the Bureau will be made to the same deposit account at a financial institution. If the financial institution designated to receive the interest payments has not agreed to receive and deposit payments under 31 CFR part 210, but is willing to do so, it should be asked to contact a Federal Reserve Bank for enrollment advice.

(2) *Designation of financial institution as owner's agent.* The designation of a financial institution to receive Series H interest payments by an owner or coowner constitutes the appointment of that institution as his or her agent for receipt of the payments.

(3) *Deposit account held by individuals in their own right.* Where the Series H bonds are registered in the name of individual(s) as sole owner, or as owner and beneficiary, and the deposit account at the financial institution is held in the name of individual(s) in their own right, the owner's name must appear on the deposit account. Where the bonds are registered in the names of two individuals as coowners and the deposit account is held in the name of individual(s) in their own right, the registration of the bonds and the title of the account must contain at least one name that is common to both. The

deposit account to which the interest payments are directed should preferably be established in a form identical to the registration of the bonds to ensure that rights of ownership and survivorship can be more easily identified and preserved. Neither the United States nor any Federal Reserve Bank shall be liable for any loss sustained because the interest(s) of the holder(s) of a deposit account to which payments are directed are not the same as the owner(s) of the bonds.

(4) *Deposit account held by organization.* Where the deposit account to which interest payments are to be directed is held in the name of the financial institution itself, acting as sole trustee or as co-trustee, or is in the name of a commercially-managed investment fund, the owner or coowner should inquire whether the financial institution is able to receive ACH payments; if not, the owner or coowner should make alternative arrangements.

(5) *Financial institution cannot accept ACH payments.* If after submission of deposit account information, it is determined that ACH payments cannot be accepted by the designated financial institution, pending receipt of new deposit account information, payment will be made by check drawn to the registered owner or both coowners and mailed to the address of record.

(6) *Cancellation of ACH arrangement.* An ACH arrangement established in accordance with paragraph (b) of this section shall remain in effect until it is terminated by one of the following events:

(i) The owner or coowner submits a request to the Bureau of the Public Debt, Parkersburg, WV 26102–1328, to terminate the ACH arrangement;

(ii) A change in the title of the deposit account to which payments are being directed alters the interest of the person(s) entitled to the payments;

(iii) An individual named on the deposit account dies or is declared legally incompetent;

(iv) The account is closed; or

(v) The ACH arrangement is terminated unilaterally by the financial institution after having given written notice to the account holder 30 days in advance of the termination, except in cases of fraud, where termination shall be effective immediately.

(7) *Suspension of ACH payments.* Upon receipt of notice that a designated deposit account has been closed, that an individual named on such account is dead or has been declared legally incompetent, or where the corporation is the owner and it has been dissolved, the Bureau reserves the right to suspend ACH payments, pending satisfactory evidence of entitlement. See paragraph (c) of this section regarding suspension of payments in the case of deceased individuals.

(8) *Processing of ACH payments.* Series H interest payments made by the ACH method will be processed in accordance with 31 CFR part 370.

(i) *Nonreceipt or loss of interest payment.* The Bureau of the Public Debt, Parkersburg, WV 26106–1328, should be notified if:

(1) An interest check is not received or is lost after receipt or

(2) An ACH payment is not credited to the designated account and the financial institution has no record of receiving it. The notice should include the owner or coowner's name and taxpayer identifying number and the interest payment date.

[54 FR 40255, Sept. 29, 1989, as amended at 59 FR 10535, Mar. 4, 1994]

§ 315.32 Series A, B, C, D, F, G, J, and K bonds.

All bonds of these series have matured and no longer earn interest.

Subpart H—General Provisions for Payment

§ 315.35 Payment (redemption).

(a) *General.* Payment of a savings bond will be made to the person or persons entitled under the provisions of these regulations, except that checks in payment will not be delivered to addresses in areas with respect to which the Department of the Treasury restricts or regulates the delivery of checks 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 notification of stoppage or caveat against payment of a bond will be made.

(b) *Series A, B, C, D, F, and J.* A bond of Series A, B, C, D, F, or J will be paid at face value.

(c) *Series E and Savings Notes.* A Series E bond will be paid at any time after two months from issue date at the appropriate redemption value shown in Department of the Treasury Circular No. 653 (31 CFR part 316), current revision. A savings note will be paid at anytime at the appropriate redemption value shown in Department of the Treasury Circular, Public Debt Series No. 3–67, current revision (31 CFR part 342).

(d) *Series G and K.* A bond of Series G or K will be paid at face value plus the final semiannual interest due. For Series G bonds, the final interest paid with principal is $1.25 per $100; for Series K bonds, the final interest is $6.90 per $500.

(e) *Series H.* A Series H bond will be redeemed at face value at any time after six (6) months from issue date. In any case where Series H bonds are surrendered to a designated Federal Reserve Bank or Branch or the Department of the Treasury for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.

[45 FR 64091, Sept. 26, 1980, as amended at 51 FR 23753, July 1, 1986; 59 FR 10535, Mar. 4, 1994]

§ 315.36 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.

§ 315.37 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 § 315.43), the other coowner will cease to have any interest in the bond. If both coowners request payment and payment is to be made by check, the check will be drawn in the form, ''John A. Jones and Mary C. Jones''.

§ 315.38 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 § 315.43), the beneficiary will cease to have any interest in the bond.

§ 315.39 Surrender for payment.

(a) *Procedure for bonds of Series A to E, inclusive, in the names of individual owners or coowners only.* An individual who is the owner or coowner of a bond of Series A, B, C, D, or E may present the bond to an authorized paying agent for redemption. The presenter must be prepared to establish his or her identity in accordance with Treasury instructions and identification guidelines. The owner or coowner must sign the request for payment on the bond or, if authorized, on a separate detached request, and add his or her address. In addition, in the case of a Series E bond or savings note, the presenter must record his or her social security number on the face of the security, provided it does not already appear in the inscription. Paying agents are authorized to refuse payment in any case where the presenter's number is not provided. 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 or coowner 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 immediate payment at the current redemption value without charge to the presenter. Paying agents are not authorized to process any case involving partial redemption or any case in which supporting evidence is required.

(b) *Procedure for all other cases.* In the case of a bond 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 appear before an officer authorized to certify requests for payment, establish his or her identity, sign the request for payment, and provide information as to the addresss to which the check in payment is to be mailed. In addition, in the case of a Series E bond or savings note, the presenter must record his or her social security number on the face of the security, provided it does not already appear in the inscription. The bond 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 by check drawn to the order of the registered owner or other person entitled and will be mailed to the address requested.

(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.

[45 FR 64091, Sept. 26, 1980, as amended at 59 FR 10535, Mar. 4, 1994]

§ 315.40 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 without the owner's signature to the request for payment, if the bond bears the special endorsement of a financial institution specifically qualified to place such an endorsement on savings bonds under the provisions of Department of the Treasury Circular No. 888, current revision (31 CFR part 330).

(b) *Signature by mark.* A signature by mark (X) must be witnessed by at least one disinterested person and a certifying officer. See subpart J. 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 evidence on file in the Bureau of the Public Debt, 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 § 315.50.

(d) *Attorneys-in-fact.* A request for payment, reinvestment, or exchange executed by an attorney-in-fact will be recognized if it is accompanied by a copy of the power of attorney that 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.

[45 FR 64091, Sept. 26, 1980, as amended at 57 FR 39602, Sept. 1, 1992; 59 FR 10535, Mar. 4, 1994]

§ 315.41 Partial redemption.

A bond of any series may be redeemed in part at current redemption value, but only in an amount corresponding to one or more 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 § 315.39(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 I.

[45 FR 64091, Sept. 26, 1980, as amended at 59 FR 10535, Mar. 4, 1994]

§ 315.42 Nonreceipt or loss of check issued in payment.

If a Treasury check in payment 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.

§ 315.43 Effective date of request for payment.

The Department of the Treasury will treat the receipt of a bond with an appropiate 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.

§ 315.44 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 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 either in cash or through the issuance of the redemption check.

(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 would have been entitled to the bond under subpart L, 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 § 315.70 (b) and (c).

Subpart I—Reissue and Denominational Exchange

§ 315.45 General.

Reissue of a bond may be made only under the conditions specified in these regulations, and only at:

(a) A Federal Reserve Bank or Branch, or

(b) The Bureau of the Public Debt.

Reissue will not be made if the request is received less than one full calendar month before the final maturity date of a bond. The request, however, will be effective to establish ownership as though the reissue had been made.

§ 315.46 Effective date of request for reissue.

The Department of the Treasury will treat the receipt by:

(a) A Federal Reserve Bank or Branch or

(b) 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.

§ 315.47 Authorized reissue—during lifetime.

A bond belonging to an individual may be reissued in any authorized form of registration upon an appropriate request for the purposes outlined below:

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

(1) To add a coowner or beneficiary;

(2) To name a new owner, with or without a coowner or beneficiary, but only if:

(i) The new owner is related to the previous owner by blood (including legal adoption) or marriage,

(ii) The previous owner and the new owner are parties to a divorce or annulment, or

(iii) The new sole owner is the trustee of a personal trust estate which was created by the previous owner or which designates as beneficiary either the previous owner or a person related to him or her by blood (including legal adoption) or marriage.

(b) *Coownership*—(1) *Reissue—to name a related individual as owner or coowner.* During the lifetime of both coowners, a coownership bond may be reissued in the name of another individual related by blood (including legal adoption) or marriage to either coowner—

(i) As single owner,

(ii) As owner with one of the original coowners as beneficiary, or

(iii) As a new coowner with one of the original coowners.

(2) *Reissue—to name either coowner alone or with another individual as coowner or beneficiary.* During the lifetime of both coowners, a coownership bond may be reissued in the name of either coowner alone or with another individual as coowner or beneficiary if—

(i) After issue of the submitted bond, either coowner named thereon marries, or the coowners are divorced or legally separated from each other, or their marriage is annulled; or

(ii) Both coowners on the submitted bond are related by blood (including legal adoption) or marriage to each other.

(3) *Reissue—to name the trustee of a personal trust estate.* A bond registered in coownership form may be reissued to name a trustee of a personal trust estate created by either coowner or by some other person if:

(i) Either coowner is a beneficiary of the trust, or

(ii) A beneficiary of the trust is related by blood or marriage to either coowner.

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

(1) To name the beneficiary as coowner;

(2) To eliminate the name of the owner and to name as owner a custodian for the beneficiary, if a minor, under a statute authorizing gifts to minors;

(3) To eliminate the beneficiary or to substitute another individual as beneficiary, but only if the request is supported by the certified consent of the beneficiary or by proof of his or her death; or

(4) To eliminate the names of the owner and the beneficiary and to name as new owner the trustee of the personal trust estate which was created by the previous owner or which designates as beneficiary either the previous owner or a person related to him or her by blood (including legal adoption) or marriage, but only if the request is supported by the certified consent of the beneficiary or by proof of his or her death.

§ 315.48 Restrictions on reissue.

(a) *Denominational exchange.* Reissue is not permitted solely to change denominations.

(b) *United States Treasury.* Reissue may not be made to eliminate the United States Treasury as coowner or beneficiary.

§ 315.49 Correction of errors.

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

§ 315.50 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 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.

§ 315.51 Requests for reissue.

A request for reissue of bonds in coownership form during the lifetime of the coowners 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, supported by the certified consent of the beneficiary or by proof of his or her death. Public Debt forms are available for requesting reissue.

Subpart J—Certifying Officers

§ 315.55 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) *At 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 a domestic branch of an institution described 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 described in paragraphs (a)(1)(i) through (v) of this section, who is expressly authorized to certify by the institution.

Certification by these officers or designated employees must be authenticated by a legible imprint either of a corporate stamp of the institution or of the issuing or paying agent's stamp. An employee authorized to certify requests must sign his or her name over the title ''Designated Employee''.

(2) *At issuing agents that are not banks or trust companies.* Any officer of an organization, not a bank or a trust company, that is qualified as an issuing agent for savings bonds. The agent's stamp must be imprinted in the certification.

(3) *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 or any United States Commissioner or United States Attorney.

(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) *At Veterans Administration facilities, 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 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 stamp 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 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; and the Governor and the Director of Administrative Services of American Samoa; and designated officers of the Panama Canal Commission.

(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.

§ 315.56 General instructions and liability.

(a) *Certification procedure.* Certifying officers at financial institutions qualified as paying agents should observe the Treasury's payment instructions and identification guidelines in certifying savings bonds and savings notes being forwarded to a designated Federal Reserve Bank for any transaction. Other certifying officers should provide certification services for persons with whom they have substantial personal acquaintance, and for other persons whose identities have been unmistakably established. A notation showing exactly how identification was established should be placed on the back of the security or Public Debt form, or in a separate record. As part of the certification, the certifying officer must affix his or her official signature, title and address, the exact date of execution and, where one is available, a corporate stamp or issuing or paying agent's stamp.

(b) *Liability.* 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.

[45 FR 64091, Sept. 26, 1980, as amended at 59 FR 10535, Mar. 4, 1994]

§ 315.57 When a certifying officer may not certify.

Certifying officers may not certify the requests for payment of bonds, or appropriate Public Debt 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.

§ 315.58 Forms to be certified.

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

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

§ 315.60 Conditions for payment to representative of an estate.

(a) *General.* The representative of an estate of an owner who is a minor, an aged person, incompetent, absentee, et al., may receive 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) *Evidence.* Appropriate evidence for paragraphs (a) (2) and (3) of this section includes a certified copy of the letters of appointment or, if the representative is not appointed by a court, other proof of qualification. Except in thee case of corporate fiduciaries, the evidence must show that the appointment is in full force and be 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).''

§ 315.61 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.

§ 315.62 Payment to minors.

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.

§ 315.63 Payment to a parent or other person on behalf of a 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 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. The request must appear on the back of the bond in one of the following forms:

(a) *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.

(b) *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.

§ 315.64 Payment, reinvestment, or exchange—voluntary guardian of an incapacitated person.

(a) *Payment of bonds.* 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 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 § 315.60.

(b) *Reinvestment of bonds.* If the bonds have finally matured and it is desired to redeem them and reinvest the proceeds in other savings bonds, 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. If an amount insufficient to purchase an additional bond of any authorized denomination of either series remains after the reinvestment, the voluntary guardian may furnish additional funds sufficient to purchase another bond of either series 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.

(c) *Exchange of bonds.* The provisions for reinvestment of the proceeds of matured bonds are equally applicable to any authorized exchange of bonds of one series for those of another.

[57 FR 39602, Sept. 1, 1992]

§ 315.65 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:

(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) A bond on which a minor is named as beneficiary or coowner may be reissued in the name of a custodian for the minor under a statute authorizing gifts to minors upon the request of the adult whose name appears on the bond as owner or coowner.

(c) A minor coowner for whose estate no representative has been appointed,

may be named sole owner upon the request of the competent coowner.

(d) Reissue to eliminate the name of a minor or incompetent for whose estate a legal representative has been appointed is permitted only if supported by evidence that a court has authorized the representative of the minor's or incompetent's estate to request the reissue. See § 315.23.

Except to the extent provided in paragraphs (a) through (d), 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 who is not of sufficient understanding to make a request, or other person under legal disability. Requests for reissue should be executed by the person authorized to request payment under §§ 315.60 and 315.63, or the person who may request recognition as voluntary guardian under § 315.64.

[45 FR 64091, Sept. 26, 1980. Redesignated at 57 FR 39602, Sept. 1, 1992]

Subpart L—Deceased Owner, Coowner or Beneficiary

§ 315.70 General rules governing entitlement.

The following rules 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:

(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 its 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 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 simultaneous 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 checks drawn against funds of the United States or its agencies or instrumentalities, delivery of the redemption check will not be made so long as the restriction applies. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211).

§ 315.71 Estate administered.

(a) *During administration.* The legal representative of an estate may request payment of bonds, including interest or redemption checks, belonging to the estate or may have the bonds reissued in the names of the persons entitled to share in the estate under the following conditions:

(1) When there is more than one legal representative, all must join in the request for payment or reissue, unless § 315.75(a)(1) or (b) applies.

(2) The request for payment or reissue must be signed in the form: ''John A. Jones, administrator of the estate (or executor of the will) of Henry M. Jones, deceased''. The request must be supported by evidence of the legal representative's authority in the form of a court certificate or a certified copy of the legal 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 the presentation of the bond.

(3) For reissue, the legal representative must certify that each person in whose name reissue is requested is entitled to the extent specified and must certify that each person has consented to the reissue. If a person in whose name reissue is requested desires to name a coowner or beneficiary, the person must execute an additional request for reissue on the appropriate form.

(b) *After administration.* If the estate of the decedent has been settled through judicial proceedings, the bond and interest and redemption checks will be paid, or the bond will be reissued, upon the request of the person shown to be entitled by the court order. The request must be supported by a certified copy of the legal representative's court-approved final account, the decree of distribution, or other pertinent court records. If two or more persons have an interest in the bond, they must enter into an agreement concerning the bond's disposition. If the person entitled desires to name a coowner or beneficiary, a separate request must be made on an appropriate form.

(c) *Special provisions for small amounts.* Special procedures are available for establishing entitlement to, or effecting disposition of, savings bonds and interest and redemption checks if the aggregate face amount, excluding interest checks, does not exceed $1,000.

§ 315.72 Estate not administered.

(a) *Special State law provisions.* A request for payment or reissue of a bond by the person who has qualified under State law to receive or distribute the assets of a decedent's estate will be accepted, provided evidence of the person's authority is submitted.

(b) *Agreement of persons entitled.* If there is no legal representative for the estate of a decedent, the bonds will be paid to, or reissued in the name of, the persons entitled, pursuant to an agreement and request executed by all persons entitled to share in the decedent's personal estate. If the persons entitled to share in the decedent's personal estate include minors or incompetents, payment or reissue of the bonds must be made to them or in their names unless their interest in the bonds is otherwise protected.

(c) *Creditors.* An institutional creditor of a deceased owner's estate is entitled to payment only to the extent of its claim.

(d) *Special provisions for payment of small amounts—survivors of the decedent.* (1) If the face amount of the bond does not exceed $500 and there is no legal representative of the deceased owner's estate, the bond will be paid upon the request of the person who paid the burial expenses and who has not been reimbursed.

(2) If there is no legal representative of the estate of a decedent who died without a will, and the total face amount of bonds in the estate does not exceed $1,000 (face amount), the bonds may be paid to the decedent's survivors upon request in the following order of precedence:

(i) Surviving spouse;

(ii) If no surviving spouse, to the child or children of the decedent, and the descendants of deceased children by representation;

(iii) If none of the above, to the parents of the decedent, or the survivor;

(iv) If none of the above, to the brothers and sisters, and the descendants of deceased brothers or sisters by representation;

(v) If none of the above, to other next-of-kin, as determined by the laws of the owner's domicile at death;

(vi) If none of the above, to persons related to the decedent by marriage.

The payment pursuant to this subsection shall be made upon the request

and agreement of the survivors to receive the redemption proceeds individually and for the account of any persons entitled. Interest checks held for the estate of a decedent will be distributed with the bonds.

Subpart M—Fiduciaries

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

(a) *Payment or reissue before maturity*—(1) *Request from the fiduciary named in the registration.* A request for reissue or payment prior to maturity must be signed by all of the fiduciaries unless by statute, decree of court, or the terms of the governing instrument, any lesser number may properly execute the request. If the fiduciaries named in the registration are still acting, no further evidence will be required. In other cases, evidence to support the request will be required, as specified:

(i) *Fiduciaries by title only.* If the bond is registered only in the titles, without the names, of fiduciaries not acting as a board, satisfactory evidence of their incumbency must be furnished, except in the case of bonds registered in the title of public officers as trustees.

(ii) *Boards, committees, commissions, etc.* If a bond is registered in the name of a governing body which is empowered to act as a unit, and which holds title to the property of a religious, educational, charitable or nonprofit organization or a public corporation, the request should be signed in the name of the body by an authorized person. Ordinarily, a signed and certified request will be accepted without further evidence.

(iii) *Corporate fiduciaries.* If a bond is registered in the name of a public or private corporation 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.

(2) *Trustee of a common trust fund.* A bond held by a financial institution in a fiduciary capacity 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 cofiduciary.

(3) *Successor fiduciary.* If the fiduciary in whose name the bond is registered has been replaced by another fiduciary, satisfactory evidence of successorship must be furnished.

(b) *Payment at or after final maturity.* At or after final maturity, a request for payment signed by any one or more of the fiduciaries will be accepted. Payment will be made by check drawn as the bond is registered.

§ 315.76 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 a fiduciary estate. 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.

§ 315.77 Exchanges by fiduciaries.

Fiduciaries are authorized to request an exchange of bonds of one series for those of another, pursuant to any applicable Department of the Treasury offering. A living coowner or beneficiary named on the bonds submitted in exchange may be retained in the same capacity on the new bonds.

Subpart N—Private Organizations (Corporations, Associations, Partnerships, etc.) and Governmental Agencies, Units and Officers

§ 315.80 Payment to corporations or unincorporated associations.

A bond registered in the name of a private corporation or an unincorporated association will be paid to the

corporation or unincorporated association upon a request for payment on its behalf by an authorized officer. The signature to the request should be in the form, for example, ''The Jones Coal Company, a corporation, by John Jones, President'', or ''The Lotus Club, an unincorporated association, by William A. Smith, Treasurer''. A request for payment so signed and certified will ordinarily be accepted without further evidence of the officer's authority.

§ 315.81 Payment to partnerships.

A bond registered in the name of an existing partnership will be paid upon a request for payment signed by a general partner. The signature to the request should be in the form, for example, ''Smith and Jones, a partnership, by John Jones, a general partner''. A request for payment so signed and certified will ordinarily be accepted as sufficient evidence that the partnership is still in existence and that the person signing the request is authorized.

§ 315.82 Reissue or payment to successors of corporations, unincorporated associations, or partnerships.

A bond registered in the name of a private corporation, an unincorporated associations, or a partnership which has been succeeded by another corporation, unincorporated association, or partnership by operation of law or otherwise, in any manner whereby the business or activities of the original organization are continued without substantial change, will be paid to or reissued in the name of the succeeding organization upon appropriate request on its behalf, supported by satisfactory evidence of successorship. The appropriate form should be used.

§ 315.83 Reissue or payment on dissolution of corporation or partnership.

(a) *Corporations.* A bond registered in the name of a private corporation which is in the process of dissolution will be paid to the authorized representative of the corporation upon a request for payment, supported by satisfactory evidence of the representative's authority. At the termination of dissolution proceedings, the bond may be reissued upon the request of the authorized representative in the names of those persons, other than creditors, entitled to the assets of the corporation, to the extent of their respective interests. Proof will be required that all statutory provisions governing the dissolution of the corporation have been complied with and that the persons in whose names reissue is requested are entitled and have agreed to the reissue. If the dissolution proceedings are under the direction of a court, a certified copy of an order of the court, showing the authority of the representative to make the distribution requested must be furnished.

(b) *Partnerships.* A bond registered in the name of a partnership which has been dissolved by death or withdrawal of a partner, or in any other manner—

(1) Will be paid upon a request for payment by any partner or partners authorized by law to act on behalf of the dissolved partnership, or

(2) Will be paid to or reissued in the names of the persons entitled as the result of such dissolution to the extent of their respective interests, except that reissue will not be made in the names of creditors.

The request must be supported by satisfactory evidence of entitlement, including proof that the debts of the partnership have been paid or properly provided for. The appropriate form should be used.

§ 315.84 Payment to certain institutions.

A bond registered in the name of a church, hospital, home, school, or similar institution, without reference in the registration to the manner in which it is organized or governed or to the manner in which title to its property is held, will be paid upon a request for payment signed on behalf of such institution by an authorized representative. A request for payment signed by a pastor of a church, superintendent of a hospital, president of a college, or by any official generally recognized as having authority to conduct the financial affairs of the particular institution will ordinarily be accepted without further proof of authority. The signature to the request should be in the form,

for example, ''Shriners' Hospital for Crippled Children, St. Louis, MO, by William A. Smith, Superintendent'', or ''St. Mary's Roman Catholic Church, Albany, NY, by the Rev. John Smyth, Pastor''.

§ 315.85 Reissue in name of trustee or agent for reinvestment purposes.

A bond registered in the name of a religious, educational, charitable or nonprofit organization, whether or not incorporated, may be reissued in the name of a financial institution, or an individual, as trustee or agent. There must be an agreement between the organization and the trustee or agent holding funds of the organization, in whole or in part, for the purpose of investing and reinvesting the principal and paying the income to the organization. Reissue should be requested on behalf of the organization by an authorized officer using the appropriate form.

§ 315.86 Reissue upon termination of investment agency.

A bond registered in the name of a financial institution, or individual, as agent for investment purposes only, under an agreement with a religious, an educational, a charitable, or a nonprofit organization, may be reissued in the name of the organization upon termination of the agency. The former agent should request such reissue and should certify that the organization is entitled by reason of the termination of the agency. If such request and certification are not obtainable, the bond will be reissued in the name of the organization upon its own request, supported by satisfactory evidence of the termination of the agency. The appropriate form should be used.

§ 315.87 Payment to governmental agencies, units, or their officers.

(a) *Agencies and units.* A bond registered in the name of a State, county, city, town, village, or in the name of a Federal, State, or local governmental agency, such as a board, commission, or corporation, will be paid upon a request signed in the name of the governmental agency or unit by an authorized officer. A request for payment so signed and certified will ordinarily be accepted without further proof of the officer's authority.

(b) *Officers.* A bond registered in the official title of an officer of a governmental agency or unit will be paid upon a request for payment signed by the officer. The request for payment so signed and certified will ordinarily be accepted as proof that the person signing is the incumbent of the office.

Subpart O—Miscellaneous Provisions

§ 315.90 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 these regulations. He 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 existing rights, and (c) if he is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 315.91 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 may consider necessary or advisable, or

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

§ 315.92 Preservation of rights.

Nothing contained in these regulations shall be construed to limit or restrict existing rights which holders of savings bonds previously issued may have acquired under circulars offering the bonds for sale or under the regulations in force at the time of the purchase.

§ 315.93 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 the United States Savings Bonds and Savings Notes to which this circular applies.

PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E

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AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 57 FR 14276, Apr. 17, 1992, unless otherwise noted.

§ 316.1 Offering of bonds.

The Secretary of the Treasury offered for sale to the people of the United States, United States Savings Bonds of Series E, hereinafter generally referred to as ''Series E bonds'' or ''bonds''.

This offer was terminated as of December 31, 1979, except that, as to bonds purchased under payroll savings plans and employee plans, the offer was terminated as of June 30, 1980.

§ 316.2 Description of bonds.

(a) *General.* Series E bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. They were issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series E bonds were issued on a discount basis. The denominations and issue prices were:

Denomination	Issue price
$25	$18.75
50	37.50
75	56.25
100	75.00
200	150.00
500	375.00
1,000	750.00
10,000	7,500.00
100,000[1]	75,000.00

[1] The $100,000 denomination was available only for purchase by trustees of employee savings and savings and vacation plans (see paragraph (b) of § 316.5).

(c) *Inscription and issue.* At the time of issue, the issuing agent:

(1) Inscribed on the face of each bond the name, social security number and address of the owner, and the name of the beneficiary, if any, or the name, social security number and address of the first-named coowner and the name of the other coowner (the inscription of the social security number was required for bonds issued on or after January 1, 1974);

(2) Entered the issue date in the upper right-hand portion of the bond; and

(3) Imprinted the agent's validation indicia in the lower right-hand portion to show the date the bond was actually inscribed. A bond was valid only if an authorized issuing agent received payment therefor and duly inscribed, dated and imprinted validation indicia on the bond.

(d) *Term.* A Series E bond was dated as of the first day of the month in which payment of the purchase price was received by an agent authorized to issue the bonds. This date is the issue date. The bonds mature as shown in § 316.8. The bond may not be called for redemption by the Secretary of the Treasury prior to maturity or the end of any extended maturity period (see paragraph (a) of § 316.8). The bond may be redeemed at the owner's option at any time at fixed redemption values.

(e) *Investment yield (interest).* The investment yield (interest) on Series E bonds is defined in paragraphs (c) and (d) of § 316.8. Beginning in the third month from its issue date, a bond increased in redemption value on the first day of each month, up to and including the thirtieth month from issue date, so as to provide for such period an investment yield of no less than 4 percent per annum, compounded semiannually. Thereafter, its redemption value increases at the beginning of each successive half-year period. The interest is paid as part of the redemption value.

§ 316.3 Governing regulations.

Series E bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series A, B, C, D, E, F, G, H, J and K, contained in 31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revision.[2]

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§ 316.4 Registration.

Series E bonds were permitted to be registered as set forth in subpart B of 31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revision.

§ 316.5 Limitation on holdings.

(a) *General limitation.* The amount of Series E bonds, originally issued during any one calendar year, that could be held by any one person, computed in accordance with the governing regulations, ranged from $5,000 (face amount) to $20,000 (face amount), depending upon the issue date.

(b) *Special limitation for employee savings plans.* A special limitation for employee savings plans was provided, which was $2,000 (face amount) multiplied by the highest number of participants in any employee savings plan, as defined in paragraph (b)(1) of this section, at any time during the year in which the bonds were issued. The plan had to be established, as set forth below.

(1) *Definition of plan and conditions of eligibility.* (i) The employee savings plan must have been established by the employer for the exclusive and irrevocable benefit of employees or their beneficiaries, afforded employees the means of making regular savings from their wages through payroll deduction, and provided for employer contributions to be added to such savings.

(ii) The entire assets thereof must have been credited to the individual accounts of participating employees and the assets so credited could be distributed only to the employees or their beneficiaries, except as otherwise provided herein.

(iii) Series E bonds were to 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 was equal to the purchase price of a bond or bonds in an authorized denomination or denominations, and shares therein were credited to the accounts of the individuals from whom the purchase price thereof was derived, in amounts corresponding with such shares. For example, if $37.50 credited to the account of John Jones was commingled with funds credited to the accounts of other employees to make a total of $7,500, with which a Series E bond in the denomination of $10,000 (face amount) was purchased in December 1978 and registered in the name and title of the trustee, the plan must have provided, in effect, that John Jones' account would be credited to show that he was the owner of a Series E bond in the denomination of $50 (face amount) bearing the issue date of December 1, 1978.

(iv) Each participating employee has an irrevocable right at any time to demand and receive from the trustee all assets credited to his or her account or the value thereof, if he or she so prefers, without regard to any condition other than the loss or suspension of the privilege of participating further in the plan. However, a plan was not deemed to be inconsistent herewith if it limited or modified the exercise of any such right by providing that the employer's contribution did not vest absolutely until the employee had made contributions under the plan in each of not more than 60 calendar months succeeding the month for which the employer's contribution was made.

(v) Upon the death of an employee, his or her beneficiary has the absolute and unconditional right to demand and receive from the trustee all assets credited to the account of the employee, or the value thereof, if he or she so prefers.

(vi) 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 trustee in

[2] Copies may be obtained from any designated Federal Reserve Bank or Branch or the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106–1328.

which the employee has a share (see paragraphs (b)(1) (ii) and (iii) of this section), the bond must be submitted for redemption or reissue to the extent of such share. If an employee or his or her 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 distributee to the extent to which he or she is entitled, in any authorized form of registration, upon the request and certification of the trustee, in accordance with the governing reguations.

(2) *Definitions of terms used in paragraph (b)—related provisions.* (i) The term *savings plan* includes any regulations issued under the plan with regard to Series E bonds. A trustee desiring to purchase bonds in excess of the general limitation in any calendar year should have submitted to the Federal Reserve Bank of the district a copy of the plan, any such regulations, and the trust agreement, all certified to be true copies, in order to establish eligibility.

(ii) The term *assets* means all funds, including the employee contributions and employer contributions and assets purchased therewith, as well as accretions thereto, such as dividends on stock, the increment in value on bonds and all other income; but, notwithstanding any other provision of this paragraph, 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 distribution; for example, Series E bonds may not be reissued in unauthorized denominations, and fractional shares of stock are not readily distributable in kind.

(iii) The term *beneficiary* means the person or persons, if any, designated by the employee in accordance with the terms of the plan to receive the benefits of the trust upon his or her death, or the estate of the employee, and the term *distributee* means the employee, or his or her beneficiary.

§ 316.6 Purchase of bonds.

Series E bonds were purchased, as follows:

(a) *Over-the-counter for cash*—(1) *Bonds registered in names of natural persons in their own right only.* At such incorporated banks, trust companies, and other agencies as had been duly qualified as issuing agents.

(2) *Bonds registered in names of trustees of employee savings plans.* At such incorporated bank, trust company, or other agency, duly qualified as an issuing agent, provided the agent was trustee of an approved employee savings plan eligible for the special limitation in paragraph (b) of § 316.5 and prior approval to issue the bonds was obtained from the Federal Reserve Bank of the agent's district.

(3) *Bonds registered in all authorized forms.* At Federal Reserve Banks and Branches and at the Department of the Treasury, Washington, DC 20226.

(b) *On mail order.* By mail upon application to any Federal Reserve Bank or Branch or to the Department of the Treasury, accompanied by a remittance to cover the issue price. Any form of exchange, including personal checks, was accepted, subject to collection. Checks or other forms of exchange were to be drawn to the order of the Federal Reserve Bank or the United States Treasury, as the case may be. Checks payable by endorsement were not acceptable. Any depositary qualified pursuant to the provisions of 31 CFR part 203, also published as Department of the Treasury Circular No. 92, current revision, was permitted to make payment by credit for bonds applied for on behalf of its customers up to any amount for which it was qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

(c) *Savings stamps.* The sale of United States Savings Stamps was terminated effective June 30, 1970. However, outstanding stamps affixed in fully or partially completed albums could be used to purchase Series E bonds at banks or other financial institutions authorized to issue such bonds. Stamps may be redeemed at banks and other financial institutions, through designated Federal Reserve Banks and the Bureau of the Public Debt, Parkersburg, West Virginia.

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§ 316.7 Delivery of bonds.

Issuing agents were authorized to deliver Series E bonds either over-the-counter in person, or by mail at the risk and expense of the United States, to the address given by the purchaser, but only within the United States, its territories and possessions, and the Commonwealth of Puerto Rico. No mail deliveries elsewhere were made. If purchased by citizens of the United States temporarily residing abroad, the bonds were delivered to such address in the United States as the purchaser directed.

§ 316.8 Extended terms and yields for outstanding bonds.

(a) *General.* The terms *extended maturity period, second extended maturity period, third extended maturity period* and *fourth extended maturity period,* when used herein, refer to periods of 10 years or less after the original maturity dates during which owners may retain their bonds and continue to earn interest. No special action is required to take advantage of any extensions heretofore or herein granted. Series E bonds cease to accrue interest upon reaching final maturity.

(b) *Extended maturity periods*—(1) *Bonds issued from May 1, 1941 through April 1, 1952.* Series E bonds with issue dates of May 1, 1941, through April 1, 1952, reached or will reach final maturity 40 years after their respective issue dates, as shown below.

Issue dates—1st day of	Life of bonds yrs.	Final maturity dates—1st day of
May 1941–Apr. 1952 ..	40	May 1981–Apr. 1992.

(2) *Bonds issued from May 1, 1952 through November 1, 1965.* Bonds with issue dates of May 1, 1952, through November 1, 1965, will receive an additional extension of maturity ranging from 4 months to 2 years and 3 months, as shown below, so that these bonds will reach final maturity 40 years after their respective issue dates.

Issue dates—lst day of	Previous maturities		Previous maturity dates—1st day of
	yrs.	mos.	
May 1952–Jan. 1957	39	8	Jan. 1992–Sept. 1996.
Feb. 1957–May 1959	38	11	Jan. 1996–Apr. 1998.
Jun. 1959–Nov. 1965	37	9	Mar. 1997–Aug. 2003.

Issue dates—1st day of	Additional extended maturity period		Life of bonds—yrs.
	yrs.	mos.	
May 1952–Jan. 1957	.....	4	40
Feb. 1957–May 1959	1	1	40
Jun. 1959–Nov. 1965	2	3	40.

Issue dates—1st day of	Final maturity dates—1st day of
May 1952–Jan. 1957	May 1992–Jan. 1997.
Feb. 1957–May 1959	Feb. 1997–May 1999.
Jun. 1959–Nov. 1965	June. 1999–Nov. 2005.

(3) *Bonds issued from December 1, 1965 through June 1, 1980.* Bonds with issue dates of December 1, 1965, through June 1, 1980, will receive an additional extension of maturity ranging from 3 years to 5 years, as shown below, so that these bonds will reach final maturity 30 years after their respective issue dates.

Issue dates—1st day of	Previous maturities		Previous maturity dates—1st day of
	yrs.	mos.	
Dec. 1965–May 1969	27	.....	Dec. 1992–May 1996.
June. 1969–Nov. 1973.	25	10	Apr. 1995–Sept. 1999.
Dec. 1973–Jun. 1980	25	.....	Dec. 1998–Jun. 2005.

Issue dates—1st day of	Additional extended maturity period		Life of bonds—yrs.
	yrs.	mos.	
Dec. 1965–May 1969	3	.....	30
Jun. 1969–Nov. 1973	4	2	30
Dec. 1973–Jun. 1980	5	.....	30

Issue dates—1st day of	Final maturity dates—1st day of
Dec. 1965–May 1969	Dec. 1995–May 1999.
Jun. 1969–Nov. 1973	Jun. 1999–Nov. 2003.
Dec. 1973–Jun. 1980	Dec. 2003–Jun. 2010.

(c) *Guaranteed minimum investment yield*—(1) *General.* Except as provided in paragraph (c)(2) of this section, the guaranteed minimum investment yields for outstanding Series E bonds are as follows:

(i) For Series E bonds that were in original or extended maturity periods prior to November 1, 1982, the guaranteed minimum investment yield was 8.5 percent per annum, compounded semiannually, effective for the period from the first semiannual interest accrual date on or after May 1, 1981, through the end of such periods, unless the bonds reached final maturity before November 1, 1981.[3] For bonds that entered extensions, see paragraphs (c)(1)(ii) through (c)(1)(iv) of this section.

(ii) For Series E bonds that entered extended maturity periods during the period of November 1, 1982, through October 1, 1986, the guaranteed minimum yield was or is 7.5 percent per annum, compounded semiannually, for such periods, including bonds that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered on 1st day of—
Mar. 1953–Nov. 1957	3rd	Nov. 1982–Oct. 1986.
Feb. 1965–Dec. 1970	2nd	Nov. 1982–Oct. 1986.
Nov. 1977–June 1980	1st	Nov. 1982–June 1985.

(iii) For Series E bonds that entered into extended maturity periods during the period of November 1, 1986, through February 1, 1993, the guaranteed minimum yield was or is 6 percent per annum, compounded semiannually, for such periods, including bonds that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension [4]	Entered on 1st day of—
May 1952–Aug. 1953	4th (final) [5]	Jan. 1992–Apr. 1993.
Dec. 1957–May 1965	3rd	Nov. 1986–Feb. 1993.
Dec. 1965–Feb. 1966.	3rd (final)	Dec. 1992–Feb. 1993.
Jan. 1971–Feb. 1978	2nd	Nov. 1986–Feb. 1993.

[4] Interest for interest accrual periods of less than 6 months is prorated.

[5] All Series E bonds issued between May 1, 1941 and April 1, 1953, have matured and are no longer earning interest.

(iv) For Series E bonds entering extended maturity periods on or after March 1, 1993, the guaranteed minimum yield is 4 percent per annum, compounded semiannually, or the guaranteed minimum investment yield in effect at the beginning of the period, including bonds that enter extended maturity periods, as shown below:[6]

Issue dates—1st day of—	Extension [7]	Entered on 1st day of—
Sep. 1953–May 1965.	4th (final)	May 1993–Feb. 2003.
Jun. 1965–Nov. 1965.	3rd	Mar. 1993–Aug. 1993.
Jun. 1965–Nov. 1965.	4th (final)	Mar. 2003–Aug. 2003.
Mar. 1966–Feb. 1978.	3rd (final)	Mar. 1993–Feb. 2003.
Mar. 1978–Jun. 1980.	2nd	Mar. 1993–Jun. 1995
Mar. 1978–Jun. 1980.	3rd (final)	Mar. 2003–Jun. 2005.

[7] See footnote 2 above.

(2) *Eleven-year bonus.* If a bond bearing an issue date of January 1, 1951, or thereafter, was held for the 11-year period from the first semianual interest accrual period that began on or after January 1, 1980, its guaranteed minimum investment yield for such period was increased by one-half of one percent per annum, compounded semiannually.

(d) *Market-based variable investment yield.* In order to be eligible for the market-based variable investment yield, Series E savings bonds had to be held at least five years beginning with the first semiannual interest accrual date occurring on or after November 1, 1982. The market-based variable investment yield shall be determined by the Secretary of the Treasury as follows:

(1) For each 6-month period, starting with the period beginning May 1, 1982, the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period is determined. Such determination by the Secretary of the Treasury or his or her delegate shall be final and conclusive.

[3] Series E bonds issued from May 1, 1941, through October 1, 1941, had reached final maturity May 1, 1981, through October 1, 1981, before the 8.5 percent yield had become effective.

[6] Series E bonds with issue dates of July 1 and August 1, 1953, entered a final maturity period of 4 months on March 1, and April 1, 1993, respectively, and received a minimum investment yield of 6 percent per annum, compounded semiannually, for that period.

(2) For bonds which entered an extended maturity period prior to May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, will be 85 percent, rounded to the nearest one-fourth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (d)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(3) For bonds which entered an extended maturity period on or after May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1989, will be 85 pecent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (d)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(e) *Determination of redemption values during any extended maturity period.* The redemption value of a bond on a given interest accrual date during any extended maturity period will be the higher of the value produced by using the applicable guaranteed minimum investment yield or the value produced by using the appropriate market-based variable investment yield. The calculation of these values is described below:

(1) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A bond has a guaranteed minimum investment yield for each of its extended maturity periods. The applicable guaranteed minimum investment yields for the current extended maturity period and any subsequent periods are specified in paragraph (c) of this section. In order to determine the value of a bond during an extended maturity period, the value of the bond either at the end of the next preceding maturity period or when the guaranteed minimum investment yield last increased,[8] whichever occurs later, is determined using the applicable guaranteed minimum investment yield. This value is then used as the base upon which interest accrues during the extended maturity period at the guaranteed minimum investment yield in effect for savings bonds at the beginning of that period. The resulting semiannual values are then compared with the corresponding values determined by using the applicable market-based variable investment yields.

(2) *Market-based variable investment yield and resulting values during an extended maturity period.* The market-based variable investment yield from the first semiannual interest accrual date occuring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, is determined as specified in paragraph (d) of this section. The value of a bond on its first seimannual interest accrual date occurring on or after November 1, 1982 is used as the base upon which interest accrues during an extended maturity period at the applicable market-based variable investment yield. If redeemed, the bond will receive the higher of the two values produced by using the applicable guaranteed minimum investment yield and the applicable market-based variable investment yield.

(f) *Market-based variable investment yields and tables of redemption values.* The market-based variable investment yields for bonds redeemed during each 6-month period, beginning on May 1 and November 1 of each year, are made available prior to each of those dates by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328, accompanied by tables of the redemption values of bonds for the following 6 months, based on either the applicable market-based variable investment yields or guaranteed minimum investment yields.

[57 FR 14276, Apr. 17, 1992, as amended at 58 FR 60936, 60937, Nov. 18, 1993]

[8] The 11-year bonus was the last increase in the guaranteed minimum investment yield (see paragraph (b)(2)). Series E bonds which were eligible to receive this bonus received it on the first semiannual interest accrual date occuring on or after January 1, 1991.

§ 316.9 Taxation.

(a) *General.* For the purpose of determining taxes and tax exemptions, the increment in value represented by the difference between the price paid for Series E bonds and the redemption value received therefor constitutes interest. Such 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 thereof by any State, or any of the possesions of the United States, or by any local taxing authority.

(b) *Federal income tax on bonds.* An owner of Series E bonds who is a cash-basis taxpayer may use either of the following two methods of reporting the increase in the redemption value of the bonds for Federal income tax purposes:

(1) Defer reporting the increase to the year of final maturity, actual redemption, or other disposition, whichever is earlier; or

(2) Elect to report the increases each year as they accrue, in which case the election applies to all Series E bonds then owned and those subsequently acquired, as well as to any other similar obligations purchased on a discount basis. If the method in paragraph (b)(1) of this section is used, the taxpayer may change to the method in paragraph (b)(2) of this section without obtaining permission from the Internal Revenue Service. However, once the election to use the method in paragraph (b)(2) of this section is made, the taxpayer may not change the method of reporting without permission from the Internal Revenue Service. For further information on Federal income taxes, the Service Center Director, or District Director, Internal Revenue Service, of the taxpayer's district may be contacted.

§ 316.10 Payment or redemption.

(a) *General.* A Series E bond may be redeemed in accordance with its terms at the appropriate redemption value shown in the applicable table described in paragraph (f) of § 316.8. The redemption values of bonds in the denomination of $100,000 are not shown in the tables. However, the redemption value of a bond in that denomination will be equal to ten times the redemption value of a $10,000 bond of the same issue date. A bond in a denomination higher that $25 (face amount) may be redeemed in part but only in the amount of an authorized denomination or multiple thereof.

(b) *Federal Reserve Banks and Branches and United States Treasury.* Owners of Series E bonds may obtain payment upon presentation and surrender of the bonds to a Federal Reserve Bank or Branch referred to in § 316.12 or to the Department of the Treasury with the request for payment on the bonds duly executed and certified in accordance with the governing regulations.

(c) *Incorporated banks, savings and loan associations and other financial institutions.* (1) A financial institution qualified as a paying agent under the provisions of 31 CFR part 321, also published as Department of the Treasury Circular, Public Debt Series No. 750, as revised, will pay the current redemption value of a Series E 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 requests for payment.

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

and otherwise complies with evidentiary requirements.

[57 FR 14276, Apr. 17, 1992, as amended at 59 FR 10535, Mar. 4, 1994]

§ 316.11 Reservation as to issue of bonds.

The Secretary of the Treasury reserved the right to reject any application for purchase of Series E bonds, in whole or in part, and to refuse to issue, or permit to be issued hereunder, any such bonds in any case or any class or classes of cases if such action was deemed to be in the public interest. Any action in any such respect was final.

§ 316.12 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 in connection with the redemption and payment of Series E bonds.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, such services will be phased out over the period prior to that date.

[59 FR 10535, Mar. 4, 1994]

§ 316.13 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, or of any amendments or supplements thereto.

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

Sec.

317.0 Purpose and effective date.
317.1 Definitions.
317.2 Organizations authorized to act.
317.3 Procedure for qualifying and serving as issuing agent.
317.4 Issuing agents currently qualified.
317.5 Termination of qualification.
317.6 Issuance of bonds.
317.7 Obtaining and accounting for bond stock.
317.8 Remittance of sales proceeds and registration records.
317.9 Role of Federal Reserve Banks.
317.10 Reservation.

AUTHORITY: 31 U.S.C. 3105, 2 U.S.C. 901, 5 U.S.C. 301.

SOURCE: 54 FR 40830, Oct. 3, 1989, unless otherwise noted.

§ 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 United States Savings Bonds.

§ 317.1 Definitions.

(a) *Bond(s)* means Series EE United States Savings Bonds.

(b) *Federal Reserve Bank* refers to the Federal Reserve Bank or Branch providing savings bond services to the district in which the issuing agent or the applicant organization is located. See §317.9 (a).

(c) *Issuing agent* refers to an organization that has been granted a certificate of qualification by a designated Federal Reserve Bank to sell savings bonds. The definition encompasses (1) each organization that accepts and processes purchase orders for bonds sold over-the-counter, but does not inscribe bonds, and (2) each organization that is authorized to inscribe bonds sold over-the-counter or through payroll savings plans.

(d) *Offering circular* refers to Department of the Treasury Circular, Public Debt Series No. 1–80, current revision.

(e) *Organization* means an entity, as described in §317.2, which may qualify as an issuing agent of bonds.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10535, Mar. 4, 1994]

§317.2 Organizations authorized to act.

Organizations eligible to apply for qualification and serve as savings bond issuing agents include:

(a) Banks, Federal credit unions in good standing, trust companies, and savings institutions chartered by or incorporated under the laws of the United States, or those of any State or Territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico;

(b) Agencies of the United States and of State and local governments; and

(c) Employers operating payroll savings plans for the purchase of United States Savings Bonds.

[45 FR 64091, Sept. 26, 1980, as amended at 57 FR 34684, Aug. 6, 1992]

§317.3 Procedure for qualifying and serving as issuing agent.

(a) *Execution of application agreement.* The applicant-organization shall obtain from, duly execute, and file with, a designated Federal Reserve Bank, an application-agreement form.

(1) The terms of each application agreement shall include the provisions prescribed by section 202 of Executive Order No. 11246, entitled ''Equal Employment Opportunity'' (3 CFR, subchapter B, 42 U.S.C. 2000e note).

(2) The provisions of the Privacy Act of 1974, as amended (5 U.S.C. 552a), and regulations issued pursuant thereto (31 CFR part 1, subpart C).

(b) *Certificate of qualification.* Upon approval of an application-agreement, the designated Federal Reserve Bank will issue a certificate of qualification to the organization. Until the receipt of such a certificate, an organization shall not perform any act as an issuing agent, or advertise in any manner that it is authorized to so act or that it has applied for qualification as an issuing agent. After receipt of a certificate of qualification, an organization may perform the functions of an issuing agent. Under the terms of the application-agreement, the proceeds of the sale of bonds are at all times the property of the United States for which the organization shall be fully accountable.

(c) *Adverse action or change in qualification.* An organization will be notified by the designated Federal Reserve Bank if its application-agreement to act as issuing agent is not approved, or if, after issuance, its certificate of qualification is terminated.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10535, 10536, Mar. 4, 1994]

§317.4 Issuing agents currently qualified.

Each organization, qualified as an issuing agent under a trust agreement currently in effect, is authorized to continue to act in that capacity without requalification. By so acting, it shall be subject to the terms and conditions of the previously executed application-agreement and these regulations in the same manner and to the same extent as though it had requalified hereunder.

§317.5 Termination of qualification.

(a) *By the United States.* The Secretary of the Treasury or a delegate may terminate the qualification of an issuing agent at any time, upon due notice to the agent. If this action is taken, the agent will be required to make a final accounting for the balance of savings bond stock for which it is charged, based on the records of the designated Federal Reserve Bank. The

agent must surrender all unissued bonds and remit the issue price of any remaining bonds included in its accountability.

(b) *At request of issuing agent.* A designated Federal Reserve Bank will terminate the qualification of an issuing agent upon its request, provided the agent is in full compliance with the terms of its agreement and the applicable regulations and instructions, and renders a final accounting.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10536, Mar. 4, 1994]

§ 317.6 Issuance of bonds.

(a) *General.* Each issuing agent shall comply with all regulations and instructions issued by the Department of the Treasury directly, or through the designated Federal Reserve Bank, concerning the sale, inscription, dating, and validation of bonds; the acceptance, processing, and transmittal of over-the-counter purchase orders; the remittance of sales proceeds; and the disposition of paper and electronic registration records. No issuing agent shall have authority to sell bonds other than as provided in the offering circular.

(b) *Fees.* Each issuing agent, other than a Federal agency, will be paid a fee for each savings bond transaction. Fee payments for bonds issued through payroll savings plans, and by agents authorized to inscribe bonds sold over-the-counter, will be based on the number of individual issues transmitted to a designated Federal Reserve Bank. With prior approval, agents that are authorized to inscribe bonds and receive fee payments will also be paid a bonus for presorting savings bond mailings. Fee payments for over-the-counter sales, where the agent is not authorized to inscribe the bonds, will be based on the number of purchase orders forwarded to a designated Federal Reserve Bank. Schedules reflecting the amount of the fees and presort bonuses, and the basis on which they are computed and paid, will be published separately in the FEDERAL REGISTER.

(c) *No charge to customers.* Any issuing agent that accepts fees from the Department of the Treasury for selling savings bonds, and/or accepting over-the-counter purchase orders, shall not make any charge to customers for the same service.

[54 FR 40830, Oct. 3, 1989, as amended at 55 FR 39960, Oct. 1, 1990; 58 FR 63529, Dec. 2, 1993; 59 FR 10536, Mar. 4, 1994]

§ 317.7 Obtaining and accounting for bond stock.

An issuing agent that is authorized to inscribe bonds sold over-the-counter or through payroll savings plans may obtain bond stock from the designated Federal Reserve Bank. The bond stock is, at all times, the property of the United States. The organization shall be fully accountable for the bond stock consigned to it in accordance with all regulations and instructions issued by the Department of the Treasury.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10536, Mar. 4, 1994]

§ 317.8 Remittance of sales proceeds and registration records.

An issuing agent shall account for and remit bond sales proceeds and registration records promptly in accordance with regulations and instructions issued by the Department of the Treasury, either directly or through the designated Federal Reserve Banks. Failure to comply with these instructions may subject an agent to penalties, including termination of its qualification as an issuing agent.

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 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.

2. *Definition of terms.* As used in this appendix:

(a) *Issue Date* is the date as of which a bond begins to earn interest. It is the date entered

by the issuing agent in the upper right corner of the bond.

(b) *Validation Date* is the date as of which a bond is actually inscribed for issue. It is entered by the issuing agent immediately below the ''Issue Date'' in the area marked ''Issuing Agent's Dating Stamp''.

(c) *Over-the-counter sale* includes all sales of savings bonds (i) on the basis of individual purchase applications received over-the-counter or by mail, and (ii) on Bond-a-Month plans.

(d) *Payroll sale* includes all issues of savings bonds paid for with deductions withheld from the pay of employees of organizations which maintain (i) payroll savings plans or (ii) thrift, savings, vacation, or similar plans.

(e) *Issuing agent*, as provided in §317.1(c) of the Circular, refers to an organization which has been granted a certificate of qualification by a designated Federal Reserve Bank to accept over-the-counter purchase orders for, or, heretofore, to sell and issue savings bonds.

(f) *Immediately available funds* are remittances of funds which are available for the use by the Department of the Treasury immediately upon receipt by the Department or its fiscal agents, and include, but are not limited to:

(1) A change to the remitter's (or a correspondent depository institution's) reserve account with a Federal Reserve Bank;

(2) A Federal funds check;

(3) A United States Government check; or

(4) A postal money order.

(g) *Financial institutions* refers to banks, trust companies, credit unions, and savings institutions chartered by or incorporated under the laws of the United States, or those of any State or Territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

(h) *Nonfinancial institutions* refers to any issuing agent not described under paragraph (g) of this appendix.

3. *Determination of issue date.* The obligation of the United States to pay interest on a savings bond is determined by its issue date. That date is the first day of the month in which a qualified issuing agent receives or accumulates the full purchase price of the bond. In the case of a bond purchased under a payroll savings plan operated by an organization which is not an issuing agent, the issue date should be fixed as of the month in which the organization accumulates the full purchase price of the bond. Such funds must, however, be remitted to the issuing agent in time to permit such dating.

4. *Forms of remittance.* Issuing agents shall remit sales proceeds in timely fashion as follows:

(a) Issuing agents which are financial institutions must remit in immediately available funds.

(b) Issuing agents which are nonfinancial institutions should remit in immediately available funds.

(c) The Commissioner of the Public Debt, as designee of the Secretary of the Treasury, may waive or modify this provision. The Commissioner may do so in any particular case or class of cases for the convenience of the United States or in order to relieve any agent or agents of unusual hardship:

(1) If such action would not be inconsistent with law or equity,

(2) If it does not impair any existing rights, and

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

5. *Remittance date.* Sales proceeds should be remitted on the date shown on the transmittal document, i.e., PD F 3252–OC or PD F 5255–RDS for over-the-counter sales or PD F 4848 for payroll sales. If there is a significant time difference between the date on the transmittal document and the date of receipt in the designated Federal Reserve Bank, the transmittal date may be determined, for purposes of this appendix, by the postmark, if the remittance is mailed, or the receipt date, if the remittance is forwarded by courier, messenger, or similar means.

Subpart B—Over-the-Counter Sales

1. *Regional Delivery (RDS) participants.* An agent participating in the Regional Delivery System (RDS) is authorized to sell bonds over-the-counter. It will accept and review customer purchase orders, but it will not inscribe the bonds. Purchase order information will be forwarded to a designated Federal Reserve Bank for inscription of the bonds. An authorized RDS participant shall remit sales proceeds and purchase orders (on paper or in an electronically processible format) to a designated Federal Reserve Bank within five (5) business days of receipt from the customer.

2. *Issues-on-Tape Program participants.* An agent that has been authorized by the Bureau of the Public Debt to inscribe bonds sold over-the-counter and report such sales on magnetic tape shall remit sales proceeds and electronic issue records no less often than once a week on a schedule established by the designated Federal Reserve Bank.

3. *Agents not participating in RDS.* An agent that has not been authorized to participate in RDS by a designated Federal Reserve Bank shall remit sales proceeds and paper registration records, as directed by the Federal Reserve Bank, in accordance with one of the schedules set forth below, based on a periodic determination by the Bureau of the Public Debt of the average monthly over-the-counter sales remitted by the agent.

(a) *Agents with average monthly sales of less than $5,000.* Each agent with average monthly over-the-counter sales of less than $5,000 (issue price) shall remit the proceeds of such sales no less often than once each month on a schedule established by the designated Federal Reserve Bank. The agent will be allowed two (2) business days to prepare the remittance; sales during those two (2) business days may be included in the following month's remittance. If an agent accumulates monthly over-the-counter sales of $5,000 (issue price) or more prior to its scheduled remittance date, those sales proceeds shall be remitted within two (2) business days; the agent will also report on its normal reporting date.

(b) *Agents with average monthly sales of $5,000 or more.* Each agent with average monthly over-the-counter sales of $5,000 (issue price) or more shall remit the proceeds of such sales no less often than once a week on a schedule established by the designated Federal Reserve Bank. The agent will be allowed two (2) business days to prepare the remittance; sales during those two (2) business days may be included in the following week's remittance. At the end of each calendar month, the agent shall remit within two (2) business days all remaining sales made during that calendar month, even though the last business day of the month may not coincide with the established reporting date.

Subpart C—Remittance of Payroll Sales Proceeds

1. *Application of requirements.* The remittance requirements on payroll sales apply to the agent that issues the bonds. That agent may be either (a) an employer organization that maintains a payroll savings plan, or (b) a financial institution that services an employer organization. An organization that maintains a payroll savings plan but does not issue bonds should be notified by the servicing issuing agent that it must remit sales proceeds to the agent in sufficient time to permit compliance with the requirements.

2. *Remittance of payroll sales deductions.* Payroll agents shall remit sales proceeds throughout the month shown in the issue date as soon as the full amount of the purchase price of the bonds has been received or accumulated. In no case should such proceeds be remitted later than the second business day of the month following the month shown in the issue date. The agent shall ensure that its system properly accounts for and recognizes when the full purchase price is received, or is accumulated, so that timely remittance is made. The agent shall transmit registration records, on paper or on magnetic tape, within thirty (30) days following the month shown on the issue date.

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 Fiscal Requirements 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.

2. *Waiver.* Interest will be waived in the situations described below as well as in any specific case where, in the judgment of the Commissioner of the Public Debt, the circumstances warrant such action. The Commissioner's decision on any waiver action shall be final.

(a) *Bonds inscribed by issuing agent.*—(i) *Payroll or book-entry issues.* If, during any three (3) month period, the interest assessed on an agent's late remittance of payroll or book entry sales proceeds accumulates to less than $50 for each type of sales, the interest assessed for the first month will be waived. The interest assessed for each type of sales for the remaining two (2) months will then be carried forward to the next period of three (3) consecutive months.

(ii) *Over-the-counter issues.* The interest assessed on an agent's late remittance of over-the-counter sales proceeds transmitted during a given month will be waived if it is less than $50.

(b) *Bonds inscribed by the designated Federal Reserve Bank.* The interest assessed on late remittance of over-the-counter sales proceeds transmitted by a financial institution's parent and branch offices during a given month will be waived if it is less than $25. The interest assessed on late remittances of payroll or book-entry sales proceeds transmitted by a financial institution or employer during a given month will be waived if it is less than $25.

(c) *Suspension of waiver.* The Commissioner may suspend the application of the waiver in the case of any agent that consistently fails to meet the remittance requirements.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10536, Mar. 4, 1994]

§ 317.9 Role of Federal Reserve Banks.

(a) *Role as fiscal agents.* In their capacity as fiscal agents of the United States, the Federal Reserve Banks referred to below are authorized to perform such duties, including the issuance of instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV, (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

(c) *Specific activities of designated Federal Reserve Banks.* The specific activities of designated Federal Reserve Banks include:

(1) Qualifying issuing agents;

(2) Supplying agents with bond stock, maintaining records of agent accountability, and monitoring compliance with stock consignment rules;

(3) Instructing agents regarding the sale and issue of bonds, the custody and control of bond stock, and the accounting for and remittance of sales proceeds; and

(4) Providing guidelines covering the amount of bond stock agents may ordinarily requisition and maintain.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10536, Mar. 4, 1994]

§ 317.10 Reservation.

The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of these regulations.

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

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APPENDIX TO DEPARTMENT OF THE TREASURY CIRCULAR NO. 750, FOURTH REVISION

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

SOURCE: 53 FR 37511, Sept. 26, 1988, unless otherwise noted.

Subpart A—General Information

§ 321.0 Purpose.

These regulations govern the manner in which financial institutions may qualify and act as paying agents for the redemption of:

(a) United States Savings Bonds of Series A, B, C, D, E, and EE, 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).

§ 321.1 Definitions.

(a) *ACH payment* or *ACH* means an Automated Clearing House method of transferring funds under the provisions of 31 CFR part 210.

(b) *Beneficiary* means an individual whose name is inscribed on a security as the person to whom it is payable in his or her right upon the prior death of the other individual designated thereon as owner, shown commonly in the form: ''A P.O.D. [payable on death to] B.''

(c) *Cash payment* means payment in currency, by check or by credit to a checking, savings or share account.

(d) *Central Site* refers to the Federal Reserve Bank of Cleveland, Pittsburgh Branch, EZ CLEAR Department.

(e) *EZ CLEAR* refers to the system by which financial institutions present redeemed securities to a Federal Reserve Bank through the commercial check collection system in the same manner as other cash items.

(f) *Federal Reserve Bank or Branch* refers to the Federal Reserve Bank to which the agent is instructed to transmit redeemed securities; or to which the agent is instructed to forward securities for payment or other transactions, and includes parent Banks, Branches and Regional Check Processing Centers, as appropriate.

(g) *Legal Representative* or *representative* means the court-appointed (or otherwise qualified) person, regardless of title, who is legally authorized to act for the estate of a minor, incompetent, aged person, absentee, *et al.*, the court-appointed executor or administrator, regardless of title, who is legally authorized to act for a decedent's estate; and the trustee of a personal trust estate.

(h) *Mixed cash letter* refers to a bundle containing nonsegregated redeemed securities, cash items, and other items submitted to a Federal Reserve Bank via the commercial check collection system.

(i) *Paying agent* or *agent* means:

(1) A financial institution that is qualified under the provisions of this part as originally issued, or any subsequent revision, to make payment of securities, and includes branches located within the United States, its territories and possessions, and the Commonwealth of Puerto Rico; and

(2) Any banking facilities of such institutions establishing at military installations overseas, provided the offering of such redemption services has been authorized by the Department of the Treasury.

(j) *Presenter* means the individual requesting the redemption or redemption-exchange of securities.

(k) *Presenting institution* means the organization from which the Federal Reserve Bank receives redeemed securities to be processed via EZ CLEAR. If a paying agent submits separately sorted or mixed cash letters directly to the Bank, using its own ABA code, it is the presenting institution. If a correspondent financial institution submits cash letters on behalf of another institution using the correspondent's ABA code, the correspondent is the presenting institution.

(l) *Redemption* and *payment* are used interchangeably for payment of a security in accordance with the terms of its offering and governing regulations, including redemption-exchange.

(m) *Redemption-exchange* means the authorized redemption of eligible securities for the purpose of applying the proceeds in payment for other securities offered in exchange by the Treasury.

(n) *Registrant* means a person whose name is inscribed on a security as owner, coowner, or beneficiary.

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

(p) *Separately sorted cash letter* refers to a bundle of redeemed securities that have been segregated from all other items prior to transmittal to a Federal Reserve Bank via EZ CLEAR.

(q) *Taxpayer identifying number* means a social security account number or an employer identification number.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 59 FR 10536, Mar. 4, 1994]

Subpart B—Procedures for Qualification

§321.2 Eligible organizations.

(a) Organizations eligible to apply for qualification and to serve as paying agents are commercial banks, trust companies, savings banks, savings and loan associations, building and loan associations (including cooperative banks), credit unions, cash depositories, industrial banks, or similar financial institutions which:

(1) Are incorporated under Federal law or the laws of a State, territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico;

(2) In the usual course of business accept, subject to withdrawal, funds for desposit or the purchase of shares;

(3) Are under the supervision of the banking department or equivalent authority of the jurisdiction in which they are incorporated; and

(4) Maintain regular offices for the transaction of business.

(b)(1) An organization that desires to redeem securities must first qualify as a paying agent. An organization that has qualified and is serving as a paying agent must:

(i) MICR-encode data on securities accepted for payment,

(ii) Submit them directly to the Check Department of the appropriate Federal Reserve Bank or Branch or the Regional Check Processing Center, and

(iii) Receive payment of fees by ACH, or arrange to obtain one or more of these services from another financial institution.

(2) All presenting institutions, as defined in §321.1, must qualify as savings bond paying agents and enroll in EZ CLEAR.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10536, Mar. 4, 1994]

§321.3 Procedure for qualifying and serving as paying agent.

(a) *Execution of application-agreement*. An eligible organization wishing to act as a paying agent shall obtain from, execute, and file an application–agreement with the appropriate Federal Reserve Office referred to in §321.25. The terms of each application-agreement shall include a reference to the following provisions to which paying agents are subject:

(1) The provisions prescribed by section 202 of Executive Order 11246, entitled ''Equal Employment Opportunity'', as amended (42 U.S.C. 2000e note); and

(2) The provisions of the Privacy Act of 1974, as amended (5 U.S.C. 552a), and regulations issued pursuant thereto (31 CFR part 1, subpart C).

For the purpose of these regulations, eligible institutions in Puerto Rico and the Virgin Islands shall make application to the Federal Reserve Bank

Branch in Buffalo, New York and eligible institutions in Guam shall make application to the Federal Reserve Bank of Kansas City.

(b) *Qualification.* Each Federal Reserve Bank referred to in § 321.25, as fiscal agent of the United States, is authorized to qualify any eligible organization, located in the Reserve Bank's geographical area, as shown in § 321.25, which possesses adequate authority under its charter to act as paying agent. Upon approval of an application-agreement, the Bank will issue a certificate of qualification to the organization. Such a certificate automatically qualifies the branches of the organization to redeem securities as provided in this part.

(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 exchanges for Series HH bonds.

(d) *Adverse action.* An organization will be notified by the appropriate Federal Reserve Bank referred to in § 321.25, in writing, if its application-agreement to act as paying agent is not approved.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994]

§ 321.4 Paying agents previously qualified.

Institutions qualified as paying agents under previous revisions of this Part are authorized to continue to act in that capacity without requalification. By so acting, they shall be subject to the terms and conditions of their previously executed application-agreements and these regulations in the same manner and to the same extent as though they had requalified hereunder.

§ 321.5 Termination of qualification.

(a) *By the Treasury.* The Secretary of the Treasury, or a designee, may authorize a Federal Reserve Bank referred to in § 321.25 to terminate the qualification of any paying agent at any time, following prior written notice of such action to the agent.

(b) *At request of paying agent.* A Federal Reserve Bank referred to in § 321.25 will terminate the qualification of a paying agent upon its written request, provided the agent renders a final accounting for all redeemed securities and is found to have fully complied with the terms of its agreement and the applicable regulations and instructions.

(c) *Reservation.* Termination of the qualification as paying agent of any institution shall not prejudice the right of the Treasury to recover the amounts of any erroneous payment(s) made by the institution.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

Subpart C—Scope of Authority

§ 321.6 General.

Securities are issued only in registered form, 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 all other series of sercurities are contained in Department of the Treasury Circular No. 530, current revision (31 CFR part 315).

§ 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, and EE, and savings notes, presented for cash redemption. Except as provided in paragraph (b) through (d) 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)(1)).

(b) *Change of name by marriage.* If the name of the presenter has been changed by marriage from that shown on the security, and the agent knows or establishes that the presenter and the person whose name appears on the security are one and the same individual, the agent may pay the security in accordance with paragraph (a) of this section. The signature to the request for payment should show both names, *e.g.*, ''Mary J. Smith, changed by marriage from Mary T. Jones.''

(c) *Parent of a minor.* Payment of a security bearing the name of a minor child, who is not of sufficient competency and understanding to sign the request for payment and comprehend the nature of the act, may be made to either parent with whom the minor resides or to whom custody has been granted, provided the form of registration does not indicate that a guardian or similar representative of the estate of the minor has been appointed or is otherwise legally qualified. Payment under this subsection may not be made to any person other than a parent. The parent requesting payment must sign the request for payment in the form, *e.g.*, ''John A. Jones, on behalf of John C. Jones.'' The following endorsement must be typed or imprinted on the back of the security:

I certify that I am the (father or mother) of John C. Jones and the person (with whom he resides) (to whom custody has been granted). He is —— years of age and is not of sufficient competency and understanding to sign the request.

(d) *Payment to beneficiary.* An agent may redeem a security registered ''A P.O.D. [payable on death to] B'' for cash at the request of the surviving beneficiary following the owner's death. A copy of the owner's death certificate, certified under seal of the State or local registrar, must be furnished to support the request for payment.

(e) *Payment to a legal representative designated on a security by name and title.* An agent may redeem a security registered in the name and title of a legal representative as defined in § 321.1(f), if the legal representative is known to the agent, or can establish identity in accordance with Treasury instructions and guidelines. The request for payment on the back of each security must be signed by the legal representative designated by name and title in the registration on the front of the security, or by a person authorized or empowered to act for a corporate legal representative so designated. The full title of the legal representative should be shown adjacent to each signature and, in the case of a corporate legal representative, the full corporate name, as well as the title, i.e., vice president, trust officer, etc., should be shown. Examples:

Henry C. Smith, conservator of the estate of John R. White, an adult, pursuant to Sec. 633.572 of the Iowa Code.

Tenth National Bank by Arnold A. Ames, Vice President, guardian of the estate of Barry B. Bryan, a minor.

(f) *Payment to a legal representative of a decedent's estate not designated on a security.* An agent may redeem a security bearing the names of deceased persons in the registration, if the legal representative of the estate of the last deceased registrant:

(1) Presents the security;

(2) Signs the request for payment on the back of the security, showing the representative's full title adjacent to the signature; and

(3) Presents acceptable evidence of the legal representative's appointment and of the dates of death of all persons named in the security's registration, in accordance with this part and the appendix.

In the case of a corporate legal representative, the full corporate name, as well as the title, must be shown. Examples:

John H. Smith and Charles N. Jones, co-executors of the will of Robert J. Smith, deceased.

Tenth National Bank by John F. Green, Trust Officer, executor of the will of George N. Brown, deceased.

(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 about excluding interest from income in connection with the education feature of Series EE

savings bonds issued on or after January 1, 1990.)

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35395, Aug. 29, 1990]

§ 321.8 Redemption-exchange of Series E and EE savings bonds and savings notes.

(a) *General.* Subject to the provisions of Circular No. 2–80 (31 CFR part 352), the governing regulations, and the provisions of this part and its appendix, an agent may make payment of eligible securities presented for redemption in exchange for Series HH bonds. Securities eligible for exchange are:

(1) Series EE bonds presented no earlier than six months from their issue dates; and

(2) Series E bonds and savings notes presented no later than one year from the month in which they reached final maturity. The total redemption value of the securities presented for exchange must be at least $500.

(b) *Requirements for redemption-exchange.* An agent shall not accept and redeem eligible securities on exchange unless:

(1) The securities are accompanied by a completed exchange subscription signed by the presenter;

(2) The presenter is the owner, the legal representative (excluding a representative of a decedent's estate), the surviving coowner or beneficiary, or the principal coowner (as defined in § 352.7(e)(2) in 31 CFR part 352 (Circular No. 2–80)) of the securities presented for exchange and is to be named as owner or first-named coowner on the Series HH bonds; and

(3) The request for payment on each security is signed by the presenter. A presenter who is a legal representative should show the full title adjacent to each signature and, in the case of a corporate legal representative, should show the full corporate name, as well as the title. If the name of the presenter has been changed by marriage, or if the presenter is named as beneficiary or legal representative on the securities, the agent may process the transaction in accordance with the provisions of § 321.7 (b), (d), or (e) of this part. If the agent is authorized and elects to use the special endorsement procedure, set out in 31 CFR part 330 (Circular No. 888, current revision), the requests for payment do not need to be signed; however, this special endorsement may not be used in lieu of the presenter's signature on the exchange subscription.

(c) *Interest reporting.* To the extent that it represents interest of $10 or more, a paying agent is required to report cash, refunded in an exchange transaction, to the presenter and to the Internal Revenue Service under the provisions of 26 CFR 1.6049–4.

(d) *Completion of transaction.* An agent shall transmit for settlement via EZ CLEAR securities redeemed on exchange and, at the same time, forward the exchange application (PD F 3253) and any additional cash needed to complete the transaction, to the Fiscal Agency Department of the servicing Federal Reserve Bank referred to in § 321.25. Securities redeemed on exchange may be commingled with cash redemptions in mixed or separately sorted cash letters.''

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994]

§ 321.9 Specific limitations on payment authority.

An agent is not authorized to redeem a security for cash or on redemption-exchange:

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

(b) If it is a savings bond of Series F, G, H, J, K, or HH.

(c) If the presenter is acting under a power of attorney.

(d) If the agent does not know or cannot establish the identity of the presenter as a person entitled to request payment as provided in § 321.7.

(e) If the presenter does not sign his or her name in ink as it is inscribed on the security (except as provided in § 321.7 (b) or (c) of this part, or appears in evidence of appointment (see § 321.7(f)), and show a home or business address.

(f) If the taxpayer identifying number of the presenter, or the estate represented by the presenter, is not known to the agent and the presenter refuses to furnish the number.

(g) If the security bears a material irregularity, such as an illegible, incomplete or unauthorized inscription, issue date, or issuing agent's validating data, or if any essential part of the security appears to have been altered or is mutilated or defaced in such a manner as to create doubt or arouse suspicion.

(h) If the security is registered in the name of a corporation, association, partnership, or other organization in its own right.

(i) If Treasury regulations require the submission of documentary evidence to support the redemption, except as provided in § 321.7 (d) or (f) of this part, as in the case of incompetents, minors under legal guardianship, or the change of a registrant's name other than by marriage.

(j) If the presenter is a minor who, in the opinion of the agent, is not of sufficient competency and understanding to sign the request for payment and comprehend the nature of the act.

(k) If it is known to the agent that the presenter has been legally declared incompetent to manage his or her affairs.

(l) If partial redemption is requested.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990]

§ 321.10 Responsibilities of paying agents.

(a) *Payment of securities.* A paying agent is required to redeem eligible securities during its regular business hours for any presenter, whether or not a customer, who can establish his or her identity as the owner or co-owner named on the securities, in accordance with the provisions of this part, and the appendix to this part, and the Treasury Identification Guide for Cashing United States Savings Bonds. An agent is encouraged, but is not required, to redeem eligible securities during its regular business hours for a surviving beneficiary, a legal representative designated in the registration of securities presented, or a legal representative of the last deceased registrant's estate who can provide acceptable evidence (see § 321.7 (d) or (f)) and establish identity in accordance with this part.

(b) *Restrictions.* A paying agent shall not advance money, make loans on, or discount the redemption value of securities, nor in any manner assist others to do so. An agent shall not pay a presenter the current value of a security and then defer presentation to the Treasury for the purpose of obtaining for its own profit an increased value.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990]

Subpart D—Payment and Transmittal of Securities

§ 321.11 Payment.

(a) *Examination.* Before making a payment of a security, a paying agent shall examine the security to determine that it is eligible for redemption and is one the agent is authorized to pay under the provisions of this part.

(b) *Identification and evidence of entitlement.* The agent shall determine that the presenter of the security is entitled to request payment, as provided in § 321.7 of this part. Unless the presenter is a person whose identity is well-known to the agent or is an established customer, he or she should be asked to furnish satisfactory identification in accordance with the Treasury instructions and guidelines. At the time of payment, the agent should make a notation on the back of the security, or in its own records, specifying precisely what was relied on to establish the presenter's identity.

(c) *Evidence—Payment to a beneficiary.* The agent shall determine that the presenter of the security as beneficiary is entitled to request payment, as provided in § 321.7(d). In addition to establishing the presenter's identification, as required by paragraph (b) of this section, the agent shall require presentation of the owner's death certificate in accordance with this part and the appendix.

(d) *Evidence—Payment to a legal representative of the last deceased registrant's estate.* The agent shall determine whether the legal representative is entitled to request payment, as provided in § 321.7(f). In addition to establishing the presenter's identification, as required by paragraph (b) of this section, the agent shall require evidence

of appointment as well as evidence of the dates of death of all persons named in the registrations of the securities presented. Evidence of the representative's appointment must be either a court certificate or a copy of the letters of appointment, certified to be true and correct under seal of the court or clerk of court. If the original appointment was made more than one year prior to the presentation of the securities it must also bear the court clerk's statement that the appointment is in full force and effect. This statement must be under seal of the court or clerk of court and dated within six months of the presentation. Such evidence of appointment must pertain to the estate of the last deceased registrant designated on the securities. A copy of a death certificate, certified under seal of the State or local registrar, is the only acceptable evidence of the date of death.

(e) *Execution of request.* (1) The agent shall require:

(i) That the request for payment on the back of each security be signed by the presenter in the presence of one of its officers or authorized employees; and

(ii) That the presenter's address be furnished. Fiduciaries must sign as provided in § 321.7 (e) and (f).

(2) If the agent is qualified under 31 CFR part 330 (Circular No. 888, current revision) and elects to use the special endorsement procedure, the request for payment need not be signed. If the request has already been signed when the security is presented, it should be signed again.

(f) *Certification of request.* An agent is not required to complete the certification to the requests for payment on securities it redeems. When an agent transmits redeemed securities for settlement, as indicated in § 321.14 of this part, such agent shall be understood by such submission to have represented and certified that the identity of the presenter, and his or her entitlement to request payment, have been established in accordance with this part and the appendix hereto.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994]

§ 321.12 Redemption value of securities.

The redemption value of each security is determined by the terms of its offering and the length of time it has been outstanding. The Bureau of the Public Debt issues tables of redemption values for Series A–E bonds, eligible Series EE bonds, and savings notes that should be used in redeeming securities.

§ 321.13 Cancellation of redeemed securities.

An agent shall cancel each redeemed security by imprinting the word ''PAID'' on its face and entering the amount and date of the actual payment and the agent's name, location, and four-digit code number assigned by the appropriate Federal Reserve Bank. The recordation of this data shall constitute a certification by the agent that the security was redeemed in accordance with the provisions of this part, that the presenter's identity and entitlement to request payment were duly established, and that the proceeds were paid to the presenter or remitted to an appropriate Federal Reserve Bank in payment for Series HH bonds.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

§ 321.14 Transmittal to and settlement by Federal Reserve Bank.

In accordance with Federal Reserve Bank instructions, a paying agent shall transmit with an EZ CLEAR cash letter securities redeemed for cash and on redemption-exchange, either directly or through a correspondent institution, to the Check Department of the appropriate Bank or Branch, or to a Regional Check Processing Center (RCPC). Upon receipt of the securities, the Bank, Branch, or RCPC will arrange for immediate settlement with the presenting institution. Such settlement shall be made by a credit to the presenting institution's Reserve or other clearing account in the total amount paid, as reflected on the cash letter, and shall be subject to adjustment via a charge or credit to that account if any discrepancy is subsequently discovered.

[59 FR 10537, Mar. 4, 1994]

Subpart E—Losses Resulting From Erroneous Payments

§ 321.15 Liability for losses.

Under the governing statute, as amended (31 U.S.C. 3126(a)), an agent cannot be relieved of liability for a loss resulting from an erroneous payment unless the Secretary of the Treasury can make a determination that the loss resulted from no fault or negligence on the agent's part.

§ 321.16 Report of erroneous payment.

If an agent discovers an erroneous payment of securities, it should immediately advise the Bureau of the Public Debt, Parkersburg, WV 26106–1328, (304) 420–6402. If the circumstances of the payment warrant such action, the agent should also notify the nearest office of the United States Secret Service.

§ 321.17 Investigation of potential loss.

(a) *Notice to an agent.* When it determines that a loss has occurred, because of the erroneous payment of securities, the Bureau of the Public Debt will notify the agent in writing and identify the securities.

(b) *Investigative procedure.* The Bureau of the Public Debt may request the United States Secret Service to investigate potential losses. Upon request, the agent shall make available to the Bureau of the Public Debt, or its investigative agent, all records and information pertaining to the transaction in question, including the disposition of the redemption proceeds. If the proceeds were deposited in an account maintained by the agent, the information made available shall include the ultimate disposition of the redemption proceeds from the account.

§ 321.18 Determination of loss.

Upon completion of the investigation, and after consideration of the results, the Bureau of the Public Debt shall advise the agent through which the payment occurred:

(a) That no final loss to the United States has occurred, and, accordingly, that the agent is relieved from liability for the payment, or that no claim for reimbursement shall be made unless and until a loss has been sustained; or

(b) That while a final loss to the United States has occurred, the agent is not required to make reimbursement therefor, as the Secretary of the Treasury, or his designee, has determined that such loss resulted from no fault or negligence on the part of such agent; or

(c) That a final loss to the United States has occurred, and that, the Secretary of the Treasury, or his designee, has been unable to make an affirmative finding that such loss resulted from no fault or negligence on the part of such agent, reimbursement must be made promptly, except where credit for the payment had not previously been extended.

§ 321.19 Certification of signatures.

The regulations in this subpart shall, to the extent appropriate, apply to losses resulting from payments made in reliance on certifications of signatures by an officer or designated employee of any financial institution authorized to certify requests for payment.

§ 321.20 Applicability of provisions.

The provisions of this subpart shall apply to securities redeemed by any Federal Reserve Bank referred to in § 321.25, as fiscal agent, or any Treasury office authorized to redeem securities, as well as to paying agents.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

§ 321.21 Replacement and recovery of losses.

(a) If a final loss results from the redemption of a security, and the paying agent redeeming the security is not relieved of liability for such loss under 31 U.S.C. 3126(a), the Bureau of the Public Debt will demand that the paying agent promptly reimburse the United States in the amount of the final loss and will take such other action as may be necessary to collect such amount as set out in the procedure described in Paragraph 21 of the appendix to this part.

(b) If a final loss has resulted from the redemption of a security, and no reimbursement has been or will be

made, the loss shall be subject to replacement out of the fund established by the Government Losses in Shipment Act, as amended.

[61 FR 37197, July 16, 1996]

Subpart F—Forwarding Items

§ 321.22 Forwarding securities not payable by an agent.

Any securities an agent is not authorized to pay under the provisions of this part should be forwarded for redemption to the Fiscal Agency Department of a Federal Reserve Bank referred to in § 321.25. The requests for payment on the securities should be properly certified. Any documentary evidence required to support the redemption should accompany the securities. If the securities are presented for redemption-exchange, they must also be accompanied by a completed and signed exchange subscription and any additional cash needed to complete the transaction. Unpaid securities so forwarded must not be commingled with redeemed securities transmitted for settlement.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

Subpart G—Miscellaneous Provisions

§ 321.23 Paying agent fees and charges.

(a) *Fees.* Fees shall be paid as outlined in this section. A schedule setting out the fees, and the basis on which they are computed and paid, is separately published in the FEDERAL REGISTER. Current information is available from a Federal Reserve Bank referred to in § 321.25.

(1) *Securities transmitted via EZ CLEAR.* A fee will be paid for each security redeemed during a calendar month and transmitted via EZ CLEAR to a Federal Reserve Bank in separately sorted cash letters. Payment will be made to the presenting institution by ACH. No fees will be paid for redeemed securities received by a Bank in mixed cash letters.

(2) To comply with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (2 U.S.C. 901, *et seq.*), or the legislative resolution resulting therefrom, the Secretary may authorize, upon notice in the FEDERAL REGISTER, the discontinuance, reduction or delay of fee payments. Fee payments so affected may subsequently be paid in accordance with the schedule of fees as hereafter published, subject to the availability of funds therefor, and to the extent permitted by law. Fee payments for servicing occurring after notice of the resumption of such payments has been published in the FEDERAL REGISTER will be made in accordance with the schedule of fees published in such notice.

(b) *Charges to presenters.* A paying agent shall not make any charge whatever to persons entitled to request payment of securities, for redeeming them under the provisions of this part.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 39960, Oct. 1, 1990; 59 FR 10537, Mar. 4, 1994]

§ 321.24 Claims on account of lost securities.

If a security redeemed by an agent is lost, stolen or destroyed while in its custody or in transit prior to settlement, the agent's claim for reimbursement of the missing security's redemption value on the original payment date will be considered, provided the security can be identified by serial number.

§ 321.25 Role of Federal Reserve Banks.

(a) The Federal Reserve Banks referred to below, as fiscal agents of the United States, shall perform such services in connection with this part as may be requested by the Secretary of the Treasury, or his designee. The Banks are authorized and directed to perform such duties, including the issuance of instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10537, Mar. 4, 1994]

§ 321.26 Preservation of rights.

Nothing contained in this part shall limit or restrict any existing rights which holders of securities may have acquired under the offering circulars and the applicable regulations.

§ 321.27 Supplements, amendments, or revisions.

The Secretary of the Treasury may, at any time or from time to time, revise, supplement, amend or withdraw, in whole or in part, the provisions of this part.

APPENDIX TO DEPARTMENT OF THE TREASURY CIRCULAR NO. 750, FOURTH REVISION

FISCAL SERVICE, BUREAU OF THE PUBLIC DEBT

Subpart A—General Information

1. *Purpose.* This appendix is issued for the guidance of banks and other financial institutions qualified as paying agents of United States Savings Bonds and United States Savings Notes (Freedom Shares) under the provisions of 31 CFR part 321 [Department of the Treasury Circular No. 750, Fourth Revision]. Its purpose is to provide information to supplement the regulations contained in the part and specific instructions for processing redemption and redemption-exchange transactions. The information and instructions are indexed to the sections and subsections of part 321 which they explain or expand.

2. *Other pertinent publications.* In addition to part 321, agents should be familiar with the provisions of the following publications:

(a) *Offering circulars.* Department of the Treasury Circulars, Public Debt Series Nos. 1–80 (Series EE bonds), 2–80 (Series HH bonds), and 3–67 (savings notes), and Department of the Treasury Circular No. 653 (Series E bonds).

(b) *Regulations.* Department of the Treasury Circular, Public Debt Series No. 3–80 (Series EE and HH bonds); Department of the Treasury Circulars Nos. 530 (all other series of 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.

Subpart B—Procedures for Qualification

3. *Qualification of branches.* [Sec. 321.3(b)] Qualification of an institution as a paying agent automatically qualifies only its domestic branches. A foreign branch of a qualified paying agent may redeem securities provided settlement is made through a qualified facility located in the Unied States.

4. *Paying agent code numbers.* [§§ 321.3(b) and 321.13] The appropriate Federal Reserve Bank will assign a four-digit code number to each agent it qualifies. A separate number will be assigned to each branch authorized to redeem and submit redeemed securities for its own account to a Federal Reserve Bank or Branch or to a Regional Check Processing Center. At the paying agent's request, only one four-digit code will be assigned for use by all of its branches. The presenting institution's ABA number will be used in the adjustment of discrepancies and in the computation and payment of fees for securities transmitted in separately sorted cash letters.

5. *Requalification.* [Sec. 321.3(b)] If there has been a change in the corporate name of an agent, whether through merger, consolidation, sale of assets, or in any other manner, the agent may be asked by the appropriate Federal Reserve Bank referred to in §321.25 to requalify to reflect the change. Ordinarily, requalification is not required unless (a) the change results in a corporation that, under State law, cannot retain the rights of the corporation that ceased to exist, or (b) in the case of a purchase of assets and assumption of liability, the purchaser corporation is not a qualified paying agent.

6. *Announcement of authority.* [Sec. 321.3(c)] On and after the effective date of its qualification, a paying agent may appropriately announce or advertise its authority to redeem eligible securities for cash and in exchange for Series HH bonds. Such statements and notices should not, directly or indirectly, encourage the encashment of the securities. Two examples of acceptable statements for use in advertisements or displays are:

(a) ''We are an authorized agent for payment of U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares).''

(b) ''This (bank/savings and loan association/credit union, etc.) is authorized to pay U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares) and process eligible Series E and EE bonds and savings notes in exchange for Series HH bonds.''

Subpart C—Scope of Authority

7. *Authorized cash payments.* [Sec. 321.7]

(a) *General.* [Sec. 321.7(a)] The general authority of paying agents to redeem securities for cash extends to Series A, B, C, D, E, and EE bonds and savings notes presented by the owner, coowner, surviving beneficiary, parent on behalf of a minor, legal representative designated in the registrations of 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.

(b) *Securities submitted by mail.* [Sec. 321.7(a)] An agent may accept eligible securities submitted, for redemption by mail, from known customers. The agent should be satisfied that the customer is entitled to request payment and that he or she has signed the requests for payment. The agent should obtain written instructions to credit the redemption proceeds to the customer's account or to make some other disposition. For its protection, the agent should retain such instructions for as long as ten years in the event the transaction is later questioned.

(c) *Interest reporting.* [Sec. 321.7(e)] Pursuant to 26 CFR 1.6049–4, an agent is required to report interest income in the amount of $10 or more paid as part of the redemption value of securities. Reports to payees should be made on Form 1099–INT or an IRS-approved substitute; reports to the Internal Revenue Service should be made in accordance with that agency's instructions. A separate report may be made for each transaction in which interest in the amount of $10 or more is paid, or all interest payments, made during a calendar year, may be aggregated and reported annually should the total amount be $10 or more.

8. *Redemption-exchange of Series E and EE savings bonds and savings notes.* [Sec. 321.8]

(a) *General.* [Sec. 321.8 (a) and (b)] The general authority of paying agents to redeem securities in exchange for Series HH bonds extends only to eligible Series E and EE savings bonds and savings notes presented with a completed Form PD 3253, ''Exchange Subscription for United States Savings Bonds of Series HH.'' Securities eligible for exchange are: (1) Series EE bonds presented no earlier than six months from their issue dates; and (2) Series E bonds and savings notes presented no later than one year from the month in which they reached final maturity. The current redemption value of securities presented in one transaction must be at least $500. The presenter must establish his or her identity and entitlement to request the exchange and sign the exchange subcription and the requests for payment on the securities.

(b) *Securities in the name of a minor.* [Sec. 321.8(b)] If an exchange subscription is submitted on behalf of a minor who is too young to comprehend the nature of the transaction, the form must be completed to request that the Series HH bonds be registered either in the minor's name alone or in exactly the same form as the securities presented for exchange. Agents are instructed to discourage exchange transactions involving minors who are too young to conduct them on their own.

(c) *Interest reporting.* [Sec. 321.8(c)] Pursuant to 26 CFR 1.6049–4, an agent is required to report interest income in the amount of $10 or more included in any cash refunded in a redemption-exchange transaction. Reports to payees should be made on Form 1099–INT or an IRS-approved substitute; reports to the Internal Revenue Service should be made in accordance with that agency's instructions. A separate report may be made for each redemption-exchange transaction in which interest in the amount of $10 or more is refunded, or all interest paid in both cash transactions and redemption-exchanges during a calendar year may be aggregated and reported annually should the total amount be $10 or more.

9. *Specific limitations on payment authority.* [Sec. 321.9]

(a) *Allowable exceptions.* [Sec. 321.9] Securities which an agent may not redeem because

of the limitations in §321.9 should be forwarded to the Fiscal Agency Department of a Federal Reserve Bank referred to in §321.25 for handling. However, if an agent is willing to assume full responsibility, it may make payment of an eligible security which bears a minor irregularity, such as a misspelled name, a transposition of letters, etc., because of its knowledge of the facts, or because it wishes to rely on the integrity of the presenter.

(b) *Taxpayer identifying number of presenter.* [Sec. 321.9(f)] An agent shall refuse payment of any security if the taxpayer identifying number of the presenter, or the estate represented by the presenter, is not known to the agent and the presenter is unwilling to furnish the number. A parent who requests payment on behalf of a minor in accordance with §321.7(c) of this part must provide the minor's social security number.

(c) *Payments to minors.* [Sec. 321.9(j)] A minor may not request payment of securities if he or she is not of sufficient competency and understanding to comprehend the nature of the act. Because of individual differences in comprehension, the Treasury has not established any rule as to the exact age at which a minor should be able to redeem securities. An agent may interview a minor to ascertain his or her ability to understand the transaction.

10. *Responsibilities of paying agents.* [Sec. 321.10]

(a) *Requirements for redeeming securities.* [Sec. 321.10(a)] A paying agent shall redeem eligible 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 securities in exchange for Series HH bonds for any presenter, or 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 in accordance with this part and this appendix (see §321.7 (d) and (f)). An agent is not required to redeem securities during Saturday and evening hours if it is open during such periods primarily as a service for its depositors.

(b) *Restrictions.* [Sec. 321.10(b)] Violation of the regulatory prohibitions on making charges for redeeming securities; on advancing money on, making loans on, or discounting the redemption value of securities; and on deferring presentation of redeemed securities to obtain a larger credit, will be cause for disqualification and recovery of the redemption proceeds and profits realized therefrom.

Subpart D—Payment and Transmittal of Securities

11. *Identification of presenter.* [Sec. 321.11(b)]

(a) *Identification guide.* [Sec. 321.11(b)] The Treasury Department has issued an identification guide, Form PD 3900, to assist paying agents in redeeming securities. Careful compliance with the instructions contained therein will enable agents to accommodate reasonable redemption requests and protect themselves from losses. Reliance on newly opened customer accounts as identification, or paying more than $1,000 in a single transaction based on documentary evidence alone, should be particularly avoided.

(b) Record of identification practice and evidence presented. [Sec. 321.11 (b) through (d)] At the time of payment, the agent should make a notation on the back of the security or in its own records specifying precisely what was relied on to establish the presenter's identity. The identification should be adequate to identify the payee under the circumstances of the transaction. If an agent redeems a security upon the request of a surviving beneficiary or a legal representative of the last deceased registrant's estate, it should also make a notation of the evidence presented to establish the payee's entitlement; this might include the document or case number on the death certificate(s) and/or evidence of the legal representative's appointment, the date(s) of death, and the names and locations of the issuing authorities. The notations should be sufficient to permit a determination of the evidence of identity and entitlement at a later date. Otherwise, the agent runs the risk that no evidence can be developed to show that it acted without fault or negligence, in which case it could not be relieved of liability should a loss occur.

12. *Request for payment.* [Sec. 321.11(d)]

(a) *Signature.* [Sec. 321.11(e)] Except where an agent qualified under 31 CFR part 330 (Circular No. 888) elects to use the special endorsement procedure, each security redeemed by the agent must bear the signature of the presenter. The name must be signed exactly as it is inscribed on the security, unless the provisions of 31 CFR part 330 and this appendix provide for an exception, such as in cases involving a change of name by marriage, a request by a parent on behalf of a minor, or a legal representative of the last deceased registrant's estate. An agent may be held liable if the request for payment is not properly signed. Legal representatives must sign as provided in §321.7 (e) and (f).

(b) *Address.* [Sec. 321.11(d)] The presenter must enter a current home or business address in the space provided on the back of the security. If a single transaction includes a group of securities, the address must be shown on at least one security of each of the following types: (1) Paper securities issued prior to October 1957; (2) punch card or machine readable paper securities issued prior to January 1989; and (3) machine readable

paper securities issued subsequent to December 1988.

13. *Redemption value of securities.* [Sec. 321.12]

(a) *Redemption value tables.* [Sec. 321.12] The Bureau of the Public Debt distributes tables of redemption values for:

(1) Series E bonds, (2) Series EE bonds, and (3) savings notes. Additional tables may be requested from the appropriate Federal Reserve Bank referred to in §321.25. The public may purchase redemption tables from the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

(b) *Use of tables.* [Sec. 321.12] A separate monthly table is provided for each of the three types of securities (E bonds, EE bonds, and notes). Care should be exercised to use the correct table for the security presented and 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.

(c) *Cash redemption.* [Sec. 321.12] The correct redemption value of securities redeemed by an agent should be paid to the presenter in currency or, upon request, by check payable to the presenter or by credit to his or her account.

(d) *Redemption-exchange.* [Sec. 321.12] The redemption values of securities presented for exchange for Series HH bonds shall be those payable in the month the agent accepts a correctly completed and signed exchange subscription, Form PD 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 (1) add cash to increase the amount of the subscription to the next higher $500 multiple, or (2) 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. *Cancellation of redeemed securities.* [Sec. 321.13]

(a) *Paying agent stamp.* [Sec. 321.13] Each redeemed security must be cancelled by the imprint of a payment stamp. The stamp may not exceed 1⅛ inches in any dimension and must include the following information in the arrangement shown:

Paid $——— (for recording amount paid).

Name, location, and four-digit paying agent code number assigned by the appropriate Federal Reserve Bank referred to in §321.25 (subject to abbreviation and arrangement by the Bank).

Date ——— (for recording actual date of payment).

By ——— (for use by agent in recording initials, or signature, codes, symbols, etc., of the officer or employee who approved or made the payment).

(b) *Procurement of stamps.* [Sec. 321.12] A paying agent may requisition stamps from the Fiscal Agency Department of the appropriate Federal Reserve Bank referred to in §321.25 or purchase its own stamps. Stamps not provided by the appropriate Federal Reserve Bank referred to in §321.25 must conform exactly in size and design to that prescribed or approved by the Bank. To insure legible impressions, stamps should be replaced when worn.

(c) *Imprinting payment stamp and recording payment date.* [Sec. 321.13] After determining that a security is eligible for payment, the agent should carefully imprint the payment stamp on its face in the open space immediately to the left of, and as close as possible to, the issue date and issuing agent validating data. It is important not to overprint any data on the security, particularly the serial number, since the security will subsequently be microfilmed. No other stamps shall be placed on the face of the security. Care should be taken to record legibly the correct amount, the exact date of redemption, and the signature, initials, or other identification of the agent's employee who approved or made the payment. A dark-colored ink must be used, and care should be taken not to smear the stamp impression or the writing.

(d) *Redemption-exchange.* [Sec. 321.13] Securities 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.

(e) *MICR-encoding of payment information.* [§321.13] An agent shall MICR-encode the redemption value in the ''Amount'' field on the face of each security or arrange to have this service performed by another financial institution. If the agent transmits securities in mixed cash letters, it must also MICR-encode the routing/transit number assigned to

the Bureau of the Public Debt's savings bond activity in the ''R/T'' field on the face of all pre-October 1957 paper securities and those punch card securities on which it does not already appear. The Bureau's routing/transit number is 000090007. Care should be taken in repairing MICR-encoded items so as not to obliterate any data in surrounding MICR fields or elsewhere on the face of the security.

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. Securities redeemed in exchange for Series HH bonds must be transmitted for settlement via EZ CLEAR at the same time as the exchange application (PD F 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. Securities redeemed on exchange may be commingled with cash redemptions in mixed or separately sorted cash letters.

16. *Transmittal of securities to Federal Reserve Bank via fiscal agency system.* [§321.14] The Fiscal Agency Department of a Federal Reserve Bank or Branch will not accept for settlement securities an agent has redeemed.

17. *Transmittal of securities to Federal Reserve Bank via EZ CLEAR.* [Sec. 321.14]

(a) *Form to be used.* [Sec. 321.14] The presenting institution shall transmit all redeemed securities to the Check Department of a Federal Reserve Bank or Branch or Regional Check Processing Center in accordance with the Bank's instructions. Except as otherwise provided in the Bank's instructions and operating circulars, cash letters may be comprised of one or more bundles of separately sorted redeemed securities (separately sorted cash letter) or one or more bundles of mixed items (mixed cash letter). The cash letter shall show the name, address, and ABA number of the presenting institution, the date of presentation, the total number of pieces transmitted, the value of each of the bundles in the cash letter, and the total value of the cash letter.

(b) *Composition of cash letters.* [Sec. 321.14] Series A, B, C, D, E, and EE bonds and savings notes redeemed for cash or on exchange may be commingled in (1) mixed cash letters containing commercial checks and other items or (2) 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.

(c) *Transmittal of securities.* [Sec. 321.14] Cash letters containing redeemed securities shall be transmitted to a Federal Reserve Bank in accordance with the Bank's circulars and instructions.

(d) *Timing of transmittals.* [Sec. 321.14] Cash letters containing redeemed securities should be transmitted according to the same schedule used for other commercial check collection system items.

(e) *Settlement for the audit of paid securities.*

(1) *Settlement.* [Sec. 321.14] The Federal Reserve Bank will make immediate settlement for the total value of redeemed securities as shown on each cash letter. Settlement will be made by a credit to the reserve or clearing account of the agent or designated correspondent institution. Data concerning redeemed security transmittals will be sent to the Bureau of the Public Debt for audit. The amount will be subject to adjustment if discrepancies are discovered after settlement has been made.

(2) *Audit and adjustment* [§321.14] The Bureau of the Public Debt will audit all redemption data received from the Central Site as promptly as possible. Each presenting institution will, in due course, be notified by the Bank of any adjustments required. The Bank will adjust via a charge or credit to the presenting institution's Reserve or clearing account any amounts previously credited to that account.

(3) *Requests for Adjustments.* Depositors who discover errors in their EZ CLEAR cash letters subsequent to deposit should allow sixty (60) calendar days from the date of their EZ CLEAR cash letter before requesting adjustments for the cash letter. This will allow sufficient time for the Treasury to classify the savings bonds, forward adjustments to the Central Site and for the Central Site to research and function adjustments to the depositor.

(4) *Separately Sorting Depositors* should submit adjustment requests directly to the Central Site Adjustments Department in correspondence. However, all requests for adjustments due to incorrect cash letter crediting should be directed to the servicing Federal Reserve Bank.

(5) *Mixed Depositors* should submit adjustment requests to their servicing Federal Reserve Bank.

18. *Record of securities paid.* [§§321.14 and 321.24] A record of the serial number and the amount paid for each redeemed security must be retained by the agent for one year so that settlement can be made if the security is lost in transit, and so that the agent can process any subsequent adjustment as described in paragraph 17(e)(2) above. For that purpose, agents are authorized to microfilm the face and back of each security

they redeem. Such film records shall be kept confidential and prints therefrom may be made only with the permission of the Bureau of the Public Debt or an appropriate Federal Reserve Bank.

Subpart E—Losses Resulting from Erroneous Payments

19. *Report of erroneous payment.* [Sec. 321.16] Any erroneous payment that comes to the attention of an agent should be reported immediately to the Bureau of the Public Debt, Parkersburg, WV 26106–1328. The nearest office of the Secret Service should also be notified if the agent believes that a security presented for redemption may be counterfeit or stolen, or if the circumstances of the presentation are suspicious in any other respect.

20. *Notice to agent.* [Sec 321.17(a)] The paying agent will be notified if an erroneous payment has occurred. The notice will generally be in writing from the Bureau of the Public Debt. If an investigation is to be made, the notice will enable the agent to notify its bonding company, assemble pertinent information concerning the transaction for presentation during the investigation, and take any other action it deems appropriate to protect its interest.

21. *Determination of liability.* [Sec. 321.18 and Sec. 321.21]

(a) Upon completing the investigation, the Bureau of the Public Debt will examine the available information and determine whether a paying agent may be relieved of liability for any loss that may have resulted. If the paying agent cannot be relieved of liability, demand will be made upon the paying agent to reimburse the Treasury promptly. Any amount not paid within 30 days following the mailing of the first demand letter is subject to the following charges.

(1) Interest shall accrue from the date the first demand letter is mailed to the date reimbursement is made. The rate of interest to be used will be the current value of funds rate published annually or quarterly in the FEDERAL REGISTER and in effect during the entire period in which the remittance is late.

(2) Administrative costs shall be assessed as set out in the first demand letter, if reimbursement is not made within 30 days of the date the first demand letter is mailed.

(3) Penalty charges shall be assessed, in accordance with 31 U.S.C. 3717(e), if reimbursement is not made within 120 days of the date the first demand letter is mailed. The penalty charge will accrue and be calculated from 30 days after the date the first demand letter is mailed to the date of reimbursement.

(b) When a paying agent fails, within 120 days of the date the first demand letter is mailed, to make such reimbursement or to submit new evidence sufficient for Public Debt to change the determination of liability, by virtue of the paying agent's acceptance of settlement via credits to a Reserve, correspondent, or clearing account with a Federal Reserve Bank or Branch, the agent is deemed to have authorized the Federal Reserve Bank to debit the amount due from that account designated or utilized by the agent at the Federal Reserve Bank or Branch. An institution, designated by a paying agent to receive settlement on its behalf, in authorizing such paying agent to utilize its Reserve, correspondent, or clearing account on the books at the Federal Reserve Bank shall similarly be deemed to authorize such debits from that account.

(c) Reconsideration of a determination of liability will be made in any case when a paying agent so requests and presents additional evidence and information regarding the transaction.

22. *Relief for lack of timely notice.* [Sec 321.18] A paying agent will be relieved of liability to the United States for any loss resulting from the erroneous payment of securities where the Secretary of the Treasury, or his designee, determines that written notice of either liability or potential liability has not been given to the agent within ten years of the date of the erroneous payment.

Subpart F—Forwarding Items

23. *Securities forwarded to Federal Reserve Bank for payment.* [Sec 321.22]

(a) *General.* [Sec 321.22] Securities presented for cash payment or redemption-exchange, that an agent is not authorized to redeem, shall be forwarded to the Fiscal Agency Department of the appropriate Federal Reserve Bank referred to in § 321.25, with all required supporting documentation and any necessary payment instructions.

(b) *Signature to and certification of request for payment.* [Sec 321.22] An agent qualified under part 330 (Circular No. 888) may elect to specially endorse securities for presenters in lieu of requiring completion of the requests for payment. Unless this procedure is used, the presenter must sign the request on each security and the signature must be certified. Before completing the certification, the agent should establish the identity of the presenter. The Treasury's identification guidelines should be followed in view of the potential liability that attaches to such certification.

(c) *Address and Taxpayer identifying number.* [Sec 321.22] In every case, a current address shall be furnished. The presenter's taxpayer identifying number (social security number or employer identification number) shall be provided if it is not included in the inscription.

(d) *Redemption-exchange.* [Sec 321.22] For redemption-exchange transactions submitted as forwarding items, the issue date of the Series HH bonds will be the first day of the month in which a correctly completed and

signed exchange subscription and full payment are received by the appropriate Federal Reserve Bank referred to in §321.25.

(e) *Partial redemption.* [Sec 321.9(1) and 321.22] partial redemption of a security other than a $25 Series E bond or savings note, a $50 Series EE 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. The security shall be forwarded to the Fiscal Agency Department of a Federal Reserve Bank.

Subpart G—Miscellaneous Provisions

24. *Fees and charges.* [Sec 321.23] Service fees are not intended to compensate paying agents for the reporting of interest paid as part of the redemption value of securities as required by Federal Tax Regulations (26 CFR 1.0649–4).

Fees will be paid to the presenting institution for securities redeemed during each calendar month that are submitted in separately sorted cash letters; such fee payments will be made only by ACH. No fees will be paid for securities received by the Federal Reserve Bank in mixed cash letters. The Bank will charge the presenting institution for processing redeemed securities received in mixed cash letters. Inquiries regarding separately sorted cash letters should be directed to the Pittsburgh Branch, Federal Reserve Bank of Cleveland, P.O. Box 867, Pittsburgh, PA 15230–0867. Inquiries regarding mixed cash letters should be directed to the Federal Reserve Bank or Branch or Regional Check Processing Center where the cash letters were directed.

25. *Claims on account of lost securities* [§321.24] If a security redeemed by an agent is lost, stolen, or destroyed while in the custody of the agent, or in transit prior to settlement or audit, relief will be considered, provided the security can be identified by serial number. [See paragraph 18 of this appendix regarding the maintenance of records of redeemed securities]. The presenting institution should resubmit a photocopy of the security to obtain settlement in accordance with established procedures. Questions concerning the established procedures should be referred to the servicing Federal Reserve Bank.

26. *Education savings bond program.* [Sec. 321.7(g)]

(a) Section 6009 of the Technical Corrections and Miscellaneous Revenue Act of 1988, Public Law 100–647 (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, 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 agent is encouraged to provide assistance by:

(1) Directing him or her to IRS Publications 550, Investment Income and Expenses, and 17, Your Federal Income Taxes, for detailed information; or

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

(b) Bond owners seeking to benefit from the special tax exclusion, available through the savings bond education feature, should be aware of the following basic rules:

(1) Only interest earned on Series EE bonds bearing issue dates on or after January 1, 1990, is eligible for the exclusion of interest income, where the proceeds from the redemption of the bonds are used to pay qualified post-secondary education expenses. Interest received on bonds bearing issue dates prior to January 1, 1990, is not eligible.

(2)(i) The bonds must be registered in the name of a taxpayer as sole owner, or in the name of the taxpayer as co-owner, with the taxpayer's spouse as the other co-owner. Bonds registered in the name of the taxpayer's child, as owner or co-owner, will not qualify for the exclusion. A taxpayer may purchase bonds registered in beneficiary form, i.e., ''A payable on death to B'', naming any individual, including a child, as beneficary.

(ii) The bonds must be registered in the name of a taxpayer who has attained the age of 24 years at the time of issue. Generally, a taxpayer must be 24 years of age on or before the first day of the month in which the taxpayer purchases the bond, because savings bonds bear the issue date of the first day of the month in which purchased.

(3) The bond must be redeemed by the owner or co-owner. It may not be transferred to-the educational institution.

(4) If the entire amount of the proceeds of the eligible bonds is less than, or equal to, the qualified post-secondary educational expenses incurred by the owner, his or her spouse, or his or her dependent, all interest received is excludable, subject to the limitations in paragraph (b)(7) of this section. If the amount of the proceeds exceeds such qualified expenses, the excludable portion of the interest will be reduced by a pro rata amount.

(5) Qualified educational expenses are limited to tuition and fees required for the enrollment of, or attendance by, the taxpayer,

or the taxpayer's spouse or dependent, at an eligible educational institution. These expenses are calculated net of scholarships, fellowships, employer-provided educational assistance, and other tuition reduction amounts, and must be incurred during the tax year of the redemption of the bonds for which the interest exclusion is claimed.

(6) Eligible educational institutions include those defined in sections 1201(a) and 481(a)(1) (C) and (D) of the Higher Education Act of 1965, as in effect on October 21, 1988, excluding proprietary institutions. Such eligible institutions include post-secondary institutions, and vocational schools that meet the standards for participation in Federal financial aid programs, excluding proprietary institutions. Additional gudiance concerning eligible institutions should be obtained from the Department of Education.

(7)(i) Interest exclusion benefits are based on the modified adjusted gross income of the taxpayer. For taxpayers filing a joint Federal income tax return, the exclusion is gradually decreased for modified adjusted gross income between $60,000 and $90,000. Married taxpayers filing jointly who have modified adjusted gross incomes above $90,000 are ineligible for the exclusion. For single taxpayers and heads of households, the exclusion is gradually decreased for such incomes between $40,000 and $55,000. Single taxpayers with such incomes above $55,000 are ineligible for the exclusion. After 1990, these income limits will be adjusted for inflation.

(ii) Married taxpayers must file a joint return in order to qualify for the exclusion. Married taxpayers filing separate returns will not qualify for the exclusion, regardless of their modified adjusted gross incomes.

(8) The taxpayer is responsible for maintaining adequate records of bond redemption transactions to support claims for the exclusion, in accordance with applicable rules and regulations of the Internal Revenue Service.

(9) The Internal Revenue Service should be consulted for advice concerning the eligibility and tax treatment of bonds for the income exclusion under the educational savings bond program.

27. *Additional information.* [Sec 321.25] Requests for additional advice, clarification of the payment regulations or this Appendix, and other matters relating to the actions of a financial institution as paying agent should generally be made to the appropriate Federal Reserve Bank referred to in §321.25.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 35397, Aug. 29, 1990; 59 FR 10538, Mar. 4, 1994; 61 FR 37197, July 16, 1996]

PART 323—DISCLOSURE OF RECORDS

Sec.
323.1 Purpose of regulations.
323.2 Rules governing availability of information.
323.3 Materials available for inspection and copying.
323.4 Requests for identifiable records.
323.5 Fees.

AUTHORITY: 80 Stat. 379; sec. 3, 60 Stat. 238, as amended; 5 U.S.C. 301, 552.

SOURCE: 32 FR 9967, July 7, 1967, unless otherwise noted.

§323.1 Purpose of regulations.

The regulations of this part are issued to implement 5 U.S.C. 552(a) (2) and (3). The requirements of 5 U.S.C. 552(a)(1) are met through the publication in the FEDERAL REGISTER of the statement of the organization, functions and procedures available of the Fiscal Service, including the Bureau of the Public Debt, and revisions thereof, and through the publication therein of substantive and procedural regulations of the Bureau. A synopsis of the statements of Bureau organization, functions and procedures available will be published annually by the Office of the Federal Register in the U.S. Government Organization Manual.

§323.2 Rules governing availability of information.

(a) *General.* The records of the Bureau of the Public Debt required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the regulations on the Disclosure of Records of the Office of the Secretary issued under 5 U.S.C. 552 and published as part I of title 31 of the Code of Federal Regulations, 32 FR 9562, July 1, 1967, except as specifically provided in this part.

(b) *Limitations on the availability of records relating to securities.* Records relating to the purchase, ownership of, and transactions in Treasury securities or other securities handled by the Bureau of the Public Debt for government agencies or wholly or partially Government-owned corporations will ordinarily be disclosed only to the owners

of such securities, their executors, administrators or other legal representatives or to their survivors or to investigative and certain other agencies of the Federal and State governments, to trustees in bankruptcy, receivers of insolvents' estates or where proper order has been entered requesting disclosure of information to Federal and State courts. These records are held confidential because they relate to private financial affairs of the owners.

§ 323.3 Materials available for inspection and copying.

(a) *Availability*. The materials which are required under 5 U.S.C. 552(a)(2) to be made available for inspection and copying are:

(1) Final opinions or orders made in the adjudication of cases. Any issued by the Bureau of the Public Debt would be in the form of letters or memorandums setting out determinations made in disposing of any matter before the Bureau.

(2) Statements of policy and interpretations which have been adopted by the Bureau but not published in the FEDERAL REGISTER.

(3) Administrative staff manuals and instructions to the staff that affect any member of the public. Some Federal Reserve Bank memorandums and Public Debt memorandums will be made available under this provision.

(b) *Location*. The materials listed in paragraph (a) of this section are available for inspection and copy during office hours in the Public Reading Room of the Treasury Department, 15th Street and Pennsylvania Avenue NW., Washington, DC 20220.

§ 323.4 Requests for identifiable records.

(a) *Procedure*. (1) A written request for an identifiable record relating to a U.S. savings bond or note shall be addressed to the Deputy Commissioner, Bureau of the Public Debt, Chicago, IL 60605.

(2) A request for an identifiable record relating to any Treasury Department security, other than a savings bond or note, or a security of a Government agency or a wholly or partially Government-owned corporation, the record of which is maintained by the Bureau of the Public Debt, shall be addressed to the Chief, Division of Loans and Currency, Bureau of the Public Debt, Washington, DC 20226.

(3) A request for an identifiable record relating to any security of a Government agency or wholly or partially Government-owned corporation, the record for which is maintained by the Federal Reserve Bank of New York, shall be addressed to the Federal Reserve Bank of New York, New York, NY 10045.

(4) A written request for any identifiable record that the Bureau of the Public Debt has other than those set out in paragraphs (a) (1), (2), and (3) of this section shall be addressed to the Commissioner of the Public Debt, Washington, DC 20220.

(5) A request may be presented in person at the office to which a written request would be addressed.

(b) *Determination of availability*. Determination as to whether or not a requested record shall be disclosed will be made by the Officer to whom the request should be directed under paragraph (a) of this section, and by the Bureau of Public Debt Information Officer for requests directed to the Office of the Commissioner, subject to an appeal to the Commissioner of the Public Debt. The decision of the Commissioner shall constitute final agency action unless he refers the appeal to the Fiscal Assistant Secretary, in which case the decision of the Fiscal Assistant Secretary shall constitute final agency action.

§ 323.5 Fees.

The fees provided in part 1 of title 31 of the CFR (32 FR 9562, July 1, 1967), shall apply to all requests for identifiable records under this part except as follows:

(a) No charge will be made for verifying the record of a savings bond or note identified by series and denomination and either the registration and issue date or the serial number at the request of the owner, coowner, or surviving beneficiary or person entitled to the security under the applicable regulations.

(b) No charge will be made for verifying the record of a registered Treasury security, other than a savings bond or

note, or a registered security of a Government agency or a wholly or partially Government-owned corporation, identified as to loan and registration for an owner, joint owner or person entitled to the security under the applicable regulations.

(c) No charge will be made for advising a person who has submitted satisfactory evidence of ownership as to the status of a bearer Treasury security or a bearer security of a Government agency or a wholly or partially Government-owned corporation.

(d) No charge will be made for furnishing an owner, coowner, joint owner, surviving beneficiary, or person who is entitled to the security under the applicable regulations a photocopy or similar reproduction of any Treasury security, with any necessary supporting documents, which it is alleged was improperly paid or was reissued, transferred or redeemed on a forged or defective request, endorsement, or assignment.

(e) Fees may be waived for other classes of requested records upon a finding by the Commissioner of the Public Debt that the person requesting the information is entitled to the record requested without charge.

PART 328—RESTRICTIVE ENDORSEMENTS OF U.S. BEARER SECURITIES

Sec.

328.1 Scope of regulations.
328.2 Definitions.
328.3 Authorization for restrictive endorsements.
328.4 Effect of restrictive endorsements.
328.5 Forms of endorsement.
328.6 Requirements for endorsement.
328.7 Shipment of securities.
328.8 Loss, theft, or destruction of securities bearing restrictive endorsements.
328.9 Miscellaneous.

AUTHORITY: R.S. 3706; 40 Stat. 288, 502, 1309; 46 Stat. 20; 48 Stat. 343; 49 Stat. 20; 56 Stat. 189; 73 Stat. 622; 85 Stat. 5, 74 (31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a and 754b); and 5 U.S.C. 301.

SOURCE: 38 FR 10682, Apr. 30, 1973, unless otherwise noted.

§ 328.1 Scope of regulations.

The regulations in this part are applicable only to U.S. bearer securities[1] presented:

(a) By or through banks for payment at or after their maturity or call date, or in exchange for any securities under any exchange offering,

(b) By banks for conversion to book-entry securities,

(c) By or through banks at any time prior to their maturity or call date for redemption at par and application of the entire proceeds in payment of Federal estate taxes, provided said securities by the terms of their issue are eligible for such redemption, and

(d) By Service Center Directors and District Directors, Internal Revenue Service, for redemption, with the proceeds to be applied in payment of taxes (other than securities presented under paragraph (c) of this section).

These regulations do not apply to bearer securities presented for any other transactions, or to registered securities assigned in blank, or to bearer, or so assigned as to become, in effect, payable to bearer.

§ 328.2 Definitions.

Certain words and terms, as used in these regulations, are defined as follows:

(a) *Banks* refer to, and include, incorporated banks (i.e., banks doing a general commercial banking business), incorporated trust companies (i.e., trust companies doing either a general banking business or a general trust business), and savings and loan associations, building and loan associations, and such other financial institutions as may be designated by the Federal Reserve banks. This definition is limited to institutions incorporated within the United States, its territories and possessions, the Commonwealth of Puerto Rico and the Canal Zone.

(b) *Bearer securities* or *securities* are those which are payable on their face to *bearer*, the ownership of which is not recorded. They include *Treasury bonds*,

[1] Certain agencies of the United States and certain Government and Government-sponsored corporations also authorize the restrictive endorsement of bearer securities.

Treasury notes, Treasury certificates of indebtedness, and *Treasury bills.*

§ 328.3 Authorization for restrictive endorsements.

(a) *By banks.* Banks are authorized, under the conditions and in the form hereinafter provided, to place restrictive endorsements upon the face of bearer securities owned by themselves or their customers for the purpose of presentation to Federal Reserve banks or branches, or to the Bureau of the Public Debt, as follows:

(1) For payment or redemption—at any time within 1 calendar month prior to their maturity date, or the date on which they become payable pursuant to a call for redemption, or at any time after their maturity or call date;

(2) For exchange—during any period for their presentation pursuant to an exchange offering;

(3) For redemption at par in payment of Federal estate taxes (only eligible securities)—at any time prior to their maturity or call redemption date; and

(4) For conversion to book-entry securities under subpart O of part 306 of this chapter—at any time prior to their maturity or call redemption date.

(b) *By Service Center Directors and District Directors, Internal Revenue Service.* Service Center Directors and District Directors, Internal Revenue Service, are authorized, under the conditions and in the form hereinafter provided, to place restrictive endorsements upon the face of bearer securities for the purpose of presentation to Federal Reserve banks or branches, or to the Bureau of the Public Debt, for redemption and application of the proceeds in payment of taxes (other than securities presented for redemption at par and application of the proceeds in payment of Federal estate taxes).

(c) *Instructions from Federal Reserve banks.* Federal Reserve banks will inform eligible banks and Service Center Directors and District Directors, Internal Revenue Service, in their respective districts as to the procedure to be followed under the authority granted by these regulations. Restrictive endorsements shall not be placed on securities until such information is received from the Federal Reserve banks.

§ 328.4 Effect of restrictive endorsements.

Bearer securities bearing restrictive endorsements as herein provided will thereafter be nonnegotiable and payment, redemption, or exchange will be made only as provided in such endorsements.

§ 328.5 Forms of endorsement.

(a) *When presented by banks*—(1) *For payment or exchange.* The endorsement placed on a bearer security presented for payment or exchange by a bank should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for redemption or in exchange for securities of a new issue, in accordance with written instructions submitted by _____. (Insert name of presenting bank)

(2) *For redemption at par.* The endorsement placed on a bearer security presented for redemption at par in payment of Federal estate taxes should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for redemption at par in payment of Federal estate taxes, in accordance with written instructions submitted by _____. (Insert name of presenting bank)

(b) *For conversion to book-entry securities.* The endorsement placed on a bearer security presented for conversion to a book-entry security shall be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for conversion to book-entry securities by _____. (Insert name of presenting bank)

(c) *When presented by Service Center Directors or District Directors, Internal Revenue Service.* The endorsement placed on a bearer security by a Service Center Director or a District Director, Internal Revenue Service, should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for redemption, the proceeds to be credited to the account of the Service Center Director, Internal Revenue Service, at _____, for credit on the Federal _____ (Income, gifts, or other)

taxes due from ———————. (Name and address)

§ 328.6 Requirements for endorsement.

(a) *On bearer securities.* The endorsement must be imprinted in the lefthand portion of the face of each security with the first line thereof parallel to the left edge of the security and in such manner as to be clearly legible and in such position that it will not obscure the serial number, series designation, or other identifying data, and cover the smallest possible portion of the text on the face of the security. The dimensions of the endorsement should be approximately 4 inches in width and 1½ inches in height, and must be imprinted by stamp or plate of such character as will render the endorsement substantially ineradicable. The name of the Federal Reserve bank of the district must appear on the plate or stamp used for the imprinting of the endorsement, and presentation to the appropriate branch of the Federal Reserve bank named will be considered as presentation to the bank. When securities are to be presented to the Bureau of the Public Debt, the words ''United States Treasury'' should be used in lieu of the words ''Federal Reserve Bank of ———————, Fiscal Agent of the United States.'' No subsequent endorsement will be recognized. If the form of endorsement on a security is different than that prescribed in § 328.5, the provisions of §§ 328.7 and 328.8 shall not apply to the security.

(b) *On coupons.* Unmatured coupons attached to restrictively endorsed securities should be canceled by imprinting the prescribed endorsement in such manner that a substantial portion of the endorsement will appear on each such coupon. If any such coupons are missing, deduction of their face amount will be made in cases of redemption, and in cases of exchange, remittance equal to the face amount of the missing coupons must accompany the securities. All matured coupons, including coupons which will mature on or before the date of redemption or exchange (except as otherwise specifically provided in an announcement of an exchange offering), should be detached from securities upon which restrictive endorsements are to be imprinted.

§ 328.7 Shipment of securities.

Securities bearing restrictive endorsements may be shipped, at the risk and expense of the shipper, by registered mail, messenger, armored car service, or express to the Federal Reserve bank of the district in which the presenting bank, the Service Center Director, or the District Director, Internal Revenue Service, is located, or to the appropriate branch of such Federal Reserve bank, shipments to the Bureau of the Public Debt, Washington, DC, should be made by messenger or armored car.

§ 328.8 Loss, theft, or destruction of securities bearing restrictive endorsements.

(a) *General.* Relief will be provided on account of securities bearing restrictive endorsements proved to have been lost, stolen or destroyed, upon the owner's application, in the same manner as registered securities which have not been assigned. (See subpart N of the current revision of Department Circular No. 300, the general regulations governing United States securities.) Except for bearer securities submitted for redemption at par in payment of Federal estate taxes, a bank will be considered the owner of securities handled on behalf of customers unless it otherwise requests. The application for relief (Form PD 2211) and instructions will be furnished by the Federal Reserve banks.

(b) *Bond of indemnity.* Where securities bearing restrictive endorsements shipped by a bank have been lost, stolen, or destroyed, a bond of indemnity with surety satisfactory to the Secretary of the Treasury will be required from the owner. If such bond is executed by a bank or other corporation, the execution must be authorized by general or special resolution of the board of directors, or other body exercising similar functions under its bylaws. Ordinarily, no surety will be required on a bond executed by a presenting bank. The Secretary of the Treasury reserves the right, however, to require a surety in any case in which he

considers such action necessary for the protection of the United States.

§ 328.9 Miscellaneous.

The provisions of this circular are subject to the current revision of Department Circular No. 300. The Secretary of the Treasury reserves the right at any time to amend, supplement, or withdraw any or all of the provisions of these regulations.

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

Sec.
330.0 Purpose.
330.1 Definition of terms.
330.2 Qualification for use of special endorsement.
330.3 Special endorsement of securities.
330.4 Guaranty given to the United States.
330.5 Evidence of owner's or beneficiary's authorization to affix special endorsement.
330.6 Securities eligible for special endorsement.
330.7 Payment or redemption—exchange by agent.
330.8 Payment or redemption—exchange by Federal Reserve Bank.
330.9 Fiscal agents.
330.10 Modifications of other circulars.
330.11 Supplements, amendments, or revisions.

AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 53 FR 37519, Sept. 26, 1988, unless otherwise noted.

§ 330.0 Purpose.

The regulations in this part establish a procedure under which qualified paying agents may specially endorse United States Savings Bonds of certain series and United States Savings Notes (Freedom Shares), and either redeem the securities so endorsed, or forward them to a Federal Reserve Bank for redemption, with or without the owner's signature to the requests for payment.

§ 330.1 Definition of terms.

As used in this part:

(a) *Federal Reserve Bank or Bank* refers to the Federal Reserve Bank providing savings bond services to the district in which a paying agent is located. See § 330.9.

(b) *Owner(s)* means the person(s) named as registered owner or coowners on a bond or note, or as the designated beneficiary who has succeeded to ownership of the bond or note upon the death of the owner. For the purposes of special endorsement, but not payment, by a qualified agent, the term may also include fiduciaries, corporations, partnerships, associations, and other entities named on a security, where such registration is authorized.

(c) *Paying agent(s)* or *agent(s)* refers to an eligible financial institution qualified under the provisions of this part to specially endorse securities and qualified, under the provisions of Department of the Treasury Circular No. 750, current revision (31 CFR part 321), to redeem eligible savings bonds and notes. The term includes the branches of a qualified agent that redeem bonds and notes and are themselves directly accountable for such redemptions.

(d) *Redemption* and *payment* are used interchangeably for payment of a bond or note in accordance with the terms of its offering and the regulations governing it, and include *redemption-exchange*.

(e) *Redemption-exchange* means any authorized redemption of eligible securities for the purpose of applying the proceeds in payment for other securities offered in exchange by the Treasury.

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

(g) *Savings notes(s)* or *notes(s)* means a United States Savings Note (Freedom Share).

(h) *Security* or *securities* means a savings bond or note, as defined in paragraphs (f) and (g) of this section.

(i) *Special endorsement* means a procedure under which a security is redeemed by an agent, qualified under the provisions of this part, for cash or on redemption-exchange (or forwarded for redemption to a designated Federal Reserve Bank, where appropriate), utilizing a special stamp placed on the security in lieu of a request for payment signed by the owner.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10538, 10539, Mar. 4, 1994]

§ 330.2 Qualification for use of special endorsement.

(a) *Application for authority.* Any financial institution qualified as a paying agent of savings bonds and notes under the provisions of Department of the Treasury Circular No. 750, current revision, may establish its eligibility to employ the special endorsement procedure by executing and submitting the appropriate application-agreement form to the designated Federal Reserve Bank. In executing the form, the agent certifies that, by duly executed resolution of its governing board or committee, it has been authorized to apply for the privilege of paying and processing securities in accordance with the provisions and conditions of this part (Circular No. 888, including all supplements, amendments, and revisions, and any related instructions). If the application is approved, the designated Federal Reserve Bank will issue a certificate of qualification.

(b) *Agents previously qualified.* Paying agents qualified under previous revisions of this part are authorized to continue to act without requalification. They shall, however, be subject to the terms and conditions of the previously executed application and these regulations in the same manner and to the same extent as though they had requalified hereunder.

(c) *Termination of qualification.* The Secretary of the Treasury reserves the right to withdraw the special endorsement authority from any paying agent at any time. Such authority will also be terminated at any time at the request of the paying agent. In either event, formal notice of the termination shall be given to the agent in writing by the designated Federal Reserve Bank.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.3 Special endorsement of securities.

(a) *Form of endorsement.* Each security processed under the provisions of this part shall bear the following endorsement:

Request by owner and validity of transaction guaranteed in accordance with T.D. Circular No. 888, as revised. (Name, location, and paying agent code number assigned by designated Federal Reserve Bank.)

This endorsement must be legibly impressed in black or other dark-colored ink on the back of the security in the space provided for the owner to request payment.

(b) *Endorsement stamps.* Endorsement stamps may be obtained from the designated Federal Reserve Bank or, with its approval, purchased by the agent. Requests for stamps to be furnished or approved by the Bank must be made in writing by an officer of the paying agent. Stamps procured by an agent may not exceed a space bounded by 1¾ inches vertically and 3 inches horizontally. They must follow exactly the wording prescribed. They may also include space for the transaction date and the initials or signature of the officer or employee authorized to approve the transaction.

(c) *Securities registered in coownership or beneficiary form.* In the case of securities registered in coownership or beneficiary form, the agent shall indicate which person, whose name is inscribed thereon, requested payment or exchange by encircling in black or other dark-colored ink the name of that person (or both coowners, if the request is joint) in the inscription on the face of the securities.

(d) *Restrictions.* Under no circumstances shall the special endorsement procedure be used to give effect to a transfer, hypothecation or pledge of a security, or to permit payment to any person other than the owner, coowner, or, where appropriate, beneficiary. Violation of these provisions will be cause for withdrawal of an agent's authority to process securities under the special endorsement procedure, and may involve additional penalties if the circumstances warrant such action.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.4 Guaranty given to the United States.

By the act of paying or presenting to a designated Federal Reserve Bank, for payment or exchange, a security on

which it has affixed the special endorsement, a payment agent shall be deemed to have:

(a) Unconditionally guaranteed to the United States the validity of the transaction, including the identification of the owner and the disposition of the proceeds or the new bonds, as the case may be, in accordance with the presenter's instruction;

(b) Assumed complete and unconditional liability to the United States for any loss which may be incurred by the United States as a result of the transaction; and

(c) Unconditionally agreed to make prompt reimbursement for the amount of any loss, upon request of the Department of the Treasury.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 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, coowner or beneficiary in order to use the special endorsement procedure. In the case of a redemption-exchange, the owner, coowner or beneficiary authorized to request the exhange (as specified in Circular No. 750, §321.8(b)), must sign the exchange subscription even though the securities are specially endorsed.

(b) *Securities in coownership or beneficiary form.* Securities registered in coownership or beneficiary form should be accepted for special endorsement only for immediate payment or exchange. Acceptance of bonds and notes for processing at some future date should be avoided as authority to utilize such endorsement generally expires upon the death of the owner or coowner on whose behalf securities were to be paid. Requests for payment of securities present by the surviving beneficiary must be supported by a certificate of death for the owner named thereon, as required by Circular No. 750, part 321 and the appendix to that part.

(c) *Record of authorization.* Agents should maintain such records as may be necessary to establish the receipt of, and compliance with, instructions supporting the special endorsement. If the agent elects to make notations on the backs of the securities to serve as a record, the Bureau of the Public Debt will undertake to produce, on request, photocopies of such securities at any time up to ten years after the redemption date. However, the Bureau does not not assume responsibility for the adequacy of such notations, for the legibility of any photocopy, or for failure to produce a photocopy from its records.

§ 330.6 Securities eligible for special endorsement.

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

(1) Savings bonds of Series A, B, C, D, E, and EE 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).

(b) *Securities which may not be specially endorsed.* The special endorsement procedure may not be used in any case in which payment or exchange:

(1) Is requested by a parent on behalf of a minor child named on the security, or

(2) Requires documentary evidence, under regulations contained in Circulars Nos. 530 and 3–80 (31 CFR parts 315 and 353, respectively), except as indicated in § 330.5.

(c) *Securities owned by nonresident aliens.* As securities owned by a nonresident alien individual, or a nonresident foreign corporation, partnership, or association, may be subject to the nonresident alien withholding tax, bonds and notes held or received by an agent for the account of such owners must be forwarded to the designated Federal Reserve Bank for redemption, even though the agent may specially endorse the securities.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.7 Payment or redemption—exchange by agent.

Specially endorsed securities may be paid in cash or 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, 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.

[53 FR 37519, Sept. 26, 1988; 53 FR 39404, Oct. 6, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 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 checks 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.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.9 Fiscal agents.

(a) The Federal Reserve Banks referred to below, as fiscal agents of the United States, are authorized to perform such services as may be requested by the Secretary of the Treasury, or his or her delegate, in connection with this part.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10539, Mar. 4, 1994]

§ 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, and 3–67 (31 CFR parts 351, 352, 353, and 342, respectively), and any revisions thereof, and those Circulars are hereby modified to the extent necessary to accord with the provisions of this part.

§ 330.11 Supplements, amendments, or revisions.

The Secretary of the Treasury may, at any time, or from time to time, revise, supplement, amend or withdraw, in whole or in part, the provisions of this part.

PART 332—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES H

Sec.
332.1 Offering of bonds.
332.2 Description of bonds.
332.3 Governing regulations.
332.4 Registration.
332.5 Limitation on holdings.
332.6 Purchase of bonds.
332.7 Delivery of bonds.
332.8 Extended terms and yield for outstanding bonds.
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332.10 Payment or redemption.
332.11 Reservation as to issue of bonds.
332.12 Fiscal agents.
332.13 Reservation as to terms of offering.

AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 57 FR 14281, Apr. 17, 1992, unless otherwise noted.

§ 332.1 Offering of bonds.

The Secretary of the Treasury offered for sale to the people of the United States, Unites States Savings Bonds of Series H, hereinafter generally referred to as ''Series H bonds'' or ''bonds''. This offer was terminated on December 31, 1979.

§ 332.2 Description of bonds.

(a) *General.* Series H bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. They were issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series H bonds were issued at face (par) amount and were available in denominations of $500, $1,000, $5,000 and $10,000.

(c) *Inscription and issue.* A bond is valid only if an authorized issuing agent received payment therefore and duly inscribed, dated, and imprinted validated indicia on the bond. The face of each bond was to be inscribed as set forth below:

(1) The name, social security account number and address of the owner, and the name of the beneficiary, if any, or the name, social security account number, and address of the first-named co-owner and the name of the other co-owner. The inscription of the social security number was required for bonds issued on or after January 29, 1963.

(2) The issue date in the upper right-hand portion of the bond; and

(3) The imprint of the agent's validation indicia in the lower right-hand portion to show the date the bond was actually inscribed.

§ 332.3 Governing regulations.

Series H bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings bonds of Series A, B, C, D, E, F, G, H, J and K, contained in 31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revisions, except as otherwise specifically provided herein.

§ 332.4 Registration.

Series H bonds were permitted to be registered as set forth in subpart B of 31 CFR part 315, also published as Department of the Treasury Circular No. 530.

§ 332.5 Limitation on holdings.

The amount of Series H bonds, originally issued during any one calendar year, that could be held by any one person, at any one time, computed in accordance with the governing regulations, was limited as follows:

(a) *General limitation.* From $5,000 to $30,000 depending upon the issue date.

(b) *Special limitation for gifts to exempt organizations under 26 CFR 1.501(c)(3)–1.* $200,000 for bonds received as gifts by an organization which at the time of purchase was an exempt organization under the terms of 26 CFR 1.501(c)(3)–1.

(c) *Exchange pursuant to 31 CFR part 339.* Series H bonds issued in an exchange pursuant to the provisions of 31 CFR part 339, also published as Department of the Treasury Circular No. 1036, were exempt from the annual limitation.

§ 332.6 Purchase of bonds.

(a) *Issuing agents.* Only Federal Reserve Banks and Branches, as fiscal agents of the United States, and the

Department of the Treasury were authorized to issue Series H bonds. However, financial institutions were permitted to forward applications for purchase of the bonds to the Federal Reserve Bank of their district. The date of receipt, by the Reserve Bank or the Department of the Treasury, of the application and payment governed the issue date of the bond purchased.

(b) *Application for purchase and remittance.* (1) The applicant for purchase of Series H Bonds furnished.

(i) Instructions for registration of the bonds to be issued, which must have been in an authorized form;

(ii) The appropriate social security or employer identification number;

(iii) The post office address of the owner or first-named coowner; and

(iv) The address(es) for delivery of the bonds and for mailing checks in payment of interest, if other than that of the owner or first-named coowner.

(2) The application was to be forwarded to a Federal Reserve Bank or Branch, or the Department of the Treasury, accompanied by a remittance to cover the purchase price. Any form of exchange, including personal checks, was acceptable, subject to collection. Checks or other forms of exchange were to be drawn to the order of the Federal Reserve Bank or the United States Treasury. Checks payable by endorsement were not acceptable. Any depositary qualified pursuant to 31 CFR part 203, also published as Department of the Treasury Circular No. 92, current revision, was permitted to make payment by credit for bonds applied for on behalf of its customers, up to any amount for which it was qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

§ 332.7 Delivery of bonds.

Authorized issuing agents delivered Series H bonds, either over-the-counter in person or by mail, at the risk and expense of the United States, to the address given by the purchaser, but only within the United States, its territories and possessions, and the Commonwealth of Puerto Rico. No mail deliveries elsewhere were made. If purchased by citizens of the United States temporarily residing abroad, the bonds were delivered at such address in the United States as the purchaser directed.

§ 332.8 Extended terms and yield for outstanding bonds.

(a) *Extended maturity period*—(1) *General.* The terms *extended maturity period,* and *second extended maturity period,* when used herein, refer to 10-year intervals after the original maturity dates during which owners may retain their bonds and continue to earn interest thereon. No special action is required of owners desiring to take advantage of any extensions heretofore or herein granted.

(2) *Two extensions.* All Series H bonds may be retained for two extended maturity periods of 10 years each. All Series H bonds cease to earn interest upon reaching final maturity. Final maturities are shown below:

Issue dates—1st day of	Life of bonds		Final maturity dates—1st day of
	yrs.	mos.	
Jun. 1952–Jan. 1957	29	8	Feb. 1982–Sep. 1986.
Feb. 1957–Dec. 1979.	30	.....	Feb. 1987–Dec. 2009.

(b) *Investment yields for outstanding bonds—General—interest rates.* The investment yields on outstanding Series H bonds are as set out below:

(1) For Series H bonds that were in original or extended maturity periods prior to November 1, 1982, the investment yield was 8.5 percent per annum, paid semiannually, effective for the period from the first semiannual interest payment date occurring on or after May 1, 1981, through the end of such periods. For bonds that entered extensions, see paragraphs (b)(2) through (b)(4) of this section.

(2) For Series H bonds that entered extended maturity periods from November 1, 1982, through October 1, 1986, the investment yield was 7.5 percent per annum, paid semiannually, for such periods, including bonds that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
Nov. 1962–Oct. 1966.	2nd (final)	Nov. 1982–Oct. 1986.

Issue dates—1st day of—	Extension	Entered—1st day of
Nov. 1972–Oct. 1976.	1st	Nov. 1982–Oct. 1986.

(3) For Series H bonds that entered extended maturity periods from November 1, 1986, through February 1, 1993, the investment yield was 6 percent per annum, paid semiannually, for such periods, including bonds that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
Nov. 1966–Feb. 1973.	2nd (final)	Nov. 1986–Feb. 1993.
Nov. 1976–Dec. 1979.	1st	Nov. 1986–Dec. 1989.

(4) For Series H bonds that entered or enter extended maturity periods on or after March 1, 1993, the guaranteed minimum investment yield is 4 percent per annum, paid semiannually, or the investment yield in effect at the beginning of such periods, including bonds that enter into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
Mar. 1973–Dec. 1979.	2nd (final)	Mar. 1993–Dec. 1999.

(c) *Tables of interest payments and investment yields.* Tables of interest payments and investment yields are available from the Bureau of Public Debt and Federal Reserve Banks and Branches.

[57 FR 14281, Apr. 17, 1992, as amended at 58 FR 60937, Nov. 18, 1993]

§ 332.9 Taxation.

The income derived from Series H bonds 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 thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

§ 332.10 Payment or redemption.

A Series H bond became eligible for redemption at par at any time after six months from its issue date. To be redeemed, the bond must be presented and surrendered, with a duly executed request for payment, to a Federal Reserve Bank or Branch referred to in § 332.12, or the Bureau of the Public Debt, Parkersburg, WV 26106–1328. In any case where bonds are surrendered for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.

[57 FR 14281, Apr. 17, 1992, as amended at 59 FR 10539, Mar. 4, 1994]

§ 332.11 Reservation as to issue of bonds.

The Secretary of the Treasury reserved the right to reject any application for Series H bonds, in whole or part, and to refuse to issue or permit to be issued hereunder any such bonds in any case or any class or classes of cases, if such action was deemed to be in the public interest. Any action in any such respect was final.

§ 332.12 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 delegate, in connection with the reissue, redemption and payment of Series H bonds.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY, (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10539, Mar. 4, 1994]

§ 332.13 Reservation as to terms of offering.

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

PART 337—SUPPLEMENTAL REGULATIONS GOVERNING FEDERAL HOUSING ADMINISTRATION DEBENTURES

Sec.

337.0 Scope of regulations.

Subpart A—Certificated Debentures

337.1 Applicability of Treasury regulations.
337.2 Transportation charges and risks.
337.3 Termination of transfers and denominational exchange transactions.
337.4 Presentation and surrender.
337.5 Assignments.
337.6 Conversions to book-entry.
337.7 Servicing transactions.
337.8 Payment of mortgage insurance premiums.
337.9 Payment of final interest.
337.10 Payments.

Subpart B—Book-Entry Debentures

337.11 Original issue and conversions.
337.12 Applicability of TREASURY DIRECT regulations.
337.13 Payment of mortgage insurance premiums.

Subpart C—Additional Information

337.14 Address for further information.
337.15 General provisions.

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321; Sec. 516, Pub. L. 102–550, 106 Stat. 3790.

SOURCE: 59 FR 42162, Aug. 17, 1994, unless otherwise noted.

§ 337.0 Scope of regulations.

The United States Department of the Treasury is the agent of the Federal Housing Administration for transactions in any debentures which have been or may be issued pursuant to the authority conferred by the National Housing Act (48 Stat. 1246), as amended; (12 U.S.C. 1701 *et seq.*), as amended from time to time, including Mutual Mortgage Insurance Fund Debentures, Housing Insurance Fund Debentures, War Housing Insurance Fund Debentures, Military Housing Insurance Fund Debentures, and National Defense Housing Insurance Fund Debentures. In accordance with the regulations adopted by the Federal Housing Commissioner and approved by the Secretary of the Treasury, such transactions are governed by regulations of the Department of the Treasury, so far as applicable.

Subpart A—Certificated Debentures

§ 337.1 Applicability of Treasury regulations.

The general regulations governing United States securities, part 306 of this chapter, apply, as the regulations for similar transactions and operations in certificated debentures. To the extent that the provisions in this part

differ from the provisions in part 306, the provisions in this part shall prevail.

§ 337.2 Transportation charges and risks.

Debentures presented for redemption at call or maturity, or for authorized prior purchase, or for conversion to book-entry form, must be delivered at the expense and risk of the holder. Debentures bearing restricted assignments may be forwarded by registered mail, but for the owner's protection debentures bearing unrestricted assignments should be forwarded by insured registered mail. Debentures should be delivered to the Federal Reserve Bank of Philadelphia, Securities Division, Ten Independence Mall, P.O. Box 90, Philadelphia, Pennsylvania 19105–0090. Debentures delivered to any other Federal Reserve Bank or Branch, to the Department of Housing and Urban Development (HUD), or to the Bureau of the Public Debt will be forwarded to the Federal Reserve Bank of Philadelphia for processing.

§ 337.3 Termination of transfers and denominational exchange transactions.

Debentures, which by their terms are subject to call, may be called for redemption, in whole or in part, at par and accrued interest, on any interest date on three months' notice. No transfers or denominational exchanges in certificated debentures covered by a given call will be made on the books of the Department of the Treasury on or after the announcement of such call. However, this does not affect the right of a holder of such debenture to sell and assign it on or after the announcement of the call date.

§ 337.4 Presentation and surrender.

(a) *For redemption*. To facilitate the redemption of called or maturing debentures, they may be presented and surrendered in the manner prescribed in this section in advance of the call or maturity date, as the case may be. Early presentation by holders will insure prompt payment of principal and interest when due. The debentures must first be assigned by the registered payee or his assignee, or by his duly constituted representative, if required, in the form and manner indicated in § 337.5, and should then be submitted to the Federal Reserve Bank of Philadelphia, accompanied by appropriate written advice. A transmittal advice for this purpose will accompany the notice of call.

(b) *For purchase.* Debentures, the purchase of which has been authorized prior to call or maturity, may be assigned as instructed in paragraph (a) of this section and immediately submitted in accordance with procedures prescribed by HUD for this purpose.

§ 337.5 Assignments.

(a) If the registered payee, or an assignee holding a certificated debenture under proper assignment from the registered payee, desires that payment be made to such payee or assignee, the debenture need not be assigned. If the owner desires for any reason that payment be made to another, without intermediate assignment, the debentures should be assigned to ''The Federal Housing Commissioner for redemption (or, purchase) for the account of _____,'' inserting the name and address of the person to whom payment is to be made. Proof of the authority of the individual assigning on behalf of an owner will be required in accordance with part 306 of this chapter.

(b) An assignment in blank or other assignment having similar effect will be recognized, but in that event the debenture would be, in effect, payable to bearer, and payment will be made in accordance with the instructions received from the person surrendering the debenture for redemption or purchase. For the owner's protection, such assignments should be avoided unless the owner is willing to lose the protection afforded by registration.

(c) Debentures submitted for conversion to book-entry form should be assigned to ''The Federal Housing Commissioner for conversion to book-entry debentures for the account of _____.'' The registration on the book-entry account and/or the account number in which the debentures should be deposited should be indicated.

(d) All assignments must be made on the debentures themselves unless otherwise authorized by the Department of Treasury.

§ 337.6 Conversions to book-entry.

Upon implementation of the book-entry debenture system, to be announced in advance by separate public notice, all new debentures will be issued only in book-entry form, and may not thereafter be converted to certificated form.

Certificated debentures may, upon the owner's request in accordance with § 337.5(c), be converted to book-entry. If such action is taken, the owner shall be deemed to have irrevocably waived the right to hold such debenture in certificated form.

§ 337.7 Servicing transactions.

Upon implementation of the book-entry debenture system, to be announced in advance by separate public notice, any transfer or denominational exchange of certificated debentures generally will be made in book-entry form. If certificated debentures are desired, the owner should so request in writing, before the book-entry debentures are issued.

§ 337.8 Payment of mortgage insurance premiums.

When certificated debentures are tendered for purchase prior to maturity in order that the proceeds thereof be applied to pay for mortgage insurance premiums, any difference between the amount of the debentures purchased and the amount of the mortgage insurance premium will generally be issued to the owner in the form of a book-entry debenture in the exact amount of such difference, provided it is one dollar ($1.00) or more. However, if the owner so requests, such difference will be settled with certificated debenture(s), together with a cash adjustment, if any. Such request should be made in writing, before the book-entry debenture in the amount of the difference is issued.

§ 337.9 Payment of final interest.

Final interest on any debenture, whether purchased prior to or redeemed on or after the call or the maturity date, will be paid with the principal. In all cases the payment of principal and final interest will be mailed or directed to the payment address given in the form of advice accompanying the debenture surrendered.

§ 337.10 Payments.

Payments on certificated debentures will be made by fiscal agency check in accordance with part 355 of this chapter, or, upon request, by direct deposit (electronic funds transfer) in accordance with part 370 of this chapter. Information as to the deposit account at the financial institution designated to receive a direct deposit payment shall be provided on the appropriate form(s) designated by the Department.

Subpart B—Book-Entry Debentures

§ 337.11 Original issue and conversions.

Upon implementation of the book-entry debenture system, to be announced in advance by separate public notice, all new debentures will be issued only in book-entry form in the exact amount payable to the owner. Once issued in book-entry form, a debenture may not be converted to certificated form.

§ 337.12 Applicability of TREASURY DIRECT regulations.

The regulations governing the TREASURY DIRECT Book-Entry Securities System (TREASURY DIRECT) (part 357 of this chapter) apply to govern transactions in FHA book-entry debentures, with the following exceptions:

(a) *Securities account.* (See § 357.20 of this chapter.) An account in the book-entry debenture system may be established by the Department of the Treasury upon receipt of the request that a new debenture be issued or that a certificated debenture be converted to book-entry form. The statement of account shall contain information regarding the account as of the date of such statement. It will include a unique account number, but will not include price information.

(b) *Transfers.* (See § 357.22 of this chapter.) A book-entry debenture may be transferred only between accounts

established in the FHA book-entry debenture system.

(c) *Debentures announced for call.* Debentures, which by their terms are subject to call, may be called for redemption, in whole or in part, at par and accrued interest, on any interest date on three months' notice. For purposes of a transaction request affecting ownership and/or payment instructions with respect to a debenture announced for call, a proper request must be received not less than twenty (20) calendar days preceding the next payment date. If the twentieth day preceding a payment date falls on a Saturday, Sunday, or a Federal holiday, the last day set for the receipt of a transaction request will be the last business day preceding that date. If a transaction request is received less than twenty (20) calendar days preceding a payment date, the Department may, in its discretion, act on such request if sufficient time remains for processing. If a transaction request is received too late for completion of the requested transaction, principal and final interest on the called debentures will be paid to the owner of record and sent to the payment address of record.

(d) *Payments.* (See § 357.26 of this chapter.) Direct deposit (electronic funds transfer) payments with respect to debentures, e.g., principal, interest and cash adjustments, will be made without prenotification messages.

§ 337.13 Payment of mortgage insurance premiums.

When book-entry debentures are being purchased prior to maturity to pay for mortgage insurance premiums, the difference between the amount of the debentures purchased and the mortgage insurance premiums shall be issued to the owner in the form of a book-entry debenture in the exact amount of such difference, provided it is one dollar ($1.00) or more.

Subpart C—Additional Information

§ 337.14 Address for further information.

Further information regarding the issuance of, transactions in, and redemption of, FHA debentures may be obtained from the Federal Reserve Bank of Philadelphia, Securities Division, Ten Independence Mall, P.O. Box 90, Philadelphia, Pennsylvania 19105–0090, or from the Bureau of the Public Debt, Division of Special Investments, 200 Third Street, P.O. Box 396, Parkersburg, West Virginia 26102–0396.

§ 337.15 General provisions.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to perform any necessary acts under this part. The Federal Reserve Bank of Philadelphia is specifically authorized to operate the FHA debenture computer system and to perform day-to-day operations and transactions relating to the debentures. The Secretary of the Treasury may at any time or from time to time prescribe supplemental and amendatory regulations governing the matters covered by this part, notice of which shall be communicated promptly to the registered owners of the debentures.

PART 339—EXCHANGE OFFERING OF UNITED STATES SAVINGS BONDS, SERIES H

Sec.

339.0 Offering of Series H bonds in exchange for Series E bonds and savings notes.
339.1 Definitions of words and terms as used in this circular.
339.2 Denominations.
339.3 Exchanges with privilege of deferring reporting of interest for Federal income tax purposes.
339.4 Exchanges without tax deferral.
339.5 Governing regulations.
339.6 Fiscal agents.
339.7 Preservation of rights.
339.8 Reservation as to terms of offer.

AUTHORITY: Secs. 18, 20, and 22 of the Second Liberty Bond Act, as amended (40 Stat. 1309, 48 Stat. 343, 49 Stat. 21, 73 Stat. 621, all as amended; 31 U.S.C. 753, 754b, 757c), and 5 U.S.C. 301.

SOURCE: 36 FR 23856, Dec. 15, 1971, unless otherwise noted.

§ 339.0 Offering of Series H bonds in exchange for Series E bonds and savings notes.

The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, hereby offers to the people of the United

States, U.S. Savings Bonds of Series H in exchange for outstanding U.S. Savings Bonds of Series E and U.S. Savings Notes (freedom shares) without regard to the annual limitation on holdings for the Series H bonds. The Series H bonds offered hereunder are those described in Department Circular No. 905, current revision, except as otherwise specifically provided herein. This offering will continue until terminated by the Secretary of the Treasury.

EDITORIAL NOTE: The sale of U.S. Savings Bonds, Series H, was terminated at the close of business Dec. 31, 1979. See 44 FR 77158, Dec. 31, 1979.

§ 339.1 Definitions of words and terms as used in this circular.

Unless the context otherwise requires or indicates:

(a) *Securities* mean outstanding U.S. Savings Bonds of Series E and U.S. Savings Notes (freedom shares).

(b) *Owner* means an owner of securities, except a commercial bank in its own right (as distinguished from a representative or fiduciary capacity) and a nonresident alien who is a resident of an area with respect to which the Treasury Department restricts or regulates delivery of checks drawn against funds of the United States or any agency or instrumentality thereof. The term includes a registered owner, whether or not a natural person, either coowner (but only the *principal coowner* if Series H bonds are requested in a form of registration different from that on the securities submitted), a surviving beneficiary, or any other person who would be entitled to reissue under the regulation governing U.S. Savings Bonds,[1] such as, but not limited to, any person entitled to succeed to the estate of a deceased owner.

(c) *Commercial bank* means a bank accepting demand deposits.

(d) *Interest* means the increment in value on Series E savings bonds and on savings notes.

(e) *Principal coowner* means a coowner who purchased the securities submitted for exchange with his own funds or received them as a gift, legacy or inheritance or as a result of judicial proceedings and had them reissued in coownership form, provided he has received no contribution in money or money's worth from the other coowner for designating him on the securities.

§ 339.2 Denominations.

Series H bonds, available for use hereunder, are in denominations of $500, $1,000, $5,000 and $10,000.

§ 339.3 Exchanges with privilege of deferring reporting of interest for Federal income tax purposes.

(a) *Tax-deferred exchanges.* Pursuant to the provisions of section 1037(a) of the Internal Revenue Code of 1954, the Secretary of the Treasury hereby grants to owners who have not been reporting the interest on their securities on an accrual basis for Federal income tax purposes the privilege of exchanging such securities for Series H bonds and of continuing to defer reporting of the interest on the securities exchanged (except interest referred to in paragraph (b)(5) of this section) for Federal income tax purposes to the taxable year in which the Series H bonds received in exchange are disposed of, are redeemed, or have reached final maturity, whichever is earlier.[2]

(b) *Rules governing the exchange.* (1) Exchange subscription Form PD 3253, completed and executed in accordance with the instructions thereon, the securities, any cash difference (see paragraph (b)(3) of this section), and any supporting evidence which may be required under the governing regulations[3] may be presented or forwarded to any authorized agency.[4]

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[1] Department Circular No. 530, current revision (31 CFR part 315). Copies may be obtained from any Federal Reserve Bank or Branch or the Bureau of the Public Debt, Washington, DC 20220.

[2] The interest paid semiannually by check on all Series H bonds, whether issued in exchange under this or any other section, or otherwise, is subject to the Federal income tax for the taxable year in which it is received.

[3] For example, a beneficiary named on Series E bonds would have to submit proof of the death of the registered owner in order to exchange such bonds for Series H bonds.

[4] Agents authorized to pay Series E bonds and savings notes are authorized to accept and handle exchange subscriptions submitted by natural persons whose names are inscribed on the face of the bonds and notes as

(2) A Series H bond issued upon exchange will be registered in the name of the owner of the securities submitted in any authorized form of registration. However, the *principal coowner* must be named as owner or coowner.

(3) The total current redemption value of the securities submitted for exchange in any one transaction must amount to $500 or more. If the total current redemption value is in an even multiple of $500, Series H bonds must be requested in that exact amount. If the total current redemption value exceeds $500, but is not in an even multiple of $500, the owner has the option of furnishing cash necessary to obtain Series H bonds of the next higher $500 multiple, or of receiving payment of the difference between the total current redemption value and the next lower multiple of $500. For example, under the rules prescribed in this circular, if the securities submitted for exchange in one transaction total $4,253.33 current redemption value, the owner may elect to:

(i) Receive $4,000 in Series H bonds and the amount of the difference, $253.33, or

(ii) Pay the difference, $246.67, necessary to obtain $4,500 in Series H bonds.[5]

(4) Any amount paid to the owner as a cash adjustment (as in paragraph (3)(i) of this section) must be treated as income for Federal income tax purposes for the year in which it is received up to an amount not in excess of the total interest on the securities exchanged.[6]

(5) Each Series H bond issued under this section will be stamped ''EX'' or ''EXCH'' to show that it was issued upon exchange. Each bond also will bear a legend showing how much of its issue price represents interest on the securities exchanged. This interest must be treated as income for Federal income tax purposes for the year in which the Series H bond is redeemed, is disposed of, or finally matures, whichever is earlier.

(6) The Series H bonds will be dated as of the first day of the month in which the securities, the exchange subscription, any necessary cash difference and supporting evidence, if any, are accepted for exchange by an authorized agency.

§ 339.4 Exchanges without tax deferral.

Exchanges by owners who:

(a) Report the interest on all of their securities annually for Federal income tax purposes, or

(b) Who elect to report all such interest in the year of the exchange, or

(c) Who are tax-exempt under the provisions of the Internal Revenue Code of 1954 and the regulations issued thereunder,

Will be handled in the same manner and will be governed by the rules prescribed for exchanges under § 339.3. However, the Series H bonds will not bear the legend referred to in § 339.3(b)(5). Any part of the cash adjustment received which represents interest previously reported for Federal income tax purposes need not be accounted for. The Series H bonds may be registered in the name of the owner of the securities submitted in exchange in any authorized form of registration.

§ 339.5 Governing regulations.

All Series H bonds issued under this circular are subject to the regulations, now or hereafter prescribed, contained in Department Circular No. 530, current revision (part 315 of this chapter).

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owners or coowners in their own right. However, as agents of subscribers they may forward any exchange subscription to a Federal Reserve Bank or Branch or the Bureau of the Public Debt, Washington, DC 20226, for acceptance and handling.

[5] If a paying agent accepts a subscription solely for the purpose of forwarding it, or if the owner forwards it direct, to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt, the remittance for the difference, by check or other form of exchange (which will be accepted subject to collection), must be drawn to the order of the Federal Reserve Bank or the United States Treasury, as the case may be. The remittance must accompany the subscription and the securities to be exchanged.

[6] The amount, if any, paid to the owner in excess of the interest is a repayment on account of the purchase price of the securities exchanged, not income.

§ 339.6 Fiscal agents.

Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform such services as may be requested of them in connection with exchanges under these regulations.

§ 339.7 Preservation of rights.

The provisions of Treasury Department Circulars Nos. 530, 653, and 905, as currently revised, are hereby modified and amended to the extent that they are not in accordance with this circular. However, nothing contained herein shall limit or restrict rights which owners of Series H bonds received in earlier exchanges have heretofore acquired.

§ 339.8 Reservation as to terms of offer.

The Secretary of the Treasury reserves the right to reject any exchange subscription for Series H bonds, in whole or in part, and to refuse to issue or permit to be issued hereunder any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

The foregoing revision and amendment is made for the purpose of granting to owners of savings notes the same privilege afforded owners of Series E savings bonds for exchanging their securities for Series H bonds with or without tax deferral. As good cause exists for making this change, which involves public property and contracts relating to the fiscal and monetary affairs of the United States, I find that notice and public procedures are unnecessary. This action is effected under the provisions of sections 18, 20, and 22 of the Second Liberty Bond Act, as amended (40 Stat. 1309, 48 Stat. 343, 49 Stat. 21, 73 Stat. 621, all as amended; 31 U.S.C. 753, 754b, 757c), and 5 U.S.C. 301.

PART 340—REGULATIONS GOVERNING THE SALE OF TREASURY BONDS THROUGH COMPETITIVE BIDDING

Sec.

340.0 Authority for sale of Treasury bonds through competitive bidding.
340.1 Public notice—description of bonds—terms of offer.
340.2 Denominations and exchanges.
340.3 Taxation.
340.4 Acceptance as security for public deposits.
340.5 Notice of intent to bid.
340.6 Submission of bids.
340.7 Deposits—retention—return.
340.8 Acceptance of bids.
340.9 Bids—revocations—rejections—postponements—reoffers.
340.10 Payment for and delivery of bonds.
340.11 Failure to complete transaction.
340.12 Reservations as to terms of circular.

AUTHORITY: Sec. 8, 50 Stat. 481, as amended; R.S. 3706; secs. 1, 4, 18, 5, 40 Stat. 288, as amended, 290, as amended, 1309, as amended, 290, as amended; secs. 19, 20, 48 Stat. 343, as amended; 31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a, 754b.

SOURCE: 27 FR 12481, Dec. 18, 1962, unless otherwise noted.

§ 340.0 Authority for sale of Treasury bonds through competitive bidding.

(a) The Secretary of the Treasury may, from time to time, by public notice, offer Treasury bonds for sale and invite bids therefor. The bonds so offered and the bids made will be subject to the terms and conditions and the rules and regulations herein set forth, except as they may be modified in the public notice or notices issued by the Secretary in connection with particular offerings.[1] The bonds will be subject also to the general rules and regulations of the Treasury Department, now or hereafter prescribed, governing United States securities. They will be issued pursuant to the authority of the Second Liberty Bond Act, as amended.

(b) The terms *public notice, notices,* or *announcement* as used in this part mean the *Public Notice of Invitation to Bid* on Treasury bonds and any supplementary or amendatory notices or announcements with respect thereto, including, but not limited to any statement released to the press by the Secretary of the Treasury and notices sent to those who have filed notices of intent to bid or who have filed bids.

[1] These regulations do not apply to Treasury bills, which are governed by Department Circular No. 418, Revised, and do not constitute a specific offering of bonds.

§ 340.1 Public notice—description of bonds—terms of offer.

When bonds are offered for sale through competitive bidding, bids therefor will be invited through the form of a public notice or notices issued by the Secretary of the Treasury. The notice or notices will either fix the coupon rate of interest to be borne by the bonds or prescribe the conditions under which bidders may specify the rate and will set forth the terms and conditions of the bonds, including maturities, call features, if any, and the terms and conditions of the offer, including the amount of the issue for which bids are invited, the date and closing hour for receipt of bids, and the date on which the bonds will be delivered and payment for any accepted bid must be completed. When so specified in the public notice, it shall be a condition of each bid that, if accepted by the Secretary of the Treasury, the bidder will make a bona fide reoffering to the investing public.

§ 340.2 Denominations and exchanges.

Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be available in denominations of $500, $1,000, $5,000, $10,000, $100,000, and $1,000,000. Provisions will be made for the interchange of bonds of different denominations and of bearer and registered bonds, and for the transfer of registered bonds.

§ 340.3 Taxation.

The income derived from the bonds will be subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds will be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but will be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

§ 340.4 Acceptance as security for public deposits.

The bonds will be acceptable to secure deposits of public moneys.

§ 340.5 Notice of intent to bid.

Any individual, or organization, syndicate, or other group which intends to submit a bid, must, when required by the public notice, give written notice of such intent on Form PD 3555 at the place and within the time specified in the public notice. The filing of such notice will not constitute a commitment to bid.

§ 340.6 Submission of bids.

(a) *General.* Bids will be received only at the place specified and not later than the time designated in the public notice. Each bid must be submitted on the official form referred to in the public notice and should be enclosed and sealed in the special envelope provided by the Treasury Department. Forms and envelopes may be obtained from any Federal Reserve Bank or Branch or the Bureau of the Public Debt, Treasury Department, Washington, DC 20220. Bids shall be irrevocable.

(b) *Bidding.* Bids, except noncompetitive bids when authorized, must be expressed as a percentage of the principal amount in not to exceed five decimals, e.g., 100.01038 percent. Provisions relating to the coupon rate of interest on the bonds, if not set forth in the public notice, will be made in a supplemental announcement. The public notice will indicate the timing of any such announcement. If the bidders are required to specify the coupon rate, each bidder shall specify a single coupon rate of interest, which shall be a multiple of ⅛ of 1 percent but not in excess of 4¼ percent. The Secretary of the Treasury may limit the premium above or the discount below par.

(c) *Group bids.* A syndicate or other group submitting a bid must act through a representative who must be a member of the group. The representative must warrant to the Secretary of the Treasury that he has all necessary power and authority to act for each member and to bind the members jointly and severally. In addition to whatever other data may be required by the Secretary of the Treasury, in the case of a syndicate, the representative must file, within one hour after the time for opening of bids, at the place specified in the public notice for receipt of bids a final statement of the composition of the syndicate membership and the amount of each member's underwriting participation.

§ 340.7 Deposits—retention—return.

Each bid must be accompanied by a deposit in the amount specified in the public notice. The deposit of any successful bidder will be retained as security for the performance of his obligation and will be applied toward payment of the bonds. All other deposits will be returned immediately. No interest will be allowed on account of any deposits.

§ 340.8 Acceptance of bids.

(a) *Opening of bids.* Bids will be opened at the time and place specified in the public notice.

(b) *Method of determining accepted bids.* The lowest basis cost of money[2] computed from the date of the bonds to the date of maturity will be used in determining successful bids.

(c) *Acceptance of successful bid.* The Secretary of the Treasury, or his representative, will notify any successful bidder of acceptance in the manner and form specified in the public notice.

§ 340.9 Bids—revocations—rejections—postponements—reoffers.

The Secretary of the Treasury, in his discretion, may (a) revoke the public notice of invitation to bid at any time before opening bids, (b) return all bids unopened either at or prior to the time specified for their opening, (c) reject any or all bids, (d) postpone the time for presentation and opening of bids, and (e) waive any immaterial or obvious defect in any bid. Any action the Secretary of the Treasury may take in these respects shall be final. In the event of a postponement, known bidders will be advised thereof and their bids returned unopened.

[2] In cases where bidders are required to specify the coupon rate, the lowest basis cost of money will be determined by reference to a specially prepared table of bond yields, a copy of which will be made available to all prospective bidders upon written request to the Federal Reserve Bank of New York, or the Bureau of the Public Debt, Treasury Department, Washington, DC 20220. Straightline interpolation will be applied if necessary.

§ 340.10 Payment for and delivery of bonds.

Payment for the bonds, including accrued interest, if any, must be made in immediately available funds on the date and at the place specified in the invitation. Delivery of bonds under this section will be made at the risk and expense of the United States at such place or places in the United States as may be provided in the invitation. Interim receipts, if necessary, will be issued pending delivery of the definitive bonds.

§ 340.11 Failure to complete transaction.

If any successful bidder shall fail to pay in full for the bonds on the date and at the place specified in the invitation, the money deposited by or in behalf of such bidder shall be forfeited to the Treasury Department.

§ 340.12 Reservations as to terms of circular.

The Secretary of the Treasury reserves the right, at any time, or from time to time, to amend, repeal, supplement, revise or withdraw all or any of the provisions of this part.

PART 341—REGULATIONS GOVERNING UNITED STATES RETIREMENT PLAN BONDS

Sec.

341.0 Offering of bonds.
341.1 Description of bonds.
341.2 Registration.
341.3 Purchase of bonds.
341.4 Proof of purchase.
341.5 Limitation on holdings.
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341.7 Judicial proceedings.
341.8 Payment or redemption during lifetime of owner.
341.9 Payment or redemption after death of owner.
341.10 Reissue.
341.11 Use of power of attorney.
341.12 Lost, stolen, or destroyed bonds.
341.13 Taxation.
341.14 Certifying officers.
341.15 General provisions.
APPENDIX TO PART 341—TABLES OF REDEMPTION VALUES

AUTHORITY: Sec. 8, 50 Stat. 481, as amended; R.S. 3706; secs. 1, 4, 18, 40 Stat. 288, as amended, 290, as amended, 1309, as amended; secs.

19, 20, 48 Stat. 343, as amended; 31 U.S.C. 738a, 739, 752, 752a, 753, 754a, 754b.

SOURCE: 28 FR 405, Jan. 16, 1963, unless otherwise noted.

§ 341.0 Offering of bonds.

The Secretary of the Treasury, under the authority of the Second Liberty Bond Act, as amended, and pursuant to the Self-Employed Individuals Tax Retirement Act of 1962, offers for sale, effective as of January 1, 1963, bonds of the United States, designated as United States Retirement Plan Bonds. The bonds will be available for investment only to:

(a) Bond purchase plans and

(b) Pension and profit-sharing plans, as described in sections 405 and 401, respectively, of the Internal Revenue Code of 1954.

This offering of bonds will terminate on April 30, 1982.

[28 FR 405, Jan. 16, 1963, as amended at 47 FR 18596, Apr. 30, 1982]

§ 341.1 Description of bonds.

(a) *Investment yield (interest).* United States Retirement Plan Bonds, hereinafter sometimes referred to as Retirement Plan Bonds, will be issued at par. The investment yields (interest) are as follows:

(1) Bonds with issue dates of January 1, 1963, through May 1, 1966—3.75 percent per annum, compounded semiannually (see Table of Redemption Values in the appendix).

(2) Bonds with issue dates of June 1, 1966, through December 1, 1969—4.15 percent per annum, compounded semiannually (see Table A in the appendix).

(3) Bonds with issue dates of January 1, 1970, through January 1, 1974—5 percent per annum, compounded semiannually (see Table B).

(4) Bonds with issue dates of February 1, 1974, through July 1, 1979—6 percent per annum, compounded semiannually (see Table C).

(5) Bonds with issue dates of August 1, 1979, through October 1, 1980—6.5 percent per annum, compounded semiannually (see Table D).

(6) Bonds with issue dates of November 1, 1980, through September 1, 1981—8 percent per annum, compounded semiannually (see Table E).

(7) Bonds with issue dates of October 1, 1981, or thereafter—9 percent per annum, compounded semiannually (see Table F).

Interest will be paid only upon redemption of the bonds. The accrual of interest will continue until the bonds are redeemed or have reached maturity, whichever is earlier, in accordance with these regulations.

(b) *Term.* The maturity date of any bond issued under this circular shall be indeterminate, but unless sooner redeemed in accordance with the regulations in this part, its investment yield will cease on the interest accrual date coinciding with, or, where no such coincidence occurs, the interest accrual date next preceding, the first day of the sixtieth (60th) month following the date of death of the person in whose name it is registered.

(c) *Denominations—issue date.* Retirement Plan Bonds will be available only in registered form and in denominations of $50, $100, $500, and $1,000. At the time of issue, the issuing agent will enter in the upper right-hand portion of the bond the issue date (which shall be the first day of the month and year in which payment of the purchase price is received by an authorized issuing agent), and will imprint the agent's validating stamp in the lower right-hand portion. The issue date, as distinguished from the date in the agent's validating stamp, will determine the date from which interest will begin to accrue on the bond. A Retirement Plan Bond shall be valid only if an authorized issuing agent receives payment therefor, duly inscribes, dates, stamps, and delivers it.

[28 FR 405, Jan. 16, 1963, as amended at 46 FR 60573, Dec. 11, 1981]

§ 341.2 Registration.

(a) *General.* The registration of Retirement Plan Bonds is limited to the names of natural persons in their own right, whether adults or minors, in either single ownership or beneficiary form. A bond registered in beneficiary form will be inscribed substantially as follows (for example): ''John A. Doe payable on death to (or P.O.D.) Richard B. Roe,'' No more than one beneficiary may be designated on a bond.

(b) *Inscription*. The inscription on the face of each bond will show the name, address, date of birth, and the social security account number of the registered owner, as well as information as to whether he is a self-employed individual or an employee, and the amount he contributed (if any) out of his own funds toward the purchase price of the bond. In the case of any self-employed individual (who is treated as an employee for the purpose of sections 405 and 401 of the Internal Revenue Code of 1954), this amount would be that portion of the purchase price he contributed (if any) as an employee and which he will not take into account in determining the amount deductible for Federal income tax purposes. The name of the beneficiary, if one is to be designated, will also be shown in the inscription.

§ 341.3 Purchase of bonds.

(a) *Agencies*. Retirement Plan Bonds may be purchased over-the-counter or by mail from Federal Reserve Banks and Branches and the Bureau of the Public Debt, Washington, DC 20226. Customers of commercial banks and trust companies may be able to arrange for the purchase of the bonds through such institutions, but only the Federal Reserve Banks and Branches and the Bureau of the Public Debt are authorized to act as official agencies, and the date of receipt of the application and payment by an official agency will govern the dating of the bonds issued.

(b) *Application*. Applications for the purchase of Retirement Plan Bonds should be made on Form PD 3550, accompanied by a remittance to cover the purchase price. Personal checks will be accepted, subject to collection. Checks or other forms of exchange, should be drawn to the Federal Reserve Bank or United States Treasury, as the case may be. Checks payable by endorsement are not acceptable.

(c) *Delivery*. Delivery of bonds will be made in person, or by mail at the risk and expense of the United States, at the address given by the purchaser, but only within the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the Canal Zone. No mail deliveries elsewhere will be made. If the registered owner temporarily resides abroad, the bonds will be delivered to such address in the United States as the purchaser directs.

§ 341.4 Proof of purchase.

At the time a Retirement Plan Bond is issued, the issuing agent will furnish therewith to the purchaser, and in cases where the purchaser is different from the person in whose name the bond is inscribed, to the registered owner as well, proof of the purchase on Form PD 3550. The form will show the names and addresses of the purchaser and of the registered owner, the latter's date of birth, social security account number and his classification (i.e., self-employed individual or employee) the number of bonds issued, a description thereof by issue date, serial numbers, denominations, and registration, together with information as to the amount of his contributions (if any) toward the purchase price of the bonds.

§ 341.5 Limitation on holdings.

The limit on the amount of any Retirement Plan Bonds issued during 1974, or in any one calendar year thereafter, that may be purchased in the name of any one person as registered owner is $10,000 (face value).

[39 FR 36114, Oct. 8, 1974]

§ 341.6 Nontransferability.

United States Retirement Plan Bonds are not transferable, and may not be sold, discounted or pledged as collateral for a loan or as security for the performance of an obligation, or for any other purpose.

§ 341.7 Judicial proceedings.

No judicial determinations will be recognized which would give effect to an attempted voluntary transfer inter vivos of a Retirement Plan Bond. Otherwise, a claim against a registered owner will be recognized when established by valid judicial proceedings, but in no case will payment be made to the purchaser at a sale under a levy or to the officer authorized to levy upon the property of the owner under appropriate process to satisfy a money judgement unless or until the bond has

become eligible for redemption pursuant to the regulations in this part. Neither the Treasury Department nor any of its agencies will accept notices of adverse claims or of pending judicial proceedings or undertake to protect the interests of litigants who do not have possession of the bond.

§ 341.8 Payment or redemption during lifetime of owner.

(a) *At age 59½ or thereafter.* A Retirement Plan Bond will be redeemable at its current redemption value upon the request of the registered owner (or a person recognized as entitled to act on his behalf), provided he is 59½ years of age or older. The owner's age will be determined from the date of birth shown on the face of the bond, provided, however, that the Secretary of the Treasury reserves the right in any case or class of cases to require proof, in the form of a duly certified copy of his birth certificate, that the owner has attained the age of 59½ years. If such evidence is unavailable, one of the following documents may be furnished in lieu thereof:

(1) Church records of birth or baptism.

(2) Hospital birth record or certificate.

(3) Physician's or midwife's birth record.

(4) Certification of Bible or other family record.

(5) Military, naturalization or immigration records.

(6) Other evidence of probative value. Similar documentary evidence will also be required to support any claim made by an owner that the date of birth shown on his bond is incorrect.

(b) *Prior to age 59½ years.* A Retirement Plan Bond will be paid at its then current redemption value upon a registered owner's request (or by a person recognized as entitled to act on his behalf) prior to his attainment of age 59½ years upon submission of a physician's statement or any similar evidence showing that the owner has become disabled to such an extent that he is unable to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The following are examples of impairments which would ordinarily be considered as preventing substantial, gainful activity:

(1) Loss of use of two limbs.

(2) Certain progressive diseases which have resulted in the physical loss or atrophy of a limb, such as diabetes, multiple sclerosis, or Buerger's disease.

(3) Diseases of the heart, lungs, or blood vessels which have resulted in major loss of heart or lung reserve as evidenced by X-ray, electrocardiogram, or other objective findings, so that despite medical treatment breathlessness, pain, or fatigue is produced on slight exertion, such as walking several blocks, using public transportation, or doing small chores.

(4) Cancer which is inoperable and progressive.

(5) Damage to the brain or brain abnormality which has resulted in severe loss of judgment, intellect, orientation, or memory.

(6) Mental diseases (e.g., psychosis or severe psychoneurosis) requiring continued institutionalization or constant supervision of the individual.

(7) Loss or diminution of vision to the extent that the affected individual has a central visual acuity of no better than 20/200 in the better eye after best correction, or has a limitation in the fields of vision such that the widest diameter of the visual fields subtends an angle no greater than 20 degrees.

(8) Permanent and total loss of speech.

(9) Total deafness uncorrectible by a hearing aid.

In any case coming under the provisions of this paragraph, the evidence referred to above must be submitted to the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101, for approval before any bonds may be paid. If, after review of the evidence, the Secretary of the Treasury is satisfied that the owner's disability has been established, a letter will be furnished authorizing payment of his Retirement Plan Bonds. This letter must be presented each time any of the owner's bonds are submitted for payment to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt.

(c) *Requests for payment*—(1) *By owner.* When redemption of any Retirement Plan Bond is desired by the registered owner under paragraph (a) of this section, it should be presented with the request for payment on the back of the bond signed and duly certified, to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101. If payment is requested under paragraph (b) of this section, the letter described therein should accompany the bond.

(2) *By person other than owner.* When redemption of any Retirement Plan Bond is desired by the legal guardian, committee conservator, or similar representative of the owner's estate under paragraph (a) of this section, it should be presented, with the request signed as described below, to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt. If payment is requested under paragraph (b) of this section, the letter described therein should accompany the bond.[1] The request for payment, in either case, should be signed by the representative in his fiduciary capacity before an authorized certifying officer, and must be supported by a certificate or a certified copy of the letters of the appointment from the court making the appointment, under seal, or other proof of qualification if the appointment was not made by a court. Except in the case of corporate fiduciaries, such evidence should state that the appointment is in full force and should be dated not more than one year prior to the presentation of the bond for payment.

(d) *Partial redemption.* A Retirement Plan Bond in a denomination greater than $50 (face value) which is otherwise eligible for redemption may be redeemed in part, at current redemption value, upon the request of the registered owner (or a person recognized as entitled to act on his behalf), but only in amounts corresponding to authorized denominations. In any case in which partial redemption is desired, before the request for payment is signed, the phrase ''to the extent of $—— (face value) and reissue of the remainder'' should be appended to the request. Upon partial redemption of the bond, the remainder will be reissued as of the original issue date. No partial redemption of a bond will be made after the death of the owner in whose name it is registered.

[28 FR 405, Jan 16, 1963, as amended at 42 FR 21611, Apr. 28, 1977]

§ 341.9 Payment or redemption after death of owner.

(a) *Order of precedence where owner not survived by beneficiary.* If the registered owner of a Retirement Plan Bond dies before it has been presented and surrendered for payment, and there is no beneficiary shown thereon, or if the designated beneficiary predeceased the owner, the bond shall be paid in the following order of precedence:

(1) To the duly appointed executor or administrator of the estate of the owner, who should sign the request for payment on the back of the bond in his representative capacity before an authorized certifying officer, such request to be supported by a court certificate or a certified copy of his letters of appointment, under seal of the court, which should show that the appointment is in full force and effect, and be dated within six months of its presentation;

(2) If no legal representative of the deceased registered owner's estate has been or will be appointed, to the widow or widower of the owner;

(3) If none of the above, to the child or children of the owner and the descendants of deceased children by representation;

(4) If none of the above, to the parents of the owner, or the survivor of them;

(5) In none of the above, to other next-of-kin of the owner, as determined by the laws of the domicile of such owner at the time of his death. In any

[1] In any case in which a legal representative has not been appointed for the estate of a registered owner who has attained the age of 59½ years, or who has become disabled, a person seeking payment of a bond on the owner's behalf should furnish a complete statement of the circumstances to the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101. Appropriate instructions will then be furnished.

case coming under the provisions of this paragraph, a duly certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary, if any, will be required where he predeceased the owner. Payment of bonds under paragraph (a)(1) of this section will be made by a Federal Reserve Bank or Branch or by the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101. Payment of bonds under paragraphs (a)(2) to (5) of this section will be made upon receipt of applications on Form PD 3565, together with the bonds and supporting evidence, by the Bureau of the Public Debt.

(b) *Order of precedence where beneficiary survived owner.* If the registered owner of a Retirement Plan Bond dies before it has been presented and surrendered for payment, and the beneficiary shown thereon survived the owner, the bond shall be paid in the following order of precedence:

(1) To the designated beneficiary upon his presentation and surrender of the bond with the request for payment signed and duly certified, such payment to be made to the exclusion of any other person who may have been named beneficiary by the registered owner in a bond purchase plan, or under a pension or profit-sharing plan;

(2) If the designated beneficiary survived the registered owner but failed to present the bond for payment during his own lifetime, payment will be made in the order of precedence specified in paragraphs (a) (1) to (5) of this section to the legal representative, surviving spouse, children, parents, or next-of-kin of such beneficiary, and in the manner provided therein.

In any case coming under the provisions of this paragraph, a duly certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary will also be required where he survived the owner but failed to present the bond for payment during his own lifetime. Payment of a bond to a designated beneficiary will be made by Federal Reserve Bank or Branch or by the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101.

(c) *Ownership of redemption proceeds.* The orders of precedence set forth in paragraphs (a) and (b) of this section, except in case where redemption is made for the account of a registered owner, are for the Department's convenience in discharging its obligation on a Retirement Plan Bond. The discharge of the obligation in accordance therewith shall be final so far as the Department is concerned, but those provisions do not otherwise purport to determine ownership of the redemption proceeds of a bond.

[28 FR 405, Jan 16, 1963, as amended at 42 FR 21611, Apr. 28, 1977]

§ 341.10 Reissue.

(a) *Addition or change of beneficiary.* A Retirement Plan Bond will be reissued to add a beneficiary in the case of a single ownership bond, or to eliminate or substitute a beneficiary in the case of a bond registered in beneficiary form upon the owner's request on Form PD 3564. No consent will be required to support any reissue transaction from a beneficiary whose name is to be removed from the registration of a Retirement Plan Bond. If the registered owner dies after the bond has been presented and surrendered for reissue, upon receipt of notice thereof by the agency to which the request for reissue was submitted, such request shall be treated as ineffective, provided the notice of death is received by the Federal Reserve Bank or Branch or the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC, 20226, or Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101, to which the request was sent, in sufficient time to withhold delivery, by mail or otherwise, of the reissued bond.

(b) *Error in issue—change of name.* Reissue of a Retirement Plan Bond will be made where an error in issue has occurred, as well as in cases where the owner's name has been changed by marriage, divorce, annulment, order of court, or in any other legal manner, upon appropriate request supported by satisfactory evidence. Information as

to the procedure to be followed in securing such reissue may be obtained from a Federal Reserve Bank or the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101.

[28 FR 405, Jan 16, 1963, as amended at 42 FR 21611, Apr. 28, 1977; 42 FR 57123, Nov. 1, 1977]

§ 341.11 Use of power of attorney.

No designation of an attorney, agent, or other representative to request payment or reissue on behalf of the owner, beneficiary, or other person entitled under § 341.9, other than as provided in the regulations in this part, will be recognized.

§ 341.12 Lost, stolen, or destroyed bonds.

If a Retirement Plan Bond is lost, stolen, or destroyed, a substitute may be issued upon identification of the bond and proof of its loss, theft, or destruction. A description of the bond by denomination, serial number, issue date and registration should be furnished at the time the report of loss, theft, or destruction is made. Such reports should be sent to the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101. Full instructions for obtaining substitute bonds will then be given.

[28 FR 405, Jan 16, 1963, as amended at 42 FR 21611, Apr. 28, 1977]

§ 341.13 Taxation.

The tax treatment provided under section 405 of the Internal Revenue Code of 1954 shall apply to all Retirement Plan Bonds. The bonds are subject to estate, inheritance, or other excise taxes whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, municipality, or any local taxing authority. Inquiries concerning the application of any Federal tax of these bonds should be directed to the District Director of Internal Revenue of the taxpayer's district or to the Internal Revenue Service, Washington, DC 20224.

§ 341.14 Certifying officers.

Officers authorized to certify requests for payment or for any other transaction involving Retirement Plan Bonds include:

(a) *Post offices.* Any postmaster, acting postmaster, or inspector-in-charge, or other post office official or clerk designated for that purpose. A post office official or clerk, other than a postmaster, acting postmaster, or inspector-in-charge, should certify in the name of the postmaster or acting postmaster, followed by his own signature and official title. Signatures of these officers should be authenticated by a legible imprint of the post office dating stamp.

(b) *Banks and trust companies.* Any officer of a Federal Reserve Bank or Branch, or of a bank or trust company chartered under the laws of the United States or those of any State, Commonwealth, or Territory of the United States, as well as any employees of such bank or trust company expressly authorized to act for that purpose, who should sign over the title ''Designated Employee.'' Certifications by any of these officers or designated employees should be authenticated by either a legible imprint of the corporate seal, or, where the institution is an authorized issuing agent for United States Savings Bonds, Series E, by a legible imprint of its dating stamp.

(c) *Issuing agents of Series E savings bonds.* Any officer of a corporation or any other organization which is an authorized issuing agent for United States Savings Bonds, Series E. All certifications by such officers must be authenticated by a legible imprint of the issuing agent's dating stamp.

(d) *Foreign countries.* In a foreign country requests may be signed in the presence of and be certified by any United States diplomatic or consular representative, or the manager or other 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 Treasury Department. If such an officer is not available, requests may be signed in the presence of and be certified by a notary or other officer authorized to

administer oaths, but his official character and jurisdiction should be certified by a United States diplomatic or consular officer under seal of his office.

(e) *Special provisions.* The Commissioner of the Public Debt, the Chief of the Division of Securities Operations, or any Federal Reserve Bank or Branch is authorized to make special provision for certification in any particular case or class of cases where none of the officers authorized above is readily accessible.

§ 341.15 General provisions.

(a) *Regulations.* All Retirement Plan Bonds shall be subject to the general regulations prescribed by the Secretary with respect to United States securities, which are set forth in Treasury Department Circular No. 300, current revision, to the extent applicable. Copies of the general regulations may be obtained upon request from any Federal Reserve Bank or Branch or the Bureau of the Public Debt.

(b) *Reservation as to issue of bonds.* The Secretary of the Treasury reserves the right to reject any application for the purchase of Retirement Plan Bonds, in whole or in part, and to refuse to issue or permit to be issued any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

(c) *Additional requirements.* In any case or any class of cases arising under this part the Secretary of the Treasury may require such additional evidence as may in his judgment be necessary, and may require a bond of indemnity, with or without surety, where he may consider such bond necessary for the protection of the United States.

(d) *Waiver of requirements.* The Secretary of the Treasury reserves the right, in his discretion, to waive or modify any provision or provisions 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, if such action is not inconsistent with law, does not impair any existing rights, and he is satisfied that such action would not subject the United States to any substantial expense or liability.

(e) *Fiscal agents.* Federal Reserve Banks and Branches, 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 in connection with the issue, delivery, redemption, reissue, and payment of Retirement Plan Bonds.

(f) *Reservation as to terms of circular.* The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this part, or any amendments or supplements thereto.

APPENDIX TO PART 341—TABLES OF REDEMPTION VALUES

TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 3¾ PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JANUARY 1, 1963

Table shows how the Retirement Plan Bonds bearing issue dates beginning January 1, 1963, by denomination, increase in redemption value during successive half-year periods following issue. The redemption values have been determined to provide an investment yield of 3.75 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b).[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (Values increase on first day of period shown)			
	$50.00	$100.00	$500.00	$1,000.00
First ½	$50.00	$100.00	$500.00	$1,000.00
½ to 1	50.94	101.88	509.38	1,018.75
1 to 1½	51.89	103.79	518.93	1,037.85
1½ to 2	52.87	105.73	528.66	1,057.31
2 to 2½	53.86	107.71	538.57	1,077.14
2½ to 3	54.87	109.73	548.67	1,097.33
3 to 3½	55.90	111.79	558.95	1,117.91
3½ to 4	56.94	113.89	569.43	1,138.87
4 to 4½	58.01	116.02	580.11	1,160.22
4½ to 5	59.10	118.20	590.99	1,181.98
5 to 5½	60.21	120.41	602.07	1,204.14
5½ to 6	61.34	122.67	613.36	1,226.72
6 to 6½	62.49	124.97	624.86	1,249.72
6½ to 7	63.66	127.31	636.57	1,273.15
7 to 7½	64.85	129.70	648.51	1,297.02
7½ to 8	66.07	132.13	660.67	1,321.34
8 to 8½	67.31	134.61	673.06	1,346.11
8½ to 9	68.57	137.14	685.68	1,371.35
9 to 9½	69.85	139.71	698.53	1,397.07
9½ to 10	71.16	142.33	711.63	1,423.26
10 to 10½	72.50	144.99	724.97	1,449.95
10½ to 11	73.86	147.71	738.57	1,477.13
11 to 11½	75.24	150.48	752.42	1,504.83
11½ to 12	76.65	153.30	766.52	1,533.05
12 to 12½	78.09	156.18	780.90	1,561.79
12½ to 13	79.55	159.11	795.54	1,591.07
13 to 13½	81.05	162.09	810.45	1,620.91
13½ to 14	82.56	165.13	825.65	1,651.30
14 to 14½	84.11	168.23	841.13	1,682.26

TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 3¾ PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JANUARY 1, 1963—Continued

Table shows how the Retirement Plan Bonds bearing issue dates beginning January 1, 1963, by denomination, increase in redemption value during successive half-year periods following issue. The redemption values have been determined to provide an investment yield of 3.75 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b).[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (Values increase on first day of period shown)			
	$50.00	$100.00	$500.00	$1,000.00
14½ to 15	85.69	171.38	856.90	1,713.80
15 to 15½	87.30	174.59	872.97	1,745.94
15½ to 16	88.93	177.87	889.34	1,778.67
16 to 16½	90.60	181.20	906.01	1,812.02
16½ to 17	92.30	184.60	923.00	1,846.00
17 to 17½	94.03	188.06	940.31	1,880.61
17½ to 18	95.79	191.59	957.94	1,915.87
18 to 18½	97.59	195.18	975.90	1,951.80
18½ to 19	99.42	198.84	994.20	1,988.39
19 to 19½	101.28	202.57	1,012.84	2,025.67
19½ to 20	103.18	206.37	1,031.83	2,063.66
20 to 20½	105.12	210.23	1,051.17	2,102.35

[1] Based on redemption values of $1,000 bond.

[2] At a future date prior to January 1, 1983 (20 years after issue date of the first bonds) this table will be extended to show redemption values for periods of holding of 20½ years and beyond.

TABLE A—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 4.15 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1966

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning June 1, 1966. The redemption values have been determined to provide an investment yield of approximately 4.15 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b) of this circular.[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50	$100	$500	$1,000
First ½	$0.00	$100.00	$500.00	$1,000.00
½ to 1	51.04	102.08	510.38	1,020.75
1 to 1½	52.10	104.19	520.97	1,041.93
1½ to 2	53.18	106.36	531.78	1,063.55
2 to 2½	54.28	108.56	542.81	1,085.62
2½ to 3	55.41	110.81	554.07	1,108.15
3 to 3½	56.56	113.11	565.57	1,131.14
3½ to 4	57.73	115.46	577.31	1,154.61
4 to 4½	58.93	117.86	589.28	1,178.57
4½ to 5	60.15	120.30	601.51	1,203.02
5 to 5½	61.40	122.80	613.99	1,227.99
5½ to 6	62.67	125.35	626.73	1,253.47
6 to 6½	63.97	127.95	639.74	1,279.48
6½ to 7	65.30	130.60	653.01	1,306.03
7 to 7½	66.66	133.31	666.56	1,333.13

TABLE A—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 4.15 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JUNE 1, 1966—Continued

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning June 1, 1966. The redemption values have been determined to provide an investment yield of approximately 4.15 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b) of this circular.[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50	$100	$500	$1,000
7½ to 8	68.04	136.08	680.39	1,360.73
8 to 8½	69.45	138.90	694.51	1,389.09
8½ to 9	70.89	141.78	708.92	1,417.85
9 to 9½	72.36	144.73	723.63	1,447.27
9½ to 10	73.86	147.73	738.65	1,477.30
10 to 10½	75.40	150.80	753.98	1,507.95
10½ to 11	76.96	153.92	769.62	1,539.24
11 to 11½	78.56	157.12	785.59	1,571.18
11½ to 12	80.19	160.38	801.89	1,603.78
12 to 12½	81.85	163.71	818.53	1,637.06
12½ to 13	83.55	167.10	835.52	1,671.03
13 to 13½	85.29	170.57	852.85	1,705.71
13½ to 14	87.05	174.11	870.55	1,741.10
14 to 14½	88.86	177.72	888.61	1,777.23
14½ to 15	90.71	181.41	907.05	1,814.10
15 to 15½	92.59	185.17	925.87	1,851.75
15½ to 16	94.51	189.02	945.09	1,890.17
16 to 16½	96.47	192.94	964.70	1,929.39
16½ to 17	98.47	196.94	984.71	1,969.43
17 to 17½	100.51	201.03	1,005.15	2,010.29
17½ to 18	102.60	205.20	1,026.00	2,052.01
18 to 18½	104.73	209.46	1,047.29	2,094.58
18½ to 19	106.90	213.80	1,069.02	2,138.05
19 to 19½	109.12	218.24	1,091.21	2,182.41
19½ to 20	111.38	222.77	1,113.85	2,227.70
20 to 20½[2]	113.70	227.39	1,136.96	2,273.92

[1] Based on redemption values of $1,000 bond.

[2] At a future date prior to June 1, 1986 (20 years after issue date of the first bonds), this table will be extended to show redemption values for periods of holding of 20½ years and beyond.

TABLE B—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 5.00 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JANUARY 1, 1970

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning January 1, 1970. The redemption values have been determined to provide an investment yield of approximately 5.00 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b) of this circular.[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50	$100	$500	$1,000
First ½	$50.00	$100.00	$500.00	$1,000.00
½ to 1	51.25	102.50	512.50	1,025.00
1 to 1½	52.53	105.06	525.31	1,050.62
1½ to 2	53.84	107.69	538.45	1,076.89
2 to 2½	55.19	110.38	551.91	1,103.81
2½ to 3	56.57	113.14	565.70	1,131.41
3 to 3½	57.98	115.97	579.85	1,159.69
3½ to 4	59.43	118.87	594.34	1,188.69
4 to 4½	60.92	121.84	609.20	1,218.40
4½ to 5	62.44	124.89	624.43	1,248.86
5 to 5½	64.00	128.01	640.04	1,280.08
5½ to 6	65.60	131.21	656.04	1,312.09
6 to 6½	67.24	134.49	672.44	1,344.89
6½ to 7	68.93	137.85	689.26	1,378.51
7 to 7½	70.65	141.30	706.49	1,412.97
7½ to 8	72.42	144.83	724.15	1,448.30
8 to 8½	74.22	148.45	742.25	1,484.51
8½ to 9	76.08	152.16	760.81	1,521.62
9 to 9½	77.98	155.97	779.83	1,559.66
9½ to 10	79.93	159.86	799.33	1,598.65
10 to 10½	81.93	163.86	819.31	1,638.62
10½ to 11	83.98	167.96	839.79	1,679.58
11 to 11½	86.08	172.16	860.79	1,721.57
11½ to 12	88.23	176.46	882.31	1,764.61
12 to 12½	90.44	180.87	904.36	1,808.73
12½ to 13	92.70	185.39	926.97	1,853.94
13 to 13½	95.02	190.03	950.15	1,900.29
13½ to 14	97.39	194.78	973.90	1,947.80
14 to 14½	99.82	199.65	998.25	1,996.50
14½ to 15	102.32	204.64	1,023.20	2,046.41
15 to 15½	104.88	209.76	1,048.78	2,097.57
15½ to 16	107.50	215.00	1,075.00	2,150.01
16 to 16½	110.19	220.38	1,101.88	2,203.76
16½ to 17	112.94	225.88	1,129.43	2,258.85
17 to 17½	115.77	231.53	1,157.66	2,315.32
17½ to 18	118.66	237.32	1,186.60	2,373.21
18 to 18½	121.63	243.25	1,216.27	2,432.54
18½ to 19	124.67	249.34	1,246.67	2,493.35
19 to 19½	127.78	255.57	1,277.84	2,555.68
19½ to 20	130.98	261.96	1,309.79	2,619.57
20 to 20½	134.25	268.51	1,342.53	2,685.06

[1] Based on redemption values of $1,000 bond.

[2] At a future date prior to January 1, 1990 (20 years after issue date of the first bonds) this table will be extended to show redemption values for periods of holding of 20½ years and beyond.

TABLE C—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 6 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING FEBRUARY 1, 1974

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning February 1, 1974. The redemption values have been determined to provide an investment yield of approximately 6 percent[1] per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b) of this circular.

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$100.00	$500.00	$1,000.00
First ½	$50.00	$100.00	$500.00	$1,000.00
½ to 1	51.50	103.00	51.500	1,030.00
1 to 1½	53.05	106.10	530.50	1,061.00
1½ to 2	54.64	109.28	546.40	1,092.80
2 to 2½	56.28	112.56	562.80	1,125.60
2½ to 3	57.96	115.92	579.60	1,159.20
3 to 3½	59.70	119.40	597.00	1,194.00
3½ to 4	61.49	122.98	614.90	1,229.80
4 to 4½	63.34	126.68	633.40	1,266.80
4½ to 5	65.24	130.48	652.40	1,304.80
5 to 5½	67.20	134.40	672.00	1,344.00
5½ to 6	69.21	138.42	692.10	1,384.20
6 to 6½	71.29	142.58	712.90	1,425.80
6½ to 7	73.43	146.86	734.30	1,468.60
7 to 7½	75.63	151.26	756.30	1,512.60
712 to 8	77.90	155.80	779.00	1,558.00
8 to 8½	80.24	160.48	802.40	1,604.80
8½ to 9	82.64	165.28	826.40	1,652.80
9 to 9½	85.12	170.24	851.20	1,702.40
9½ to 10	87.68	175.36	876.80	1,753.60
10 to 10½	90.31	180.62	903.10	1,806.20
10½ to 11	93.01	186.02	930.10	1,860.20
11 to 11½	95.81	191.62	958.10	1,916.20
11½ to 12	98.68	197.36	986.80	1,973.60
12 to 12½	101.64	203.28	1,016.40	2,032.80
12½ to 13	104.69	209.38	1,046.90	2,093.80
13 to 13½	107.83	215.66	1,078.30	2,156.60
13½ to 14	111.06	222.12	1,110.60	2,221.20
14 to 14½	114.40	228.80	1,144.00	2,288.00
14½ to 15	117.83	235.66	1,178.30	2,356.60
15 to 15½	121.36	242.72	1,213.60	2,427.20
15½ to 16	125.00	250.00	1,250.00	2,500.00
16 to 16½	128.75	257.50	1,287.50	2,575.00
16½ to 17	132.62	265.24	1,326.20	2,652.40
17 to 17½	136.60	273.20	1,366.00	2,732.00
17½ to 18	140.69	281.38	1,406.90	2,813.80
18 to 18½	144.91	289.82	1,449.10	2,898.20
18½ to 19	149.26	298.52	1,492.60	2,985.20
19 to 19½	153.74	307.48	1,537.40	3,074.80
19½ to 20	158.35	316.70	1,583.50	3,167.00
20 to 20½	163.10	326.20	1,631.00	3,262.00

[1] Based on redemption values of $1,000 bond.

TABLE D—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 6.50 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING AUG. 1, 1979

Table shows the increase in redemption value for each successive half-year term of holding following the date of issue on Retirement Plan Bonds bearing issue dates beginning August 1, 1979. The redemption values have been determined to provide an investment yield of approximately 6.50 percent[1] per annum, compounded semi-annually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b) of this circular.[2]

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50	$100	$500	$1,000
First ½	$50.00	$100.00	$500.00	$1,000.00
½ to 1	51.62	103.24	516.20	1,032.40
1 to 1½	53.30	106.60	533.00	1,066.00
1½ to 2	55.04	110.08	550.40	1,100.80
2 to 2½	56.82	113.64	568.20	1,136.40
2½ to 3	58.68	117.36	586.80	1,173.60
3 to 3½	60.58	121.16	605.80	1,211.60
3½ to 4	62.54	125.08	625.40	1,250.80
4 to 4½	64.58	129.16	645.80	1,291.60
4½ to 5	66.68	133.36	666.80	1,333.60
5 to 5½	68.84	137.68	688.40	1,376.80
5½ to 6	71.08	142.16	710.80	1,421.60
6 to 6½	73.40	146.80	734.00	1,468.00
6½ to 7	75.78	151.56	757.80	1,515.60
7 to 7½	78.24	156.48	782.40	1,564.80
7½ to 8	80.78	161.56	807.80	1,615.60
8 to 8½	83.40	166.80	834.00	1,668.00
8½ to 9	86.12	172.24	861.20	1,722.40
9 to 9½	88.92	177.84	889.20	1,778.40
9½ to 10	91.80	183.60	918.00	1,836.00
10 to 10½	94.80	189.60	948.00	1,896.00
10½ to 11	97.88	195.76	978.80	1,957.60
11 to 11½	101.06	202.12	1,010.60	2,021.20
11½ to 12	104.34	208.68	1,043.40	2,086.80
12 to 12½	107.72	215.44	1,077.20	2,154.40
12½ to 13	111.22	222.44	1,112.20	2,224.40
13 to 13½	114.84	229.68	1,148.40	2,296.80
13½ to 14	118.58	237.16	1,185.80	2,371.60
14 to 14½	122.44	244.88	1,224.40	2,448.80
14½ to 15	126.42	252.84	1,264.20	2,528.40
15 to 15½	130.52	261.04	1,305.20	2,610.40
15½ to 16	134.76	269.52	1,347.60	2,695.20
16 to 16½	139.14	278.28	1,391.40	2,782.80
16½ to 17	143.66	287.32	1,436.60	2,873.20
17 to 17½	148.34	296.68	1,483.40	2,966.80
17½ to 18	153.16	306.32	1,531.60	3,063.20
18 to 18½	158.12	316.24	1,581.20	3,162.40
18½ to 19	163.26	326.52	1,632.60	3,265.20
19 to 19½	168.58	337.16	1,685.80	3,371.60
19½ to 20	174.06	348.12	1,740.60	3,481.20
20 to 20½	179.72	359.44	1,797.20	3,594.40

[1] Based on redemption values of $1,000 bond.

[2] At a future date prior to Aug. 1, 1999 (20 years after issue date of the first bonds) this table will be extended to show redemption values for periods of holding of 20½ years and beyond.

TABLE E—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 8.00 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING NOVEMBER 1, 1980

NOTE: This table shows how Retirement Plan Bonds bearing issue dates beginning November 1, 1980, by denomination, increase in redemption value during successive half-year periods following issue. The redemption values have been determined to provide an investment yield of 8.00 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b).

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$100.00	$500.00	$1,000.00
First half year	$50.00	$100.00	$500.00	$1,000.00
.5 to 1.0	52.00	104.00	520.00	1,040.00
1.0 to 1.5	54.08	108.16	540.80	1,081.60
1.5 to 2.0	56.24	112.48	562.40	1,124.80
2.0 to 2.5	58.50	117.00	585.00	1,170.00
2.5 to 3.0	60.84	121.68	608.40	1,216.80
3.0 to 3.5	63.26	126.52	632.60	1,265.20
3.5 to 4.0	65.80	131.60	658.00	1,316.00
4.0 to 4.5	68.42	136.84	684.20	1,368.40
4.5 to 5.0	71.16	141.32	711.60	1,423.20
5.0 to 5.5	74.02	148.04	740.20	1,480.40
5.5 to 6.0	76.98	153.96	769.80	1,539.60
6.0 to 6.5	80.06	160.12	800.60	1,601.20
6.5 to 7.0	83.26	166.52	832.60	1,665.20
7.0 to 7.5	86.58	173.16	865.80	1,731.60
7.5 to 8.0	90.04	180.08	900.40	1,800.80
8.0 to 8.5	93.64	187.28	936.40	1,872.80
8.5 to 9.0	97.40	194.80	974.00	1,948.00
9.0 to 9.5	101.30	202.60	1,013.00	2,026.00
9.5 to 10.0	105.34	210.68	1,053.40	2,106.80
10.0 to 10.5	109.56	219.12	1,095.60	2,191.20
10.5 to 11.0	113.94	227.88	1,139.40	2,278.80
11.0 to 11.5	118.50	237.00	1,185.00	2,370.00
11.5 to 12.0	123.24	246.48	1,232.40	2,464.80
12.0 to 12.5	128.16	256.32	1,281.60	2,563.20
12.5 to 13.0	133.30	266.60	1,333.00	2,666.00
13.0 to 13.5	138.62	277.24	1,386.20	2,772.40
13.5 to 14.0	144.16	288.32	1,441.60	2,883.20
14.0 to 14.5	149.94	299.88	1,499.40	2,998.80
14.5 to 15.0	155.94	311.88	1,559.40	3,118.80
15.0 to 15.5	162.16	324.32	1,621.60	3,243.20
15.5 to 16.0	168.66	337.32	1,686.60	3,373.20
16.0 to 16.5	175.40	350.80	1,754.00	3,508.00
16.5 to 17.0	182.42	364.84	1,824.20	3,648.40
17.0 to 17.5	189.72	379.44	1,897.20	3,794.40
17.5 to 18.0	197.30	394.60	1,973.00	3,946.00
18.0 to 18.5	205.20	410.40	2,052.00	4,104.00
18.5 to 19.0	213.40	426.80	2,134.00	4,268.00
19.0 to 19.5	221.94	443.88	2,219.40	4,438.80
19.5 to 20.0	230.82	461.64	2,308.20	4,616.40
20.0 to 20.5	240.06	480.12	2,400.60	4,801.20

TABLE F—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 9.00 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING OCTOBER 1, 1981

NOTE: This table shows how Retirement Plan Bonds bearing issue dates beginning October 1, 1981, by denomination, increase in redemption value during successive half-year periods following issue. The redemption values have been determined to provide an investment yield of 9.00 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of § 341.1(b).

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$100.00	$500.00	$1,000.00
First half year ...	$50.00	$100.00	$500.00	$1,000.00
.5 to 1.0	52.24	104.48	522.40	1,044.80
1.0 to 1.5	54.60	109.20	546.00	1,092.00
1.5 to 2.0	57.06	114.12	570.60	1,141.20
2.0 to 2.5	59.62	119.24	596.20	1,192.40
2.5 to 3.0	62.30	124.60	623.00	1,246.00
3.0 to 3.5	65.12	130.24	651.20	1,302.40
3.5 to 4.0	68.04	136.08	680.40	1,360.80
4.0 to 4.5	71.10	142.20	711.00	1,422.00
4.5 to 5.0	74.30	148.60	743.00	1,486.00
5.0 to 5.5	77.64	155.28	776.40	1,552.80
5.5 to 6.0	81.14	162.28	811.40	1,622.80
6.0 to 6.5	84.80	169.60	848.00	1,696.00
6.5 to 7.0	88.60	177.20	886.00	1,772.00
7.0 to 7.5	92.60	185.20	926.00	1,852.00
7.5 to 8.0	96.76	193.52	967.60	1,935.20
8.0 to 8.5	101.12	202.24	1,011.20	2,022.40
8.5 to 9.0	105.66	211.32	1,056.60	2,113.20
9.0 to 9.5	110.42	220.84	1,104.20	2,208.40
9.5 to 10.0	115.40	230.80	1,154.00	2,308.00
10.0 to 10.5	120.58	241.16	1,205.80	2,411.60
10.5 to 11.0	126.02	252.04	1,260.20	2,520.40
11.0 to 11.5	131.68	263.36	1,316.80	2,633.60
11.5 to 12.0	137.60	275.20	1,376.00	2,752.00
12.0 to 12.5	143.80	287.60	1,438.00	2,876.00
12.5 to 13.0	150.28	300.56	1,502.80	3,005.60
13.0 to 13.5	157.04	314.08	1,570.40	3,140.80
13.5 to 14.0	164.10	328.20	1,641.00	3,282.00
14.0 to 14.5	171.48	342.96	1,714.80	3,429.60
14.5 to 15.0	179.20	358.40	1,792.00	3,584.00
15.0 to 15.5	187.26	374.52	1,872.60	3,745.20
15.5 to 16.0	195.70	391.40	1,957.00	3,914.00
16.0 to 16.5	204.50	409.00	2,045.00	4,090.00
16.5 to 17.0	213.70	427.40	2,137.00	4,274.00
17.0 to 17.5	223.32	446.64	2,233.20	4,466.40
17.5 to 18.0	233.36	466.72	2,333.60	4,667.20
18.0 to 18.5	243.86	487.72	2,438.60	4,877.20
18.5 to 19.0	254.84	509.68	2,548.40	5,096.80
19.0 to 19.5	266.32	532.64	2,663.20	5,326.40
19.5 to 20.0	278.30	556.60	2,783.00	5,566.00
20.0 to 20.5	290.82	581.64	2,908.20	5,816.40

[28 FR 405, Jan. 16, 1963, as amended at 31 FR 7625, May 27, 1966; 35 FR 224, Jan. 7, 1970; 39 FR 4661, Feb. 6, 1974; 45 FR 53393, Aug. 11, 1980; 46 FR 60573, Dec. 11, 1981]

PART 342—OFFERING OF UNITED STATES SAVINGS NOTES

Sec.

342.0 Offering of notes.
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AUTHORITY: 31 U.S.C. 3103, 5 U.S.C. 301.

SOURCE: 57 FR 14282, Apr. 17, 1992, unless otherwise noted.

§ 342.0 Offering of notes.

The Secretary of the Treasury offered for sale to the people of the United States, United States Savings Notes (also known as ''Freedom Shares'', and generally referred to herein as ''savings notes'' or ''notes''). The notes could be purchased only in combination with Series E savings bonds of the same or greater denomination. This offering was effective from May 1, 1967 until the close of business October 31, 1970 when the sale of savings notes was terminated by the Secretary of the Treasury.

§ 342.1 Definition of words and terms used in this part.

(a) *Payroll savings plan* refers to a voluntary program maintained by an employer whereby its participating officers and employees authorize regular withholdings from their salaries or wages for the purchase of savings bonds.

(b) *Quarter* refers to a 3-month period of a year, as follows: January-February-March, April-May-June, July-August-September, or October-November-December.

§ 342.2 Description of notes.

(a) *General.* Savings notes were issued only in registered form and are nontransferable.

(b) *Term.* A savings note was dated as of the first day of the month in which payment of the purchase price was received by an issuing agent. A note had an original maturity period of 4 years and 6 months and has been granted two 10-year extensions of maturity and an additional extension of 5 years and 6 months with interest; it will reach

final maturity 30 years from its issue date. A note cannot be called by the Secretary of the Treasury prior to maturity and was not redeemable during the first year from issue date. Thereafter, a note may be redeemed at the option and request of the owner.

(c) *Denominations and purchase prices.* Savings notes were issued on a discount basis. The denominations and purchase prices were as follows:

Denomination	Purchase price
$25	$20.25
50	40.50
75	60.75
100	81.00

Interest is paid as a part of the redemption value. A note increased in value one year after issue date and increases at the beginning of each half-year period thereafter until final maturity, at which time interest ceases to accrue. Interest on a note which is redeemed before maturity ceases to accrue at the end of the interest period next preceding the redemption date, except that if the note is redeemed on a date on which the redemption value increases, interest ceases to accrue on that date.

(d) *Inscription and issue.* At the time of issue, the authorized issuing agent:

(1) Inscribed on the face of each note the name and address of the owner and the name of the beneficiary, if any, or the names of the coowner;

(2) Entered the issue date in the right-hand portion of the note in the space provided for that purpose; and

(3) Imprinted thereunder, by use of the agent's validation indicia for the issue of Series E savings bonds, the date the note was actually inscribed. A note is valid only if an authorized issuing agent received payment therefor and duly inscribed, dated, imprinted validation indicia on the note and delivered it.

§ 342.3 Extended terms and yields for outstanding notes.

(a) *Extended maturity periods.* The terms *extended maturity period* and *second extended maturity period* refer to the 10-year intervals after the original maturity dates during which owners may retain their savings notes and continue to earn interest thereon. The term *third extended maturity period* refers to the final interval of 5 years and 6 months during which owners may retain notes and continue to earn interest until final maturity, which occurs 30 years after issue date. No special action is required of owners to take advantage of any extension heretofore or herein granted. The following table describes the previous and final maturities of savings notes:

Issue dates—1st day of	Previous maturities		Previous maturity dates—1st day of
	yrs.	mos.	
May 1967–Oct. 1970	24	6	Nov. 1991–Apr. 1995.

Issue dates—1st day of	Additional extended maturity period		Life of notes—yrs.
	yrs.	mos.	
May 1967–Oct. 1970	5	6	30

Issue dates—1st day of	Final maturity dates—1st day of
May 1967–Oct. 1970	May 1997–Oct. 2000

(b) *Guaranteed minimum investment yield*—(1) *General.* Except as provided in paragraph (b)(2) of this section, the guaranteed minimum investment yields for outstanding savings notes are as follows:

(i) For savings notes in extended maturity periods prior to November 1, 1982, the guaranteed minimum investment yield was 8.5 percent per annum, compounded semiannually, effective for the period from the first semiannual interest accrual date on or after May 1, 1981, through their next extended maturity dates on or after November 1, 1982.

(ii) For savings notes that entered extended maturity periods during the period of November 1, 1982, through October 1, 1986, the guaranteed minimum investment yield was 7.5 percent per annum, compounded semiannually, for such periods, including notes that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
May 1968–Oct. 1970	2nd	Nov. 1982–Apr. 1985.

(iii) For savings notes that entered into extended maturity periods during the period of November 1, 1986, through February 1, 1993, the guaranteed minimum investment yield is 6 percent per annum, compounded semiannually, for such periods, including notes that entered into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
May 1967–Aug. 1968.	3rd (final)	Nov. 1991–Feb. 1993.

(iv) For savings notes that entered or enter extended maturity periods on or after March 1, 1993, the guaranteed minimum investment yield is 4 percent per annum, compounded semiannually, for such periods, or the investment yield in effect at the beginning of such periods, including notes that enter into an extended maturity period, as shown below:

Issue dates—1st day of—	Extension	Entered—1st day of
Sep. 1968–Oct. 1970.	3rd (final)	Mar. 1993–Apr. 1995.

(2) *Eleven-year bonus.* If a savings note was held for the 11-year period beginning with the first semiannual interest accrual date that occurred on or after January 1, 1980, its guaranteed minimum investment yield for such period was increased by one-half of one percent per annum, compounded semiannually.

(c) *Market-based variable investment yield.* In order to be eligible for the market-based variable investment yield, notes had to be held at least five years beginning with the first semiannual interest accrual date occurring on or after November 1, 1982. The market-based variable investment yield shall be determined by the Secretary of the Treasury as follows:

(1) For each 6-month period, starting with the period beginning May 1, 1982, the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period as determined. Such determination by the Secretary of the Treasury or his or her delegate shall be final and conclusive.

(2) For notes which entered an extended maturity period prior to May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occuring on or after November 1, 1987, will be 85 percent, rounded to the nearest one-fourth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (c)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(3) For notes which entered an extended maturity period on or after May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring or or after November 1, 1989, will be 85 percent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (c)(1) of this section for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(d) *Determination of redemption values during any extended maturity period.* The redemption value of a note on a given interest accrual date during any extended maturity period will be the higher of the value produced by using the applicable guaranteed minimum investment yield or the value produced by using the appropriate market-based variable investment yield. The calculation of these values is described below:

(1) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A note has a guaranteed minimum investment yield for each of its extended maturity periods. The applicable guaranteed minimum investment yield for the current extended maturity period and any subsequent periods are specified in paragraph (b) of this section. In order to determine the value of a note during an extended maturity period, the value of the note either at the end of the next preceding maturity period or when the guaranteed minimum investment yield

last increased,[1] whichever occurs later, is determined using the applicable guaranteed minimum investment yield. This value is then used as the base upon which interest accrues during the extended maturity period at the guaranteed minimum investment yield in effect for savings bonds at the beginning of that period. The resulting semiannual values are then compared with the corresponding values determined by using the applicable market-based variable investment yields.

(2) *Market-based variable investment yield an resulting values during and extended maturity period.* The market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, is determined as specified in paragraph (c) of this section. The value of a note on its first semiannual interest accrual date occurring on or after November 1, 1982 is used as the base upon which interest accrues during an extended maturity period at the applicable market-based variable investment yield. If redeemed, the note will receive the higher of the two values produced by using the applicable guaranteed minimum investment yield and the applicable market-based variable investment yield.

(e) *Market-based variable investment yields and tables of redemption values.* The market-based variable investment yields for notes redeemed during each 6-month period, beginning on May 1 and November 1 of each year, are made available prior to each of those dates by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328, accompanied by tables of the redemption values of notes for the following 6 months, based on either the applicable market-based variable investment yields or guaranteed minimum investment yields.

[57 FR 14282, Apr. 17, 1992, as amended at 58 FR 60937, 60938, Nov. 18, 1993]

[1] The 11-year bonus was the last increase in the guaranteed minimum investment yield (see paragraph (b)(2)). Savings notes which were eligible to receive this bonus received it on the first semiannual interest accrual date which occurred on or after January 1, 1991.

§ 342.4 Purchase—registration.

(a) *Purchase.* Savings notes, in combination with Series E bonds, could be purchased from any authorized issuing agent, a Federal Reserve Bank or Branch, or the Bureau of the Public Debt. Payment for the notes could be made in the same manner as payment for Series E savings bonds. Issuing agents delivered the notes at the time of purchase, or by mail at the risk and expense of the United States, but only within the United States, its territories and possessions and the Commonwealth of Puerto Rico. No mail deliveries elsewhere were made.

(b) *Registration.* The following restrictions applied to original issues of savings notes:

(1) They were limited to registration in the name of a natural person (whether adult or minor), alone, or with another natural person as co-owner or beneficiary, and

(2) They had to be identical in registration to the Series E bond purchased in combination therewith.

§ 342.5 Limitations.

(a) *Purchases*—(1) *Payroll savings plans.* Under a payroll savings plan, withholdings for notes could not exceed the ratio of $1.08 for the notes to $1 for the Series E bonds and could not exceed $20.25 per weekly pay period, or $40.50 per biweekly or semi-monthly pay period, or $81 per monthly pay period.

(2) *Others.* In combination purchases of notes and Series E bonds, other than under a payroll savings plan, purchases of notes could not exceed $350 (face amount) a quarter, and in no event could the annual limitation of $1,350 (face amount) be exceeded.

(b) *Holdings.* The face amount of savings notes originally issued to any one person during any one calendar year, was limited to $1,350.

§ 342.6 Taxation.

(a) *General.* For the purpose of determining taxes and tax exemptions, the increment in value represented by the difference between the purchase price and the redemption value received for a savings note is considered interest. The interest is subject to all taxes imposed under the Internal Revenue Code

of 1986, as amended. The notes 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 thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

(b) *Federal income tax on notes.* An owner of savings notes who is a cash-basis taxpayer may use either of two methods for reporting the increase in the redemption value of the notes for Federal income tax purposes, as follows:

(1) Defer reporting of the increase to the year of final maturity, actual redemption, or other disposition, whichever is earlier; or

(2) Elect to report the increase for the year in which it accrues, in which case the election applies to all savings notes then owned and those subsequently acquired, as well as to any other similar obligations purchased on a discount basis.

If the method in paragraph (b)(1) of this section is used, the taxpayer may change to the method in paragraph (b)(2) of this section without obtaining permission from the Internal Revenue Service. However, once the election to use the method in paragraph (b)(2) of this section is made, the taxpayer may not change the method of reporting without permission from the Internal Revenue Service. For further information on Federal income taxes, the Service Center Director or District Director, Internal Revenue Service, of the taxpayer's district should be contacted.

§ 342.7 Payment or redemption.

(a) *General.* A savings note is redeemable any time one year or more after the issue date upon its presentation and surrender, with a duly executed request for payment, to any Federal Reserve Bank or Branch referred to in 342.9, the Bureau of the Public Debt, or to any financial institution designated as a paying agent of savings bonds.

(b) *Judgment creditors.* Payment of a savings note to the purchaser at a sale under a levy, or to the officer authorized to levy upon the property of the owner under appropriate process to satisfy a money judgment, could not be made until one year after the issue date of the note.

[57 FR 14282, Apr. 17, 1992, as amended at 59 FR 10540, Mar. 4, 1994]

§ 342.8 Governing regulations.

Savings notes are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds, contained in 31 CFR part 315, also published as Department of the Treasury Circular No. 530, current revision, except as otherwise specifically provided herein.

§ 342.9 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 delegate, in connection with the issue, redemption and payment of savings notes.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10540, Mar. 4, 1994]

§ 342.10 Reservations.

(a) *Issue of notes.* The Secretary of the Treasury reserved the right to reject any application for purchase of savings notes, in whole or in part, and to refuse to issue or permit to be issued hereunder any such notes in any case or any class or classes of cases if such action was deemed to be in the public interest. Any action in any such respect was final.

(b) *Terms.* The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this part, or of any amendments or supplements thereto.

PART 343—REGULATIONS GOVERNING THE OFFERING OF UNITED STATES MORTGAGE GUARANTY INSURANCE COMPANY TAX AND LOSS BONDS

Subpart A—General Information

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343.0 Offering of bonds.
343.1 General provisions.

Subpart B—Tax and Loss Bonds

343.2 Issue date and purchase.
343.3 Redemption.
343.4 Reissue.
344.5 Taxation.

AUTHORITY: 5 U.S.C. 301; 26 U.S.C. 832; 31 U.S.C. 3102.

SOURCE: 62 FR 49914, Sept. 24, 1997, unless otherwise noted.

Subpart A—General Information

§ 343.0 Offering of bonds.

The Secretary of the Treasury, under the authority of the Second Liberty Bond Act, as amended, and pursuant to paragraph 832(e) of the Internal Revenue Code of 1954, offers for sale only to companies organized and engaged in the business of writing mortgage guaranty insurance within the United States, bonds of the United States designated as Mortgage Guaranty Insurance Company Tax and Loss Bonds, hereinafter referred to as tax and loss bonds. The bonds are issued in a minimum amount of $1,000 or in any larger amount, in increments of not less than $1.00. This offering will continue until terminated by the Secretary of the Treasury.

§ 343.1 General provisions.

(a) *Regulations.* Tax and loss bonds are subject to the general regulations with respect to United States securities, which are set forth in the Department of the Treasury Circular No. 300 (31 CFR part 306), to the extent applicable. Copies of the circular may be obtained from the Bureau of the Public Debt, Division of Special Investments, Room 309, 200 Third St., P.O. Box 396, Parkersburg, WV 26106–0396 or downloaded from Public Debt's home page on the Internet at: http://www.publicdebt.treas.gov/.

(b) *Issuance.* Tax and loss bonds are issued in book-entry form on the books of the Treasury that are maintained by the Division of Special Investments. The bonds are issued with 10 or 20 year maturities as designated by the purchaser. These bonds are non-interest bearing. Any transfer by sale, exchange, assignment, pledge or otherwise, is prohibited. The bonds may be reissued as provided in § 343.4.

(c) *Fiscal agents.* Selected Federal Reserve Banks and Branches, as fiscal agents of the United States, may be

designated to perform such services requested of them by the Secretary of the Treasury in connection with the purchase, redemption and other transactions involving these bonds.

(d) *Debt limit contingency.* The Department of the Treasury reserves the right to change or suspend the terms and conditions of this offering, including provisions relating to the purchase of, and redemption of, the bonds as well as notices relating hereto, at any time the Secretary determines that the issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit. Announcement of such changes shall be provided by such means as the Secretary deems appropriate.

(e) *General redemption provisions.* A bond may not be called for redemption by the Secretary of the Treasury prior to maturity. When the bond matures, payment will be made of the principal amount due to the owner. A bond scheduled for maturity on a non-business day will be redeemed on the next business day.

(f) *Reservations.* The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this circular or any related amendments or supplements. Transaction requests, including purchases or redemptions of bonds, are not acceptable if unsigned, inappropriately completed, or not timely submitted. Any of these actions shall be final. The authority of the Secretary to waive regulations under 31 CFR 306.126 applies to part 343.

(g) *Forms and additional information.* The application form for subscriptions, Fedwire instructions and other information will be furnished by the Division of Special Investments upon request by writing to the Division of Special Investments or by calling (304) 480–7752. Application forms may also be downloaded from the Internet at Public Debt's home page at: http://www.publicdebt.treas.gov/.

Subpart B—Tax and Loss Bonds

§343.2 Issue date and purchase.

(a) *Issue date.* The issue date must be a business day. The bonds will be issued as of the date of receipt of Form PD F 3871 ''Application for Issue of United States Mortgage Guaranty Insurance Company Tax and Loss Bonds'' and receipt of the remittance of funds for the full amount of the bond(s). Applications under this offering must be submitted to the Division of Special Investments. An application may be submitted by fax at (304) 480–7786 or (304) 480–6818, by mail, or by other carrier. Applications submitted by mail should be sent by certified or registered mail.

(b) *Purchase.* Tax and loss bonds may only be purchased from the Division of Special Investments. The purchaser will instruct their financial institution to submit the exact amount of funds on the requested issue date to the Division of Special Investments via the Fedwire funds transfer system, with credit directed to the Treasury's General Account, according to wire instructions obtained from the Division of Special Investments (see §343.1(g)). Full payment should be submitted by 3:00 P.M. Eastern time to ensure that settlement of the transaction occurs.

(Approved by the Office of Management and Budget under control number 1535–0127.)

§343.3 Redemption.

(a) *General.* Tax and loss bonds may not be called for redemption by the Secretary of the Treasury prior to maturity, but may be redeemed in whole or in part at the owner's option at any time after three months from issue date. The Director of the Internal Revenue Service District in which the owner's principal place of business is located will be given notice of all redemptions. Partial redemptions of bonds may be requested in any whole dollar amount; however, an account balance of less than $1,000 will be redeemed in total.

(b) *Method of payment.* Payment will be made by the Automated Clearing

House (ACH) method for the owner's account at a financial institution designated by the owner. To the extent applicable, provisions of § 357.26, Payments, and provisions of 31 CFR part 370, shall govern ACH payments made under this offering. The Department of the Treasury may employ alternate payment procedures in lieu of ACH in any case or class of cases where operational considerations require such action.

(c) *Book-entry.* Bonds will be redeemed automatically upon maturity. Payment will be made in accordance with the ACH payment instructions on file. Redemptions prior to maturity will be made upon receipt of a redemption request. Notice of redemption prior to maturity must be submitted in writing on company letterhead to the Division of Special Investments, or faxed to (304) 480–7786 or to (304) 480–6818. The notice must be received by the Division of Special Investments not less than three business days prior to the requested redemption date. It must contain the owner's name and Tax Identification Number, the requested redemption date, any changed payment routing instructions, the case number(s) to be redeemed, including original issue date(s), and the amount to be redeemed.

(d) *Registered.* To obtain redemption, a bond with the assignment for redemption properly completed and executed must be presented to the Division of Special Investments. Payment routing instructions must also be included with the bond at redemption. Upon partial redemption of a registered bond, the remaining balance will be reissued in book-entry form with the original issue and maturity date.

(Approved by the Office of Management and Budget under control number 1535–0127.)

§ 343.4 Reissue.

(a) *General.* Reissue of a tax and loss bond may be made only under the conditions specified in this paragraph. A request for reissue must be made by an officer of the beneficial owner who is authorized to assign the bond for redemption. The request must be submitted to the Division of Special Investments. A bond will only be reissued in book-entry form and will bear the same issue date and maturity as the original bond.

(b) *Correction of error.* The reissue of a bond may be made to correct an error in the original issue upon an appropriate request, supported by satisfactory proof of the error.

(c) *Change of name.* An owner whose name is changed in any legal manner after the issue of the bond should submit the bond with a request for reissue, substituting the new name for the name inscribed on the bond. The signature on the request for reissue should show the new name, the legal reason which caused the change to be made and the former name. It must be supported by satisfactory proof of the change of name.

(d) *Legal succession.* A bond registered in the name of a company which has been succeeded by another company as the result of a merger, consolidation, incorporation, reincorporation, conversion, reorganization, or which has been lawfully succeeded in any manner whereby the business or activities of the original organization are continued without substantial change, will be paid to or reissued in the name of the successor upon an appropriate request on its behalf, supported by satisfactory evidence of successorship.

(e) *Conversion to book-entry.* Although not required, any owner of tax and loss bonds held in registered form after the effective date of this regulation, may submit those bonds to the Division of Special Investments, for conversion to book-entry form.

(Approved by the Office of Management and Budget under control number 1535–0127.)

§ 343.5 Taxation.

Tax and loss bonds will be exempt from all taxation now or hereafter imposed on the principal by any state or any possession of the United States or of any local taxing authority.

PART 344—REGULATIONS GOVERNING UNITED STATES TREASURY CERTIFICATES OF INDEBTEDNESS, TREASURY NOTES, AND TREASURY BONDS—STATE AND LOCAL GOVERNMENT SERIES

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Subpart B—Time Deposit Securities

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344.7 Subscription for purchase.
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Subpart D—Special Zero Interest Securities

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APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM SEPTEMBER 1, 1989, THROUGH OCTOBER 27, 1996
APPENDIX B TO PART 344—FORMULA FOR DETERMINING REDEMPTION VALUE FOR SECURITIES SUBSCRIBED FOR AND EARLY-REDEEMED ON OR AFTER OCTOBER 28, 1996

AUTHORITY: 26 U.S.C. 141 note; 31 U.S.C. 3102.

SOURCE: 61 FR 55693, Oct. 28, 1996, unless otherwise noted.

Subpart A—General Information

§ 344.0 Offering of securities.

(a) In order to provide issuers of tax exempt securities with investments from any amounts that constitute gross proceeds of an issue or any other amounts which assist an issuer of tax-exempt bonds in complying with applicable provisions of the Internal Revenue Code relating to such tax exemption, the Secretary of the Treasury offers for sale the following State and Local Government Series securities:

(1) Time deposit securities:

(i) United States Treasury Certificates of Indebtedness,

(ii) United States Treasury Notes, and

(iii) United States Treasury Bonds.

(2) Demand deposit securities—United States Treasury Certificates of Indebtedness.

(b) As appropriate, the definitions of terms used in part 344 are those found in the relevant portions of the Internal Revenue Code and the tax regulations. The term ''government body'' refers to issuers of state or local government bonds described in section 103 of the Internal Revenue Code.

(c) The securities in paragraph (a) of this section are issued in a minimum amount of $1,000, or in any larger amount, in increments of not less than $1.00 for time deposit securities and in any increments over the $1,000 minimum for demand deposit securities.

(d) This offering continues until terminated by the Secretary of the Treasury.

§ 344.1 General provisions.

(a) *Regulations.* United States Treasury securities—State and Local Government Series shall be subject to the general regulations with respect to United States securities, which are set forth in the Department of the Treasury Circular No. 300 (31 CFR part 306), to the extent applicable. Copies of the circular can be obtained from the Bureau of the Public Debt, Division of Special Investments—Room 309, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396.

(b) *Issuance.* The securities are issued in book-entry form on the books of the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV. Transfer of securities by sale, exchange, assignment, pledge, or otherwise is not permitted.

(c) *Transfers.* Securities held in an account of any one type, i.e., time deposit, demand deposit, or special zero interest, cannot be transferred within that account or to an account of any other type.

(d) *Fiscal agents.* Selected Federal Reserve Banks and Branches, as fiscal agents of the United States, can be designated to perform such services requested of them by the Secretary of the Treasury in connection with the

purchase of, transactions involving, and redemption of, the securities.

(e) *Authority of subscriber.* Where a commercial bank submits an initial or final subscription on behalf of a government body, it must certify it is acting under the latter's specific authorization. Ordinarily, evidence of such authority is not required. Subscriptions submitted by an agent, other than a commercial bank, must be accompanied by evidence of the agent's authority to act. Such evidence must describe the nature and scope of the agent's authorization, must specify the legal authority under which the agent was designated, and must relate by its terms to the investment action undertaken. Subscriptions unsupported by such evidence are not acceptable.

(f) *Impermissible transactions.* It is impermissible to subscribe for SLGS securities for deposit in a defeasance escrow or fund if, at any time between the close of business on the date of subscription and the close of business on the date of issue, the amount of SLGS securities subscribed for, plus the amount of other securities, if any, already in such escrow or fund, plus the amount of other securities the government body has acquired, or has the right to acquire for deposit in an escrow or fund, exceeds the total amount of securities needed to fund such escrow or fund. Securities held in the escrow or fund that are not subject to an agreement conditioned on changes in the interest rate on open market Treasury securities on or prior to the date of issue of the SLGS securities shall not be included in such computation. An adjustment in the subscription amount in accordance with 31 CFR 344.3(b)(3)(ii) will not in and of itself make the transaction impermissible.

(g) *Reservations.* Transaction requests, including requests for subscription and redemption, are not acceptable if unsigned, inappropriately completed, or not timely submitted. Any of these actions shall be final. The authority of the Secretary to waive regulations under 31 CFR 306.126 applies to part 344. The Secretary of the Treasury reserves the right:

(1) To reject any application for the purchase of securities under this offering;

(2) To refuse to issue any such securities in any case or any class(es) of cases; and

(3) To revoke the issuance of any security, and to declare the subscriber ineligible thereafter to subscribe for securities under this offering if the Secretary deems such action in the public interest and if any security is issued on the basis of an improper certification, other misrepresentations (other than as the result of an inadvertent error) or in an impermissible transaction as set forth in § 344.1(f).

(h) *Debt limit contingency.* The Department of the Treasury reserves the right to change or suspend the terms and conditions of this offering, including provisions relating to subscriptions for, and issuance of, securities, interest payments, redemptions, and rollovers, as well as notices relating hereto, at any time the Secretary determines that the issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit. Announcement of such changes shall be provided by such means as the Secretary deems appropriate.

(i) *Noncompliance.* The penalty imposed on any government body which fails to make settlement on a subscription once submitted and not canceled timely shall be to render the government body ineligible thereafter to subscribe for securities under any offering in part 344 for a period of six months, beginning on the date the subscription is withdrawn or the proposed issue date, whichever occurs first.

(1) The penalty is imposed on the government body unless the government body provides the Tax Identification Number of a conduit borrower that is the actual party failing to make settlement of a subscription. If this number is provided for a conduit borrower, the conduit borrower shall be the entity on which the six-month penalty is imposed.

(2) The Division of Special Investments can determine to waive the six-month penalty, pursuant to the provisions governing the waiver of regulations set forth under 31 CFR 306.126. Where settlement occurs after the proposed issue date and the Division of

Special Investments determines, pursuant to 31 CFR 306.126, that settlement is acceptable on an exception basis, the six-month penalty will be waived and the government body shall be subject to a late payment assessment. The late payment assessment will equal the amount of interest that will have accrued on the securities from the proposed issue date to the date of settlement, as well as an administrative fee of $100 per subscription. Assessments of late payment fees and administrative fees under part 344 are due on demand.

(j) *General redemption provisions.* A security can not be called for redemption by the Secretary of the Treasury prior to maturity. Upon the maturity of a security, the Department will make payment of the principal amount and interest due to the owner thereof. A security scheduled for maturity on a non-business day will be redeemed on the next business day.

(k) *Business or calendar days.* Unless otherwise noted, any reference herein to days refers to calendar days.

[61 FR 55693, Oct. 28, 1996, as amended at 62 FR 46445, Sept. 3, 1997]

Subpart B—Time Deposit Securities

§ 344.2 Description of securities.

(a) *Terms*—(1) *Certificates.* The certificates are issued with maturity periods fixed by the government body, from thirty days up to and including one year, or for any intervening period; provided, for certificates that bear no interest, the maturity period can be fixed by the government body from fifteen days up to and including one year or for any intervening period.

(2) *Notes.* The notes are issued with maturity periods fixed by the government body, from one year and one day up to and including ten years, or for any intervening period.

(3) *Bonds.* The bonds are issued with maturity periods fixed by the government body, from ten years and one day up to and including forty years, or for any intervening period; provided that for any subscription for a bond exceeding 30 years, the maximum available rate shall be the rate on a 30-year bond.

(b) *Interest rate.* Each security shall bear such rate of interest the government body designates, but the rate shall not exceed the maximum interest rate. The applicable maximum interest rates for each day shall equal rates shown in a SLGS securities rate table, which is released by the Department to the public by 10:00 a.m., Eastern time, each business day. If the Department finds that due to circumstances beyond its control the rates are not available to the public by 10:00 a.m., Eastern time, on any given business day, the applicable interest for the last preceding business day shall apply. The applicable rate table for any subscription is the one in effect on the date the initial subscription is faxed, postmarked or carrier date stamped. The rates specified in the tables are five basis points below the then current estimated Treasury borrowing rate for a Treasury security of comparable maturity. These rates can be obtained:

(1) In the Commerce Department's Economic Bulletin Board;

(2) By contacting the Division of Special Investment's automated fax at (304) 480–7548;

(3) By calling the Division of Special Investments at (304) 480–7752; or

(4) On the Internet at ftp://ftp.publicdebt.treas.gov/secrate.txt

(c) *Payment.* (1) Interest computation and payment dates. Interest on a certificate is computed on an annual basis and is paid at maturity with the principal. Interest on a note or bond is paid semi-annually. The government body specifies the first interest payment date, which must occur any time between thirty days and one year of the date of issue, and the final interest payment date must coincide with the maturity date of the security. Interest for other than a full semi-annual interest period is computed on the basis of a 365-day or 366-day year (for certificates) and on the basis of the exact number of days in the half-year (for notes and bonds). See the appendix to subpart E of part 306 of this chapter for rules regarding computation of interest.

(2) *Method of payment.* Payment can be made by the Automated Clearing House method (ACH) for the owner's account at a financial institution designated by the owner. Redemptions prior to maturity are paid by Fedwire. To the extent applicable, provisions of

§ 357.26 on ''Payments'', set forth in 31 CFR part 357 and provisions of 31 CFR part 370, shall govern ACH payments made under this offering. The Department of the Treasury can employ alternate payment procedures, instead of ACH, in any case, or class of cases where operational considerations necessitate such action.

§ 344.3 Subscription for purchase.

(a) *Subscription requirements.* Subscriptions for purchase of securities under this offering must be submitted to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396. Initial and final subscriptions can be submitted by fax at (304) 480–6818, by mail, or by other carrier. All subscriptions submitted by mail, whether initial or final, should be sent by certified or registered mail.

(b) *Initial subscriptions.* (1) An initial subscription, either on a designated Treasury form or in letter form, stating the principal amount to be invested and the issue date, must be received by Public Debt at least five days before the issue date for subscriptions of $10 million or less, and at least seven days before the issue date for subscriptions of over $10 million, but in no event will subscriptions be received more than 60 days prior to issue date. Subscriptions can be sent by fax on (304) 480–6818, carrier service, U.S. Postal Service or other means. If the subscription is faxed, the original document must be received by Public Debt no later than the issue date. Initial subscriptions of $10 million or less can be canceled without penalty by the subscriber prior to the fifth day before issue date. If the fifth day before issue date is a nonbusiness day, the cancellation must occur on the preceding business day. Subscriptions of more than $10 million can be canceled without penalty by the subscriber prior to the seventh day before issue date. For example, if securities totaling $10 million or less are to be issued on March 16, the initial subscription must be received by Public Debt no later than March 11. If securities totaling more than $10 million are to be issued on March 16, the initial subscription must be received by Public Debt no later than March 9. A subscriber can lock in the SLGS rate for the day it submits its subscription by sending a fax to the Division of Special Investments on or before the five/seven day notice period. A subscriber can also lock in the SLGS rate on the date of the postmark of a mailed subscription, provided the subscription is received on or before the five/seven day notice period. It is the responsibility of the sender of a faxed subscription to confirm its receipt. If the initial subscription is in letter form, it must contain the Tax Identification Number of the government body or it is unacceptable. It should read substantially as follows:

To: Bureau of the Public Debt

Pursuant to the provisions of Department of the Treasury Circular, Public Debt Series No. 3–72, current revision, the undersigned hereby subscribes for United States Treasury Time Deposit Securities—State and Local Government Series, issued as entries on the books of the Bureau of the Public Debt, Department of the Treasury, in the total amount and with the issue date shown below, which date is at least five/seven days after the date of this subscription:

Principal Amount

$ _____

Issue Date

The undersigned agrees the final subscription and payment will be submitted on or before the issue date.

(Tax I.D. Number of state or local government body eligible to purchase State and Local Government Series securities)

(Name of state or local government body eligible to purchase State and Local Government Series securities)

(Date) _____

By _____

(Signature and Title)

(2) The provisions set out in paragraph (e) of § 344.1, dealing with the authority of the subscriber to act on behalf of a government body, and in § 344.1(h), relating to the failure to complete a subscription, apply to initial and to final subscriptions.

(3) An initial subscription can be amended on or before the issue date, but no later than 3:00 p.m., Eastern time, on the issue date. Notification can be faxed to the Bureau of the Public Debt at (304) 480–6818 provided the

request is clearly identified as an amendment and is immediately followed by the submission, by mail or other carrier, of written notification. Amendments to initial subscriptions are acceptable with the following exceptions:

(i) The issue date can not be changed to require issuance earlier than the issue date originally specified. The issue date can be changed up to 7 days after the original issue date. If such a change is made, notification should be provided to the Bureau of the Public Debt as soon as possible, but no later than 3:00 p.m., Eastern time, one business day before the originally specified issue date;

(ii) The aggregate amount can not be changed by more than the greater of $10 million or ten percent above or below the aggregate principal amount specified in the initial subscription;

(iii) An interest rate cannot be changed to a rate that exceeds the maximum interest rate in the table that was in effect for a security of comparable maturity on the date the initial subscription was submitted, unless the issuer obtains a higher rate by canceling and resubscribing in compliance with the provisions of §344.3(b)(1);

(iv) Where an amendment is not submitted timely, the Division of Special Investments can determine, pursuant to the provisions governing waiver of regulations set forth under 31 CFR 306.126, that such an amendment is acceptable on an exception basis. Where an amendment is determined acceptable on an exception basis, the amended information shall be used as the basis for issuing the securities, and an administrative fee of $100 per subscription will be assessed. This administrative fee is due on demand as provided for in §344.1(h). The Secretary reserves the right to reject amendments which are not submitted timely.

(4) No initial subscription is required where a final subscription is received at least five days before the issue date for subscriptions of $10 million or less and at least seven days before the issue date for subscriptions of over $10 million. Such final subscription is treated as the initial subscription for purposes of determining the applicable interest rate table (see §344.2(b)), and can be amended on or before the issue date, subject to the exceptions in paragraph (b)(3) of this section.

(c) *Final subscriptions.* A final subscription must be received by the Bureau of the Public Debt on or before the issue date, but no later than 3:00 p.m., Eastern time, on the issue date. The final subscription can be faxed to the Bureau of the Public Debt at (304) 480–6818, provided the fax is properly identified as a final subscription and is immediately followed by the submission of the original subscription form by mail or other carrier. The final subscription must be for a total principal amount that is no more than the greater of either $10 million or ten percent above or below the aggregate principal amount specified in the initial subscription. The final subscription, dated and signed by an official authorized to make the purchase and showing the Taxpayer Identification Number of the government body, must be accompanied by a copy of the initial subscription, where applicable. The various maturities, interest rates, and interest payment dates (in the case of notes and bonds), must be specified in the final subscription, as well as the title(s) of the designated official(s) authorized to request early redemption. Final subscriptions submitted for certificates, notes and bonds must separately itemize securities of each maturity and each interest rate. The final subscription must contain a statement by the subscriber that none of the proceeds submitted in payment is derived (directly or indirectly) from the redemption before maturity of other securities of the State and Local Government Series subscribed for on or before December 27, 1976.

[61 FR 55693, Oct. 28, 1996, as amended at 62 FR 46446, Sept. 3, 1997]

§344.4 Issue date and payment.

(a) *General.* The subscriber shall fix the issue date of each security in the initial subscription. The issue date must be a business day and can not exceed by more than sixty days the date the initial subscription is received by Public Debt. Full payment for each subscription must be submitted by the Fedwire funds transfer system with

credit directed to the Treasury's General Account. Full payment should be submitted by 3:00 p.m., Eastern time, to ensure that settlement of the securities occurs on the date of issue.

(b) [Reserved]

§ 344.5 Redemption.

(a) *Redemption before maturity*—(1) *In general.* A security can be redeemed at the owner's option no earlier than twenty-five days after the issue date in the case of a certificate of thirty days or more, no earlier than fifteen days before the scheduled maturity for zero interest certificates of fifteen to twenty-nine days maturity, and no earlier than thirty days after the issue date in the case of a note or bond. Partial redemptions can be requested in any amount; however, an account balance of less than $1,000 will be redeemed in total.

(2) *Notice.* Notice of redemption prior to maturity must be submitted, either on a designated Treasury form or by letter, by the official(s) authorized to redeem the securities, as shown on the final subscription form, to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396. The notice must be received by Public Debt no less than ten days before the requested redemption date, but no more than sixty days before the requested redemption date. The notice must show the account number, the maturities of the securities to be redeemed, and the Tax Identification Number of the government body. A notice of redemption prior to maturity can not be canceled.

(3) *Redemption proceeds—Subscriptions on or after October 28, 1996.* For securities subscribed for on or after October 28, 1996, the amount of the redemption proceeds is calculated as follows:

(i) *Interest.* If a security is redeemed before maturity on a date other than a scheduled interest payment date, interest is paid for the fractional interest period since the last interest payment date.

(ii) *Redemption value.* The remaining interest and principal payments are discounted by the current Treasury borrowing rate for the remaining term to maturity of the security redeemed. This results in a premium or discount to the government body, depending on whether the current Treasury borrowing rate is lower or higher than the stated interest rate of the early-redeemed SLGS security. This does not apply to SLGS securities subscribed for before October 28, 1996. The term ''current Treasury borrowing rate'' means the applicable rate shown in the table of maximum interest rates payable on United States Treasury securities—State and Local Government Series—for the day the request for early redemption is received by Public Debt, plus five basis points. There is no market charge for the redemption of zero interest time deposit securities subscribed for on or after October 28, 1996. Redemption proceeds in the case of a zero-interest security are a return of the principal invested. The formulas for calculating the redemption value under this section, including examples of the determination of premiums and discounts are set forth in Appendix B of this part.

(4) *Redemption proceeds—Subscriptions from September 1, 1989, through October 27, 1996.* For securities subscribed for from September 1, 1989, through October 27, 1996, the amount of the redemption proceeds is calculated as follows:

(i) *Interest.* If a security is redeemed before maturity on a date other than a scheduled interest payment date, interest is paid for the fractional interest period since the last interest payment date.

(ii) *Market charge.* An amount shall be deducted from the redemption proceeds in all cases where the current borrowing rate of the Department of the Treasury for the remaining period to original maturity of the security prematurely redeemed exceeds the rate of interest originally fixed for such security. The amount shall be the present value of the future increased borrowing cost to the Treasury. The annual increased borrowing cost for each interest period is determined by multiplying the principal by the difference between the two rates. For notes and bonds, the increased borrowing cost for each remaining interest period to original maturity is determined by dividing the annual cost by two. For certificates, the increased borrowing

cost for the remaining period to original maturity is determined by multiplying the annual cost by the number of days remaining until original maturity divided by the number of days in the calendar year. Present value shall be determined by using the current Treasury borrowing rate as the discount factor. The term ''current Treasury borrowing rate'' is determined in section 344.5(a)(3)(ii). Where redemption is requested on a date less than thirty days before the original maturity date, such applicable rate is the rate shown for a security with a maturity of thirty days. The market charge for bonds, notes, and certificates of indebtedness can be computed by use of the formulas in Appendix A to this part.

(5) *Redemption proceeds—Subscriptions from December 28, 1976, through August 31, 1989.* For securities subscribed for from December 28, 1976, through August 31, 1989, the amount of the redemption proceeds is calculated as follows:

(i) *Interest.* Interest for the entire period the security was outstanding shall be recalculated on the basis of the lesser of the original interest rate at which the security was issued, or the interest rate that would have been set at the time of the initial subscription had the term for the security been for the shorter period. If a note or bond is redeemed before maturity on a date other than a scheduled interest payment date, no interest is paid for the fractional interest period since the last interest payment date.

(ii) *Overpayment of interest.* If there have been overpayments of interest, as determined under paragraph (a)(5)(i) of this section, there shall be deducted from the redemption proceeds the aggregate amount of such overpayments, plus interest, compounded semi-annually thereon, from the date of each overpayment to the date of redemption. The interest rate used used in calculating the interest on the overpayment shall be one-eighth of one percent above the maximum rate that would have applied to the initial subscription had the term of the security been for the shorter period.

(iii) *Market charge.* An amount shall be deducted from the redemption proceeds in all cases where the current borrowing rate of the Department of the Treasury for the remaining period to original maturity of the security prematurely redeemed exceeds the rate of interest originally fixed for such security. The amount shall be calculated using the formula in paragraph (a)(3)(ii) of this section.

(6) *Redemption proceeds—Subscriptions on or before December 27, 1976.* For securities subscribed for on or before December 27, 1976, the amount of the redemption proceeds is calculated as follows.

(i) The interest for the entire period the security was outstanding shall be re-calculated on the basis of the lesser of the original interest rate at which the security was issued, or an adjusted interest rate reflecting both the shorter period during which the security was actually outstanding and a penalty. The adjusted interest rate is the Treasury rate which would have been in effect on the date of issuance for a marketable Treasury certificate, note, or bond maturing on the quarterly maturity date prior to redemption (in the case of certificates), or on the semi-annual maturity period prior to redemption (in the case of notes and bonds), reduced in either case by a penalty which shall be the lesser of:

(A) One-eighth of one percent times the number of months from the date of issuance to original maturity, divided by the number of full months elapsed from the date of issue to redemption; or

(B) One-fourth of one percent.

(ii) There shall be deducted from the redemption proceeds, if necessary, any overpayment of interest resulting from previous payments made at a higher rate based on the original longer period to maturity.

(b) [Reserved]

Subpart C—Demand Deposit Securities

§ 344.6 Description of securities.

(a) *Terms.* The securities are one-day certificates of indebtedness. Each subscription is established as a unique account. Securities are automatically rolled over each day unless redemption is requested.

(b) *Interest rate.* (1) Each security shall bear a variable rate of interest based on an adjustment of the average yield for three-month Treasury bills at the most recent auction. A new rate is effective on the first business day following the regular auction of three-month Treasury bills and is shown in the SLGS rate table, available to the public on such business day. Interest is accrued and added to principal daily. Interest is computed on the balance of the principal, plus interest accrued through the preceding day.

(2)(i) The annualized effective demand deposit rate in decimals, designated ''I'' in Equation 1 is calculated as:

$$I = \left[\left(\frac{100}{P}\right)^{Y/DTM} - 1\right] \times (1 - MTR) - TAC$$

(Equation 1)

where

P=Average auction price for the most recently auctioned 13-week Treasury bill, per hundred, to three decimals.

Y=365 if the year following issue date does not contain a leap year day and 366 if it does contain a leap year day.

DTM=The number of days from date of issue to maturity for the most recently auctioned 13-week Treasury bill.

MTR=Estimated marginal tax rate, in decimals, of purchasers of tax-exempt bonds.

TAC=Treasury administrative costs, in decimals.

(ii) The daily factor for the demand deposit rate is then calculated as follows:

$$DDR = (1 + I)^{1/Y} - 1$$

(Equation 2)

(3) Information on the estimated average marginal tax rate and costs for administering the demand deposit State and Local Government Series securities program, both to be determined by Treasury from time to time, will be published in the FEDERAL REGISTER.

(c) *Payment.* Interest earned on the securities is added to the principal and is reinvested daily until redemption. At any time the Secretary determines that issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit, the Department will invest any unredeemed demand deposit securities in special ninety-day certificates of indebtedness. These ninety-day certificates are payable at maturity, but redeemable before maturity, provided funds are available for redemption, or reinvested in demand deposit securities when regular Treasury borrowing operations resume, both at the owner's option. Funds invested in the ninety-day certificates of indebtedness earn simple interest equal to the daily factor in effect at the time demand deposit security issuance is suspended, multiplied by the number of days outstanding.

§ 344.7 Subscription for purchase.

(a) *Subscription requirements.* Subscriptions for purchase of securities under this offering must be submitted to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396. Subscriptions must be submitted on a designated Treasury form, must specify the principal amount invested and the issue date, and must be signed by an official authorized to make the purchase. The Bureau of the Public Debt must receive the subscription at least five days before the issue date for subscriptions of $10 million or less and at least seven days before the issue date for subscriptions of more than $10 million. Subscriptions for $10 million or less can be canceled without

penalty up to five days prior to the issue date. Subscriptions for more than $10 million can be canceled without penalty up to seven days prior to the issue date. The subscription can be submitted by fax at (304) 480–6818, by certified or registered mail, or by other carrier. If faxed, the original subscription form must be received by the Division of Special Investments by 3:00 p.m., Eastern time, on the issue date. Public Debt will not accept subscriptions for demand deposit securities more than 60 days prior to the issue date.

(b) *Amending subscriptions.* The principal amount to be invested can be changed without penalty on or before the issue date, but no later than 1:00 p.m. Eastern time, on the issue date. The request must be clearly identified as an amendment and must be followed immediately by the submission, by mail or other carrier, of written notification. Where an amendment is not submitted timely, the Division of Special Investments can determine, pursuant to the provisions governing waiver of regulations set forth under 31 CFR 306.126, that such an amendment is acceptable on an exception basis. Where an amendment is determined acceptable on an exception basis, the amended information shall be used as the basis for issuing the securities, and an administrative fee of $100 per subscription is then assessed. This administrative fee is due on demand as provided for in § 344.1(h). The Secretary reserves the right to reject amendments which are not submitted timely.

§ 344.8 Issue date and payment.

The subscriber shall fix the issue date on the subscription at least five days after receipt of the subscription by the Division of Special Investments for subscriptions of $10 million or less and seven days after receipt of the subscription by the Division of Special Investments for subscriptions of more than $10 million. Full payment for each subscription must be submitted by the Fedwire funds transfer system with credit directed to the Treasury's General Account. Full payment should be received by the Division of Special Investments by 3:00 p.m., Eastern time, to ensure that settlement on the securities occurs on the issue date.

§ 344.9 Redemption.

(a) *General.* A security can be redeemed at the owner's option, provided a request for redemption is received not less than one business day prior to the requested redemption date for redemptions of $10 million or less and received not less than three business days for redemptions of more than $10 million. Partial redemptions can be requested in any amount; however, an account balance of less than $1,000 is redeemed in total. Payment is made by Fedwire.

(b) *Notice.* Notice of redemption must be submitted, either on a designated Treasury form or by letter, by the official(s) authorized to redeem the securities, as shown on the subscription form, to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396. The notice can be submitted by fax to the Bureau of the Public Debt at (304) 480–6818, by mail, or by other carrier. The notice must show the account number and the Tax Identification Number of the government body. The notice of redemption must be received at the Bureau of the Public Debt by 1:00 p.m., Eastern time on the required day.

Subpart D—Special Zero Interest Securities

§ 344.10 General.

Provisions of subpart B of this part (Time Deposit Securities) apply except as specified in subpart D of this part. Special zero interest securities can not be subscribed for after October 28, 1996. All zero interest securities subscribed for after October 28, 1996 will be zero interest time deposit securities, subject to the rules of subpart B of this part.

§ 344.11 Redemption.

(a) *Before maturity.* Provisions of § 344.5(a) apply. In general, a security can be redeemed at the owner's option no earlier than twenty-five days after the issue date in the case of a certificate and one year after the issue date in the case of a note. No market charge

or penalty shall apply in the case of the redemption of a special zero interest security before maturity.

(b) *Notice.* Notice of redemption prior to maturity must be submitted, either on a designated Treasury form or by letter, by the official(s) authorized to redeem the securities, as shown on the final subscription form, to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102–0396. The notice can be submitted by fax to the Bureau of the Public Debt at (304) 480–6818, by mail, or by other carrier. The notice must show the account number, the maturities of the securities to be redeemed, and the Tax Identification Number of the government body. The notice must be received by Public Debt no less than ten days before the requested redemption date, but no more than sixty days before the requested redemption date. A notice of redemption prior to maturity cannot be canceled.

APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM SEPTEMBER 1, 1989, THROUGH OCTOBER 27, 1996

A. The amount of the market charge for bonds and notes subscribed for before October 28, 1996 can be determined by the following formula:

$$M = \frac{\left(\frac{b}{2}\right) x \left(\frac{r}{s}\right) + \left(\frac{b}{2}\right) a_{n\neg}}{1 + \left(\frac{r}{s}\right) x \left(\frac{i}{2}\right)}$$

(Equation 1)

where:

M=Market charge

b=increased annual borrowing cost (i.e., principal multiplied by the excess current borrowing rate for the period from redemption to original maturity of note or bond over the rate for the security)

r=number of days from redemption date to next interest payment date

s=number of days in current semi-annual period

i=Treasury borrowing rate over the remaining term to maturity, based on semi-annual interest payments and expressed in decimals.

n=number of remaining full semi-annual periods from the redemption date to the original maturity date, except that if the redemption date is on an interest payment date, n will be one less than the number of full semi-annual periods remaining to maturity.

$v^n=1/(1 + i/2)^n$=present value of 1 due at the end of n periods (Equation 2)

$a_a = (1- v^n)/(i/2) = v + v^2 + v^3 + \ldots + v^n$ = present value of 1 per period for n periods (Equation 3)

B. The application of this formula can be illustrated by the following example:

(1) Assume that a $600,000 note is issued on July 1, 1985, to mature on July 1, 1995. Interest is payable at a rate of 8% on January 1 and July 1.

(2) Assume that the note is redeemed on February 1, 1989, and that the current borrowing rate for Treasury at that time for the remaining period of 6 years and 150 days is 11%.

(3) The increased annual borrowing cost is $18,000. ($600,000)×(11% − 8%)

(4) The market charge is computed as follows:

$$M = \frac{(\$18,000/2)\ x\ (150/181) + (\$18,000/2)a_{n\neg}}{1 + (150/181)(.11/2)}$$

(Equation 4)

$$M = \frac{(\$7,458.56) + (\$9,000)a_{n\neg}}{1.045580111}$$

(Equation 5)

$$M = \frac{(\$7,458.56) + (\$9,000)\ x \left[\frac{1 - \frac{1}{(1+.11/2)^{12}}}{(.11/2)}\right]}{1.045580111}$$

(Equation 6)

$$M = \frac{(\$7,458.56) + (\$9,000)(8.618517849)}{1.045580111}$$

(Equation 7)

$$M = \frac{(\$7,458.56) + (\$77,566.66)}{1.045580111}$$

(Equation 8)

$M = \$81,318.71$

(Equation 9)

C. The amount of the market charge for certificates subscribed for before October 28, 1996 can be determined through use of the following formula:

$$M = \frac{(b)\left(\frac{r}{s}\right)}{1 + \frac{r}{s}(i)}$$

(Equation 10)

where

M=market charge

b=increased borrowing cost for full period

r=number of days from redemption date to original maturity date

s=number of days in current annual period (365 or 366)

i=current borrowing rate expressed in decimals (discount factor)

D. The application of this formula can be illustrated by the following example:

(1) Assume that a $50,000 certificate is issued on March 1, 1987, to mature on November 1, 1987. Interest is payable at a rate of 10%.

(2) Assume that the certificate is redeemed on July 1, 1987, and that the current borrowing cost to Treasury for the 123-day period from July 1, 1987, to November 1, 1987, is 11.8%.

(3) The increased annual borrowing cost is $900. ($50,000) × (11.8%-10%)

(4) The market charge is computed as follows:

$$M = \frac{\$900\left(\frac{123}{365}\right)}{1 + \left(\frac{123}{365}\right)(.118)} =$$

(Equation 11)

$$\frac{\$303.29}{1.039764384} =$$

(Equation 12)

$$\$291.69$$

(Equation 13)

APPENDIX B TO PART 344—FORMULA FOR DETERMINING REDEMPTION VALUE FOR SECURITIES SUBSCRIBED FOR AND EARLY-REDEEMED ON OR AFTER OCTOBER 28, 1996

This results in a premium or discount to the government body, depending on whether the current Treasury borrowing rate at the time of early redemption is lower or higher than the stated interest rate of the early-redeemed SLGS security.

A. The total redemption value for bonds and notes can be determined by the following two steps:

First, accrued interest payable in accordance with §344.5(a)(3)(i) is calculated using the following formula:

$$AI = \left[\frac{(s-r)}{s}\right] x \left(\frac{C}{2}\right)$$

(Equation 14)

and secondly, the redemption value per Section 344.5(a)(3)(ii) is calculated using the following equation:

$$RV = \frac{\left(\frac{C}{2}\right) + \left(\frac{C}{2}\right)a_{n\neg} + F(v^n)}{1 + \left(\frac{r}{s}\right) x \left(\frac{i}{2}\right)} - AI$$

(Equation 15)

where

RV=Redemption value

F=Face amount redeemed

AI=Accrued interest=[(s−r)/s]×(C/2)

r=Number of days from redemption date to next interest payment date

s=number of days in current semi-annual period

i=Treasury borrowing rate over the remaining term to maturity, based on semi-annual interest payments and expressed in decimals

C=the regular annual interest

n=number of remaining full semi-annual periods from the redemption date to the original maturity date, except that, if the redemption date is an interest payment date, n will be one less than the number of full semi-annual periods remaining to maturity

$v^n=1/(1+i/2)^n$=present value of 1 due at the end of n periods

$a_a=(1-v^n)/(i/2)=v+v^2+v^3+\ldots+v^n$ = present value of 1 per period for n periods

B. The application of this formula can be illustrated by the following examples:

(i) The first example is for a redemption at a premium.

(1) Assume that an $800,000 2-year note is issued on December 10, 1996, to mature on December 10, 1998. Interest is payable at a rate of 7% on June 10 and December 10.

(2) Assume that the note is redeemed on October 21, 1997, and that the current borrowing rate for Treasury at that time for the remaining period of 1 year and 50 days is 6.25%.

(3) The redemption value is computed as follows:

First, the accrued interest payable is calculated as:

$$AI = \left(\frac{183-50}{183}\right) x \left(\frac{\$56,000}{2}\right)$$

(Equation 16)

$$AI = \left(\frac{133}{183}\right) x \ \$28,000$$

(Equation 17)

$$AI = \$20,349.73$$

(Equation 18)

Then, the redemption value is calculated as:

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right)a_{\overline{n}|} + \$800,000v^n}{1 + \left(\frac{50}{183}\right)\left(\frac{.0625}{2}\right)} - AI$$

(Equation 19)

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right)\left[\frac{1 - \left(\frac{1}{\left(1+\frac{.0625}{2}\right)^2}\right)}{\left(\frac{.0625}{2}\right)}\right] + \$800,000\left[\frac{1}{\left(1 + \frac{.0625}{2}\right)^2}\right]}{1 + \left(\frac{50}{183}\right) x \left(\frac{.0625}{2}\right)} - AI$$

(Equation 20)

$$RV = \frac{\$28,000 + (\$28,000)(1.9100092) + (\$800,000)(0.94031221)}{1.008538251} - AI$$

(Equation 21)

$$RV = \frac{\$28,000 + \$53,480.26 + \$752,249.77}{1.008538251} - AI$$

(Equation 22)

$$RV = \frac{\$833,730.03}{1.008538251} - AI$$

(Equation 23)

$$RV = \$826,671.70 - \$20,349.73$$

(Equation 24)

$$RV = \$806,321.97$$

(Equation 25)

(ii) The second example is for a redemption at a discount and it uses the same assumptions as the first example, except the current Treasury borrowing cost is assumed to be 8.00%:

(1) Assume that an $800,000 2-year note is issued on December 10, 1996, to mature on December 10, 1998. Interest is payable at a rate of 7% on June 10 and December 10.

(2) Assume that the note is redeemed on October 21, 1997, and that the current borrowing rate for Treasury at that time for the remaining period of 1 year and 50 days is 8.00%.

(3) The redemption value is computed as follows. First, the accrued interest payable is caculated as:

$$AI = \left(\frac{183-50}{183}\right) x \left(\frac{\$56,000}{2}\right)$$

(Equation 26)

$$AI = \left(\frac{133}{183}\right) x \ \$28,000$$

(Equation 27)

$$AI = \$20,349.73$$

(Equation 28)

Then, the redemption value is calculated as:

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right) a_{\overline{n}|} + \$800,000 v^{n}}{1 + \left(\frac{50}{183}\right)\left(\frac{.0800}{2}\right)} - AI$$

(Equation 29)

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right)\left[\frac{1 - \left(\frac{1}{\left(1+\frac{.0800}{2}\right)^2}\right)}{\left(\frac{.0800}{2}\right)}\right] + \$800,000\left[\frac{1}{\left(1 + \frac{.0800}{2}\right)^2}\right]}{1 + \left(\frac{50}{183}\right) x \left(\frac{.0800}{2}\right)} - AI$$

(Equation 30)

$$RV = \frac{\$28,000 + (\$28,000)(1.8860947) + (\$800,000)(0.92455621)}{1.010928962} - AI$$

(Equation 31)

$$RV = \frac{\$28,000 + \$52,810.65 + \$739,644.97}{1.010928962} - AI$$

(Equation 32)

$$RV = \frac{\$820,455.62}{1.010928962} - AI$$

(Equation 33)

$$RV = \$811,585.83 - \$20,349.73$$

(Equation 34)

$$RV = \$791,236.10$$

(Equation 35)

C. The total redemption value for certificates can be determined by the following two steps:

First, accrued interest payable in accordance with Section 344.5(a)(3)(i) is calculated using the following formula:

$$AI = \left[\frac{(d-r)}{y}\right] x\ C$$

(Equation 36)

and secondly, the redemption value per Section 344.5(a)(3)(ii) is calculated using the following equation:

$$RV = \frac{\left(\frac{d}{y}\right) x\ (C) + F}{1 + \left(\frac{r}{y}\right) x\ (i)} - AI$$

(Equation 37)

where:

RV=Redemption value

F=Face amount redeemed

AI=Accrued interest = [(d-r)/y] x C

d=Number of days from original issue of the certificate to its maturity date

r=Number of days from redemption date to the certificate's maturity date

y=365, if the number of days in the year following issue of the certificate does not include a leap year day; 366, if the number of days following issue of the certificate does include a leap year day

i=Treasury borrowing rate over the remaining term to maturity, expressed in decimals

C=the regular annual interest

D. The application of this formula can be illustrated by the following examples.

(i) First, for a redemption at a premium:

(1) Assume that a $300,000 security is issued on December 5, 1996, to mature in 151 days on May 5, 1997. Interest at a rate of 5% is payable at maturity.

(2) Assume that the security is redeemed on April 9, 1997, and that the current borrowing rate for Treasury at that time for the remaining period of 26 days is 4.00%.

(3) The redemption value is computed as follows. First, the accrued interest payable is calculated as:

$$AI = \left(\frac{151 - 26}{365}\right) x \$15,000$$

(Equation 38)

$$AI = \left(\frac{125}{365}\right) x \$15,000$$

(Equation 39)

$$AI = \$5,136.99$$

(Equation 40)

Then, the redemption value is calculated as:

$$RV = \frac{\left(\frac{151}{365}\right) x \$15,000 + \$300,000}{1 + \left(\frac{26}{365}\right)(.0400)} - AI$$

(Equation 41)

$$RV = \frac{\$6,205.48 + \$300,000}{1.002849315} - AI$$

(Equation 42)

$$RV = \frac{\$306,205.48}{1.002849315} - AI$$

(Equation 43)

$$RV = \$305,335.48 - \$5,136.99$$

(Equation 44)

$$RV = \$300,198.49$$

(Equation 45)

(ii) Secondly, for a redemption at a discount:

(1) Assume that a $300,000 security is issued on December 5, 1996, to mature in 151 days on May 5, 1997. Interest at a rate of 5% is payable at maturity.

(2) Assume that the security is redeemed on April 9, 1997, and that the current borrowing rate for Treasury at that time for the remaining period of 26 days is 6.25%.

(3) The redemption value is computed as follows. First, the accrued interest payable is calculated as:

$$AI = \left(\frac{151-26}{365}\right) x \$15,000$$

(Equation 46)

$$AI = \left(\frac{125}{365}\right) x \$15,000$$

(Equation 47)

$$AI = \$5,136.99$$

(Equation 48)

Then, the redemption value is calculated as:

$$RV = \frac{\left(\frac{151}{365}\right) x \$15,000 + \$300,000}{1 + \left(\frac{26}{365}\right)(.0625)} - AI$$

(Equation 49)

$$RV = \frac{\$6,205.48 + \$300,000}{1.004452055} - AI$$

(Equation 50)

$$RV = \frac{\$306,205.48}{1.004452055} - AI$$

(Equation 51)

$$RV = \$304,848.28 - \$5,136.99$$

(Equation 52)

$$RV = \$299,711.29$$

(Equation 53)

PART 345—REGULATIONS GOVERNING 5 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS—R.E.A. SERIES

Sec.
345.0 Offering of certificates.
345.1 Description of certificates.
345.2 Subscription for purchase.
345.3 Issue date and payment.
345.4 Redemption/reinvestment.
345.5 Taxation.
345.6 General provisions.

AUTHORITY: 31 U.S.C. 754 and 754b; 5 U.S.C. 301.

SOURCE: 38 FR 35306, Dec. 27, 1973, unless otherwise noted.

§ 345.0 Offering of certificates.

The Secretary of the Treasury, under the authority of the Second Liberty Bond Act, as amended, offers to borrowers from the Rural Electrification Administration and Rural Telephone Bank, U.S. Department of Agriculture, 5 Percent Treasury Certificates of Indebtedness—R.E.A. Series. This offering will continue until terminated by the Secretary of the Treasury.

§ 345.1 Description of certificates.

(a) *General.* The certificates of indebtedness will be issued in book-entry form on the books of the Department of the Treasury, Bureau of the Public Debt, Washington, DC 20226. They may not be transferred by sale, exchange, assignment or pledge, or otherwise.

(b) *Terms and rates of interest.* The certificates, bearing interest at the rate of 5 percent per annum, will be issued in multiples of $1,000 and will mature one year from issue date. Interest on the certificates will be computed on an annual basis and, unless redeemed prior to maturity, will be payable six months from issue date and at maturity. Interest may be paid to an owner by having the amount thereof credited by a Federal Reserve Bank or Branch, acting as fiscal agent of the United States, to the reserve account of a member bank servicing such owner and for the latter's account. Such action will be taken at the owner's option. If not exercised, payment of interest will be made by Treasury check.

[38 FR 35306, Dec. 27, 1973, as amended at 40 FR 29846, July 16, 1975]

§ 345.2 Subscription for purchase.

The recipient of a 5 percent loan from the Rural Electrification Administration or Rural Telephone Bank may subscribe for certificates under this offering, up to the amount of the unexpended portion of the loan, by submitting a subscription, together with the remittance, to the Federal Reserve Bank or Branch of the district in which the subscriber is located. The subscription form must show the amount of certificates desired, and give the title of the designated official of the subscriber authorized to redeem them.

[40 FR 29846, July 16, 1975]

§ 345.3 Issue date and payment.

The issue date of a certificate shall be the date on which the subscription form, and funds in full payment therefor, are received by the office described in § 345.2. A confirmation of the issuance, in the form of a written advice, which shall specify the amount and describe the certificates by title and maturity date, shall be issued to the subscriber.

§ 345.4 Redemption/reinvestment.

(a) *At maturity.* A certificate may not be called for redemption by the Secretary of the Treasury prior to maturity except when the amount of the unexpended portion of the loan from the Rural Electrification Administration or Rural Telephone Bank is less than the face amount of the certificate. Unless the Treasury has received from the owner, at least one week prior to the maturity date of a certificate, a written request for payment at maturity, it shall automatically redeem the same at maturity, and reinvest in the owner's name the principal amount in a new certificate having the same description in all material respects as the one redeemed. No such automatic reinvestment shall be made, however, in excess of the amount of the unexpended portion of the loan from the Rural Electrification Administration or the Rural Telephone Bank.

(b) *Prior to maturity.* A certificate may be redeemed prior to maturity at par and accrued interest at the owner's option on one week's notice in writing after one month from the issue date. A

certificate issued upon reinvestment, as provided in paragraph (a) of this section, shall not be subject to the one-month holding period. A notice to redeem a certificate prior to its maturity date must be given by the official authorized to redeem it, as shown in the subscription for purchase, to the Bureau of the Public Debt, Division of Securities Operations, Washington, DC 20226, by letter or wire.

§ 345.5 Taxation.

The income derived from the certificates is subject to all taxes imposed under the Internal Revenue Code of 1954. The certificates are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State or any of the possessions of the United States, or by any local taxing authority.

[40 FR 29846, July 16, 1975]

§ 345.6 General provisions.

(a) *Regulations.* Five Percent Treasury Certificates of Indebtedness—R.E.A. Series shall be subject to the general regulations with respect to United States securities, which are set forth in the Department of the Treasury Circular No. 300, current revision (31 CFR part 306), to the extent applicable. Copies of the circular may be obtained from the Bureau of the Public Debt, Department of the Treasury, Washington, DC 20226, or a Federal Reserve Bank or Branch.

(b) *Reservations.* The Secretary of the Treasury reserves the right to reject any application for the purchase of certificates hereunder, in whole or in part, and to refuse to issue or permit to be issued any such certificates in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final. The Secretary of the Treasury may also at any time, or from time to time, supplement or amend the terms of these regulations, or of any amendments or supplements thereto.

[38 FR 35306, Dec. 27, 1973. Redesignated at 40 FR 29846, July 16, 1975]

PART 346—REGULATIONS GOVERNING UNITED STATES INDIVIDUAL RETIREMENT BONDS

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APPENDIX TO PART 346—TABLES

AUTHORITY: Sec. 2002, Pub. L. 93–406, 88 Stat. 958 (31 U.S.C. 738a, 752, 754b); 5 U.S.C. 301.

SOURCE: 40 FR 4240, Jan. 28, 1975, unless otherwise noted.

§ 346.0 Offering of bonds.

The Secretary of the Treasury, under the authority of the Second Liberty Bond Act, as amended, and pursuant to the Employee Retirement Income Security Act of 1974, offers for sale, beginning January 1, 1975, bonds of the United States, designated as United States Individual Retirement Bonds. The bonds will be available for investment only to individuals eligible to make deductions on their Federal income tax returns for retirement savings, as provided in section 2002 of the latter Act. This offering of bonds will terminate on April 30, 1982.

[40 FR 4240, Jan. 28, 1975, as amended at 47 FR 18596, Apr. 30, 1982]

§ 346.1 Description of bonds.

(a) *Investment yield (interest).* United States Individual Retirement Bonds, hereinafter sometimes referred to as Individual Retirement Bonds, will be issued at par. The investment yields (interest) are as follows:

(1) Bonds with issue dates of January 1, 1975, through July 1, 1979—6 percent per annum, compounded semiannually

(see Table of Redemption Values in the appendix).

(2) Bonds with issue dates of August 1, 1979, through October 1, 1980—6.5. percent per annum, compounded semiannually (see Table A in the appendix).

(3) Bonds with issue dates of November 1, 1980, through September 1, 1981—8 percent per annum, compounded semiannually (see Table B).

(4) Bonds with issue dates of October 1, 1981, or thereafter—9 percent per annum, compounded semiannually (see Table C).

Interest will be paid only upon redemption of the bonds. The accrual of interest will continue until the bonds are redeemed or have reached maturity, whichever is earlier, in accordance with these regulations.

(b) *Term.* The maturity date of any bond issued under this circular shall be the first day of the month in which the registered owner thereof has attained the age of 70½ years, or five years after the date of his death, but no later than the first day of the month in which he would have attained the age of 70½ years, if he had lived. Unless sooner redeemed in accordance with these regulations, the investment yield on a bond will cease on the interest accrual date coinciding with, or, where no such coincidence occurs, the interest accrual date next preceding:

(1) The first day of the seventh (7th) month following the 70th anniversary of the birth of the person in whose name it is registered, or

(2) The first day of the sixtieth (60th) month following the date of death of the person in whose name it is registered, except that such date shall be no later than the date on which he would have attained the age of 70½ years, had he lived.

(c) *Denominations—issue date.* Individual Retirement Bonds will be available only in registered form and in denominations of $50, $75, $100 and $500. At the time of issue, the issuing agent will enter in the upper right-hand portion of the bond the *issue date* (which shall be the first day of the month and year in which payment of the purchase price is received by an authorized issuing agent), and will imprint the agent's validating stamp in the lower right-hand portion. The issue date, as distinguished from the date in the agent's validating stamp, will determine the date from which interest will begin to accrue on the bond. An Individual Retirement Bond shall be valid only if an authorized issuing agent receives payment therefor, duly inscribes, dates, stamps, and delivers it.

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37520, July 21, 1977; 46 FR 60577, Dec. 11, 1981]

§ 346.2 Registration.

(a) *General.* The registration of Individual Retirement Bonds is limited to the names of natural persons in their own right, whether adults or minors, in either single ownership or beneficiary form. A bond registered in the beneficiary form will be inscribed substantially as follows (for example): ''John A. Doe payable on death to (*or* P.O.D.) Richard B. Roe.'' No more than one beneficiary may be designated on a bond.

(b) *Inscription.* The inscription on the face of each bond will show the name, address, date of birth, and the social security account number of the registered owner. The name of the beneficiary, if one is to be designated, together with his social security account number, where available, will also be shown in the inscription.

§ 346.3 Purchase of bonds.

(a) *Agencies.* Individual Retirement Bonds may be purchased over-the-counter or by mail from Federal Reserve Banks and Branches and the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226. Customers of commercial banks and trust companies may be able to arrange for the purchase of the bonds through such institutions, but only the Federal Reserve Banks and Branches, and the Department of the Treasury itself, are authorized to issue the securities. The date of receipt of the application and payment by such issuing agencies will govern the dating of the bonds issued.

(b) *Applications.* Applications for the purchase of Individual Retirement Bonds should be made on Form PD 4345, accompanied by a remittance to cover the purchase price. Personal

checks will be accepted, subject to collection. Checks, or other forms of exchange, should be drawn to the order of the Federal Reserve Bank or the U.S. Treasury, as the case may be. Checks payable by endorsement are not acceptable.

(c) *Delivery*. Delivery of bonds will be made in person, or by mail at the risk and expense of the United States at the address given by the purchaser, but only within the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the Canal Zone. No mail deliveries elsewhere will be made. If the registered owner temporarily resides abroad, the bonds will be delivered to such address in the United States as the purchaser directs.

§ 346.4 Proof of purchase.

At the time an Individual Retirement Bond is issued, the issuing agent will furnish therewith to the purchaser a copy of Form PD 4345 for the purchaser's personal records. The form will show the name and address of the registered owner, his date of birth, social security account number, the number of bonds issued, a description thereof by issue date, serial numbers, denominations, and registration.

§ 346.5 Limitation on holdings.

(a) Except as provided in paragraph (b) of this section, the amount of Individual Retirement Bonds which may be registered in any one individual's name is limited to the amount for which an annual deduction may be taken under either section 219 or 220 of the Internal Revenue Code.[1] These limitations are as follows:

(1) In the case of an individual electing to deduct his or her bond purchase under section 219, the face amount of bonds purchased for tax deduction in any given year may not exceed 15 percent of the individual's earned income for that year or $1,500, whichever is less.

(2) In the case of an individual electing to deduct his or her bond purchases under section 220, the total face amount of bonds purchased for tax deduction in any given year in the name of the individual and in the name of his or her nonworking spouse, may not exceed 15 percent of the working spouse's earned income for that year or $1,750, whichever is less.[2]

(b) The above limitations do not apply to rollover bond purchases, as described in sections 402(a)(5), 403(a)(4), or 408(d)(3) of the Internal Revenue Code.

(26 U.S.C. 220 and 31 U.S.C. 757)

[42 FR 37520, July 21, 1977]

§ 346.6 Nontransferability.

United States Individual Retirement Bonds are not transferable, and may not be sold, discounted or pledged as collateral for a loan or as security for the performance of an obligation, or for any other purpose.

§ 346.7 Judicial proceedings.

No judicial determination will be recognized which would give effect to an attempted voluntary transfer inter vivos of an Individual Retirement Bond. Otherwise, a claim against a registered owner will be recognized when established by valid judicial proceedings, but in no case will payment be made to the purchaser at a sale under a levy or to the officer authorized to levy upon the property of the owner under appropriate process to satisfy a money judgment unless or until the bond has become eligible for authorized redemption pursuant to these regulations. Neither the Department of the Treasury nor any of its agencies will accept notices of adverse claims or of pending judicial proceedings or undertake to protect the interests of litigants who do not have possession of the bond.

[1] NOTE: Under the Internal Revenue Code, bonds issued during any given year or within 45 days thereafter may be deducted in that year.

[2] NOTE: Code section 220 requires, in effect, that the total IRA contributions in each spouse's name to be deducted in any one year be in equal amounts. While it is permissible for an eligible married couple to utilize several different forms of IRA investments within the same year, this means that couples investing solely in bonds must purchase equal amounts of bonds in each spouse's name.

§ 346.8 Payment or redemption during lifetime of owner.

(a) *During first 12 months of issue date.* An Individual Retirement Bond is redeemable at any time during the first twelve (12) months of its issue date. No interest will be paid on any bond so redeemed.

(b) *Prior to age 59½*—(1) *With penalty.* Unless redeemed within twelve months of its issue, or except as provided under paragraphs (b)(2) and (c)(2) of this section, if an Individual Retirement Bond is cashed by its owner before he attains age 59½, he must include on his Federal income tax return for the year of redemption the value of the bond. In addition, there is an additional income tax equal to 10 percent of the value of the bond imposed by section 409(c) of the Internal Revenue Code of 1954.

(2) *In case of disability.* An Individual Retirement Bond will be paid at its then current redemption value upon a registered owner's request (or by a person recognized as entitled to act on his behalf) prior to his attainment of age 59½ years upon submission of a physician's statement or any similar evidence showing that the owner has become disabled to such an extent that he is unable to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The following are examples of impairments which would ordinarily be considered as preventing substantial, gainful activity:

(i) Loss of use of two limbs.

(ii) Certain progressive diseases which have resulted in the physical loss or atrophy of a limb, such as diabetes, multiple sclerosis, or Buerger's disease.

(iii) Disease of the heart, lungs, or blood vessels which have resulted in major loss of heart or lung reserve as evidenced by X-ray, electrocardiogram, or other objective findings, so that despite medical treatment breathlessness, pain, or fatigue is produced on slight exertion, such as walking several blocks, using public transportation, or doing small chores.

(iv) Cancer which is inoperable and progressive.

(v) Damage to the brain or brain abnormality which has resulted in severe loss of judgment, intellect, orientation, or memory.

(vi) Mental diseases (*e.g.*, psychosis or severe psychoneurosis) requiring continued institutionalization or constant supervision of the individual.

(vii) Loss or diminution of vision to the extent that the effected individual has a central visual acuity of not better than 20/200 in the better eye after best correction, or has a limitation in the fields of vision such that the widest diameter of the visual fields subtends an angle no greater than 20 degrees.

(viii) Permanent and total loss of speech.

(ix) Total deafness uncorrectible by a hearing aid.

In any case coming under the provisions hereof, the evidence referred to above must be submitted to the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101, for approval before any bonds may be paid. If, after review of the evidence, the Secretary of the Treasury is satisfied that the owner's disability has been established a letter will be furnished authorizing payment of his Individual Retirement Bonds. This letter must be presented each time any of the owner's bonds are submitted for payment to a Federal Reserve Bank or Branch or to the Department of the Treasury.

(c) *Prior to age 70½*—(1) *General.* An Individual Retirement Bond will be redeemable at its current redemption value upon the request of the registered owner (or a person recognized as entitled to act on his behalf), provided he is 59½ years of age or older. The owner's age will be determined from the date of birth shown on the face of the bond, provided, however, that the Secretary of the Treasury reserves the right in any case or class of cases to require proof, in the form of a duly certified copy of his birth certificate, that the owner has attained the age of 59½ years. If such evidence is unavailable, one of the following documents may be furnished in lieu thereof:

(i) Church records of birth or baptism

(ii) Hospital birth record or certificate

(iii) Physician's or midwife's birth record

(iv) Certification of Bible or other family records

(v) Military, naturalization or immigration records

(vi) Other evidence of probative value.

Similar documentary evidence will also be required to support any claim made by an owner that the date of birth shown on his bond is incorrect.

(2) *For change of investment.* Under section 409(b)(3)(c) of the Internal Revenue Code, if an Individual Retirement Plan Bond is cashed at any time before the end of the taxable year in which the owner attains age 70½, and the entire redemption proceeds are transferred to an individual retirement account, an individual annuity, an employees' trust, or annuity plan, as described in sections 408(a), 408(b), 401(a) and 403(a), respectively, of the Internal Revenue Code, on or before the 60th day after receipt of such proceeds, they shall be excluded from gross income and the transfer shall be treated as a rollover contribution described in section 408(d)(3) of the Internal Revenue Code.

(d) *Requests for payment*—(1) *By owner.* When redemption of any Individual Retirement Bond is desired by the registered owner, it should be presented, with the request for payment on the back of the bond signed and duly certified, to a Federal Reserve Bank or Branch or to the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226. If payment is requested on account of disability, the letter described in paragraph (b)(2) of this section should accompany the bond.[3]

(2) *By person other than owner.* When redemption of any Individual Retirement Bond is desired by the legal guardian, committee, conservator, or similar representative of the owner's estate, it should be presented, with the request signed as described below, to a Federal Reserve Bank or Branch or to the Department of the Treasury. If payment is requested on account of disability, the letter described in paragraph (b) (2) of this section should accompany the bond.[3] The request for payment, in either case, should be signed by the representative in his fiduciary capacity before an authorized certifying officer, and must be supported by a certificate or a certified copy of the letters of appointment from the court making the appointment, under seal, or other proof of qualification if the appointment was not made by a court. Except in the case of corporate fiduciaries, such evidence should state that the appointment is in full force and should be dated not more than one year prior to the presentation of the bond for payment.

(e) *Partial redemption.* An Individual Retirement Bond in a denomination greater than $50 (face value), which is otherwise eligible for redemption, may be redeemed in part, at current redemption value, upon the request of the registered owner (or a person recognized as entitled to act on his behalf), but only in amounts corresponding to authorized denominations. In any case in which partial redemption is desired, before the request for payment is signed, the phrase ''to the extent of $—— (face value) and reissue of the remainder'' should be appended to the request. Upon partial redemption of the bond, the remainder will be reissued as of the original issue date. No partial redemption of a bond will be made after the death of the owner in whose name it is registered.

(26 U.S.C. 220 and 31 U.S.C. 757)

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37520, July 21, 1977]

§ 346.9 Payment or redemption after death of owner.

(a) *Order of precedence where owner not survived by beneficiary.* If the registered owner of an Individual Retirement Bond dies before it has been presented and surrendered for payment, and there is no beneficiary shown

[3] In any case in which a legal representative has not been appointed for the estate of a registered owner who has attained the age of 59½ years, or who has become disabled, a person seeking payment of a bond on the owner's behalf should furnish a complete statement of the circumstances to the Bureau of the Public Debt, Division of Securities Operations, Washington, DC 20226. Appropriate instructions will then be furnished.

thereon, or if the designated beneficiary predeceased the owner, the bond shall be paid in the following order of precedence:

(1) To the duly appointed executor or administrator of the estate of the owner, who should sign the request for payment on the back of the bond in his representative capacity before an authorized certifying officer, such request to be supported by a court certificate or a certified copy of his letters of appointment, under seal of the court, which should show that the appointment is in full force and effect, and be dated within six months of its presentation;

(2) If no legal representative of the deceased registered owner's estate has been or will be appointed, to the widow or widower of the owner;

(3) If none of the above, to the child or children of the owner and the descendants of deceased children by representation;

(4) If none of the above, to the parents of the owner, or the survivor of them;

(5) If none of the above, to other next-of-kin of the owner, as determined by the laws of the domicile of such owner at the time of his death.

In any case coming under the provisions of this paragraph, a duly certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary, if any, will be required where he predeceased the owner. Payment of bonds under paragraph (a)(1) of this section will be made by a Federal Reserve Bank or by the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226. Payment of bonds under paragraphs (a) (2) through (5) of this section will be made upon receipt of applications on Form PD 3565–1, together with the bonds and supporting evidence, by the Bureau of the Public Debt, Division Transactions and Rulings, Parkersburg, WV 26101.

(b) *Order of precedence where beneficiary survived owner.* If the registered owner of an Individual Retirement Bond dies before it has been presented and surrendered for payment, and the beneficiary shown thereon survived the owner, the bond shall be paid in the following order of precedence:

(1) To the designated beneficiary upon his presentation and surrender of the bond with the request for payment signed and duly certified;

(2) If the designated beneficiary survived the registered owner but failed to present the bond for payment during his own lifetime, payment will be made in the order of precedence specified in paragraphs (a) (1) through (5) of this section to the legal representative, surviving spouse, children, parents, or next-of-kin of such beneficiary, and in the manner provided therein.

In any case coming under the provisions of this subsection, a duly certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary will also be required where he survived the owner but failed to present the bond for payment during his own lifetime. Payment of a bond to a designated beneficiary will be made by a Federal Reserve Bank or by the Bureau of the Public Debt, Securities Transactions Branch, Washington, DC 20226.

(c) *Ownership of redemption proceeds.* The orders of precedence set forth in paragraphs (a) and (b) of this section, except in cases where redemption is made for the account of a registered owner, are for the Department's convenience in discharging its obligation on an Individual Retirement Bond. The discharge of the obligation in accordance therewith shall be final so far as the Department is concerned, but those provisions do not otherwise purport to determine ownership of the redemption proceeds of a bond.

(26 U.S.C. 220 and 31 U.S.C. 757)

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37520, July 21, 1977]

§ 346.10 Reissue.

(a) *Addition or change of beneficiary.* An Individual Retirement Bond will be reissued to add a beneficiary in the case of a single ownership bond, or to eliminate or substitute a beneficiary in the case of a bond registered in beneficiary form upon the owner's request on Form PD 3564. No consent will be required to support any reissue transaction from a beneficiary whose name is to be removed from the registration

of an Individual Retirement Bond. If the registered owner dies after the bond has been presented and surrendered for reissue, upon receipt of notice thereof by the agency to which the request for reissue was submitted, such request shall be treated as ineffective, provided the notice of death is received by the Federal Reserve Bank or the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101, to which the request was sent, in sufficient time to withhold delivery, by mail or otherwise, of the reissued bond.

(b) *Error in issue—change of name.* Reissue of an Individual Retirement Bond will be made where an error in issue has occurred, as well as in cases where the owner's name has been changed by marriage, divorce, annulment, order of court, or in any other legal manner upon an appropriate request. Information as to the procedure to be followed in securing such reissue may be obtained from a Federal Reserve Bank or the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101.

(26 U.S.C. 220 and 31 U.S.C. 757)

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37520, July 21, 1977]

§ 346.11 Use of power of attorney.

No designation of an attorney, agent, or other representative to request payment or reissue on behalf of the owner, beneficiary, or other person entitled under § 346.9, other than as provided in these regulations, will be recognized.

§ 346.12 Lost, stolen, or destroyed bonds.

If an Individual Retirement Bond is lost, stolen, or destroyed, relief will be granted upon identification of the bond and proof of its loss, theft, or destruction. A description of the bond by denomination, serial number, issue date and registration should be furnished at the time the report of loss, theft, or destruction is made. Such reports should be sent to the Bureau of the Public Debt, Division of Transactions and Rulings, Parkersburg, WV 26101. Full instructions for obtaining substitute bonds, or payment, in appropriate cases, will then be given.

(26 U.S.C. 220 and 31 U.S.C. 757)

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37520, July 21, 1977]

§ 346.13 Taxation.

The tax treatment provided under section 409 of the Internal Revenue Code of 1954, as amended, shall apply to all Individual Retirement Bonds. The bonds are subject to estate, inheritance, or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, municipality, or any local taxing authority. Inquiry concerning the application of any Federal tax to these bonds should be directed to the District Director of Internal Revenue for the district in which the taxpayer resides.

§ 346.14 Certifying officers.

Officers authorized to certify requests for payment or for any other transaction involving Individual Retirement Bonds include:

(a) *Post offices.* Any postmaster, acting postmaster, or inspector-in-charge, or other post office official or clerk designated for that purpose. A post office official or clerk, other than a postmaster, acting postmaster, or inspector-in-charge, should certify in the name of the postmaster or acting postmaster, followed by his own signature and official title. Signatures of these officers should be authenticated by a legible imprint of the post office dating stamp.

(b) *Banks and trust companies.* Any officer of a Federal Reserve Bank or Branch, or of a bank or trust company chartered under the laws of the United States or those of any State, Commonwealth, or Territory of the United States, as well as any employees of such bank or trust company expressly authorized to act for that purpose, who should sign over the title ''Designated Employee.'' Certifications by any of these officers or designated employees should be authenticated by either a legible imprint of the corporate seal, or, where the institution is an authorized issuing agent for United States

Savings Bonds, Series E, by a legible imprint of its dating stamp.

(c) *Issuing agents of Series E savings bonds.* Any officer of a corporation or any other organization which is an authorized issuing agent for United States Savings Bonds, Series E. All certifications by such officers must be authenticated by a legible imprint of the issuing agent's dating stamp.

(d) *Foreign countries.* In a foreign country requests may be signed in the presence of and be certified by any United States diplomatic or consular representative, or the manager or other 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 such an officer is not available, requests may be signed in the presence of and be certified by a notary or other officer authorized to administer oaths, but his official character and jurisdiction should be certified by a United States diplomatic or consular officer under seal of his office.

(e) *Special provisions.* The Commissioner of the Public Debt, or his delegate, or any Federal Reserve Bank or Branch is authorized to make special provision for certification in any particular case or class of cases where none of the officers authorized above is readily accessible.

§ 346.15 General provisions.

(a) *Regulations.* All Individual Retirement Bonds shall be subject to the general regulations prescribed by the Secretary with respect to United States securities, which are set forth in Department of the Treasury Circular No. 300, current revision, to the extent applicable. Copies of the general regulations may be obtained upon request from any Federal Reserve Bank or the Department of the Treasury.

(b) *Reservation as to issue of bonds.* The Secretary of the Treasury reserves the right to reject any application for the purchase of Individual Retirement Bonds, in whole or in part, and to refuse to issue or permit to be issued any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

(c) *Additional requirements.* In any case or any class of cases arising under this circular, the Secretary of the Treasury may require such additional evidence as may in his judgment be necessary, and may require a bond of indemnity, with or without surety, where he may consider such bond necessary for the protection of the United States.

(d) *Waiver of requirements.* The Secretary of the Treasury reserves the right, in his discretion, to waive or modify any provision or provisions 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, if such action is not inconsistent with law, does not impair any existing rights, and he is satisfied that such action would not subject the United States to any substantial expense or liability.

(e) *Fiscal agents.* Federal Reserve Banks and Branches, 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 in connection with the issue, delivery, redemption, reissue, and payment of Individual Retirement Bonds.

(f) *Reservation as to terms of circular.* The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this circular, or any amendments or supplements thereto.

APPENDIX TO PART 346—TABLES

TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 6 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JANUARY 1, 1975

NOTE: This table shows how Individual Retirement Bonds bearing issue dates on or after January 1, 1975, by denomination, increase in redemption value during the successive half-year periods following issue. The redemption values provide an investment yield of approximately 6 pct/annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. No increase in redemption value is shown, however, until 1 year after issue date since no interest may be paid on bonds redeemed before that time. The period to maturity is fixed in accordance with the provisions of § 346.1(b) of this circular.

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$75.00	$100.00	$500.00
1st	$50.00	$75.00	$100.00	$500.00
1 to 1½	53.05	79.57	106.10	530.50
1½ to 2	54.64	81.95	109.28	546.40
2 to 2½	56.28	84.41	112.56	562.80
2½ to 3	57.96	86.95	115.92	579.60
3 to 3½	59.70	89.55	119.40	597.00
3½ to 4	61.49	92.24	122.98	614.90
4 to 4½	63.34	95.01	126.68	633.40
4½ to 5	65.24	97.86	130.48	652.40
5 to 5½	67.20	100.79	134.40	672.00
5½ to 6	69.21	103.82	138.42	692.10
6 to 6½	71.29	106.93	142.58	712.90
6½ to 7	73.43	110.14	146.86	734.30
7 to 7½	75.63	113.44	151.26	756.30
7½ to 8	77.90	116.85	155.80	779.00
8 to 8½	80.24	120.35	160.48	802.40
8½ to 9	82.64	123.96	165.28	826.40
9 to 9½	85.12	127.68	170.24	851.20
9½ to 10	87.68	131.51	175.36	876.80
10 to 10½	90.31	135.46	180.62	903.10
10½ to 11	93.01	139.52	186.02	930.10
11 to 11½	95.81	143.71	191.62	958.10
11½ to 12	98.68	148.02	197.36	986.80
12 to 12½	101.64	152.46	203.28	1,016.40
12½ to 13	104.69	157.03	209.38	1,046.90
13 to 13½	107.83	161.74	215.66	1,078.30
13½ to 14	111.06	166.60	222.12	1,110.60
14 to 14½	114.40	171.59	228.80	1,144.00
14½ to 15	117.83	176.74	235.66	1,178.30
15 to 15½	121.36	182.04	242.72	1,213.60
15½ to 16	125.00	187.51	250.00	1,250.00
16 to 16½	128.75	193.13	257.50	1,287.50
16½ to 17	132.62	198.93	265.24	1,326.20
17 to 17½	136.60	204.89	273.20	1,366.00
17½ to 18	140.69	211.04	281.38	1,406.90
18 to 18½	144.91	217.37	289.82	1,449.10
18½ to 19	149.26	223.89	298.52	1,492.60
19 to 19½	153.74	230.61	307.48	1,537.40
19½ to 20	158.35	237.53	316.70	1,583.50
20 to 20½	163.10	244.65	326.20	1,631.00

TABLE A—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 6.50 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING AUG. 1, 1979

NOTE: This table shows how Individual Retirement Bonds bearing issue dates on or after August 1, 1979, by denomination, increase in redemption value during the successive half-year periods following issue. The redemption values provide an investment yield of approximately 6.50 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. No increase in redemption value is shown, however, until 1 year after issue date since no interest may be paid on bonds redeemed before that time. The period to maturity is fixed in accordance with the provisions of § 346.1(b) of this circular.

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50	$75	$100	$500
1st	$50.00	$75.00	$100.00	$500.00
1 to 1½	53.30	79.95	106.60	533.00
1½ to 2	55.04	82.56	110.08	550.40
2 to 2½	56.82	85.23	113.64	568.20
2½ to 3	58.68	88.02	117.36	586.80
3 to 3½	60.58	90.87	121.16	605.80
3½ to 4	62.54	93.81	125.08	625.40
4 to 4½	64.58	96.87	129.16	645.80
4½ to 5	66.68	100.02	133.36	666.80
5 to 5½	68.84	103.26	137.68	688.40
5½ to 6	71.08	106.62	142.16	710.80
6 to 6½	73.40	110.10	146.80	734.00
6½ to 7	75.78	113.67	151.56	757.80
7 to 7½	78.24	117.36	156.48	782.40
7½ to 8	80.78	121.17	161.56	807.80
8 to 8½	83.40	125.10	166.80	834.00
8½ to 9	86.12	129.18	172.24	861.20
9 to 9½	88.92	133.38	177.84	889.20
9½ to 10	91.80	137.70	183.60	918.00
10 to 10½	94.80	142.20	189.60	948.00
10½ to 11	97.88	146.82	195.76	978.80
11 to 11½	101.06	151.59	202.12	1,010.60
11½ to 12	104.34	156.51	208.68	1,043.40
12 to 12½	107.72	161.58	215.44	1,077.20
12½ to 13	111.22	166.83	222.44	1,112.20
13 to 13½	114.84	172.26	229.68	1,148.40
13½ to 14	118.58	177.87	237.16	1,185.80
14 to 14½	122.44	183.66	244.88	1,224.40
14½ to 15	126.42	189.63	252.84	1,264.20
15 to 15½	130.52	195.78	261.04	1,305.20
15½ to 16	134.76	202.14	269.52	1,347.60
16 to 16½	139.14	208.71	278.28	1,391.40
16½ to 17	143.66	215.49	287.32	1,436.60
17 to 17½	148.34	222.51	296.68	1,483.40
17½ to 18	153.16	229.74	306.32	1,531.60
18 to 18½	158.12	237.18	316.24	1,581.20
18½ to 19	163.26	244.89	326.52	1,632.60
19 to 19½	168.58	252.87	337.16	1,685.80
19½ to 20	174.06	261.09	348.12	1,740.60
20 to 20½	179.72	269.58	359.44	1,797.20

TABLE B—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 8.00 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING NOVEMBER 1, 1980

NOTE: This table shows how Individual Retirement Bonds bearing issue dates on or after November 1, 1980, by denomination, increase in redemption value during the successive half-year periods following issue. The redemption values provide an investment yield of approximately 8.00 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. No increase in redemption value is shown, however, until 1 year after issue date since no interest may be paid on bonds redeemed before that time. The period to maturity is fixed in accordance with the provisions of § 346.1(b) of this circular.

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$75.00	$100.00	$500.00
First half year ...	$50.00	$75.00	$100.00	$500.00
1.0 to 1.5	54.08	81.12	108.16	540.80
1.5 to 2.0	56.24	84.36	112.48	562.40
2.0 to 2.5	58.50	87.75	117.00	585.00
2.5 to 3.0	60.84	91.26	121.68	608.40
3.0 to 3.5	63.26	94.89	126.52	632.60
3.5 to 4.0	65.80	98.70	131.60	658.00
4.0 to 4.5	68.42	102.63	136.84	684.20
4.5 to 5.0	71.16	106.74	142.32	711.60
5.0 to 5.5	74.02	111.03	148.04	740.20
5.5 to 6.0	76.98	115.47	153.96	769.80
6.0 to 6.5	80.06	120.09	160.12	800.60
6.5 to 7.0	83.26	124.89	166.52	832.60
7.0 to 7.5	86.58	129.87	173.16	865.80
7.5 to 8.0	90.04	135.06	180.08	900.40
8.0 to 8.5	93.64	140.46	187.28	936.40
8.5 to 9.0	97.40	146.10	194.80	974.00
9.0 to 9.5	101.30	151.95	202.60	1,013.00
9.5 to 10.0	105.34	158.01	210.68	1,053.40
10.0 to 10.5	109.56	164.34	219.12	1,095.60
10.5 to 11.0	113.94	170.91	227.88	1,139.40
11.0 to 11.5	118.50	177.75	237.00	1,185.00
11.5 to 12.0	123.24	184.86	246.48	1,232.40
12.0 to 12.5	128.16	192.24	256.32	1,281.60
12.5 to 13.0	133.30	199.95	266.60	1,333.00
13.0 to 13.5	138.62	207.93	277.24	1,386.20
13.5 to 14.0	144.16	216.24	288.32	1,441.60
14.0 to 14.5	149.94	224.91	299.88	1,499.40
14.5 to 15.0	155.94	233.91	311.88	1,559.40
15.0 to 15.5	162.16	243.24	324.32	1,621.60
15.5 to 16.0	168.66	252.99	337.32	1,686.60
16.0 to 16.5	175.40	263.10	350.80	1,754.00
16.5 to 17.0	182.42	273.63	364.84	1,824.20
17.0 to 17.5	189.72	284.58	379.44	1,897.20
17.5 to 18.0	197.30	295.95	394.60	1,973.00
18.0 to 18.5	205.20	307.80	410.40	2,052.00
18.5 to 19.0	213.40	320.10	426.80	2,134.00
19.0 to 19.5	221.94	332.91	443.88	2,219.40
19.5 to 20.0	230.82	346.23	461.64	2,308.20
20.0 to 20.5	240.06	360.09	480.12	2,400.60

TABLE C—TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 9.00 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING OCTOBER 1, 1981

NOTE: This table shows how Individual Retirement Bonds bearing issue dates on or after October 1, 1981, by denomination, increase in redemption value during the successive half-year periods following issue. The redemption values provide an investment yield of approximately 9.00 percent per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. No increase in redemption value is shown, however, until 1 year after issue date since no interest may be paid on bonds redeemed before that time. The period to maturity is fixed in acordance with the provisions of § 346.1(b) of this circular.

Period after issue date (years)	Issue price			
	Redemption values during each half-year period (values increase on first day of period shown)			
	$50.00	$75.00	$100.00	$500.00
First half	$50.00	$75.00	$100.00	$500.00
1.0 to 1.5	54.60	81.90	109.20	546.00
1.5 to 2.0	57.06	85.59	114.12	570.60
2.0 to 2.5	59.62	89.43	119.24	596.20
2.5 to 3.0	62.30	93.45	124.60	623.00
3.0 to 3.5	65.12	97.68	130.24	651.20
3.5 to 4.0	68.04	102.06	136.08	680.40
4.0 to 4.5	71.10	106.65	142.20	711.00
4.5 to 5.0	74.30	111.45	148.60	743.00
5.0 to 5.5	77.64	116.46	155.28	776.40
5.5 to 6.0	81.14	121.71	162.28	811.40
6.0 to 6.5	84.80	127.20	169.60	848.00
6.5 to 7.0	88.60	132.90	177.20	886.00
7.0 to 7.5	92.60	138.90	185.20	926.00
7.5 to 8.0	96.76	145.14	193.52	967.60
8.0 to 8.5	101.12	151.68	202.24	1,011.20
8.5 to 9.0	105.66	158.49	211.32	1,056.60
9.0 to 9.5	110.42	165.63	220.84	1,104.20
9.5 to 10.0	115.40	173.10	230.80	1,154.00
10.0 to 10.5	120.58	180.87	241.16	1,205.80
10.5 to 11.0	126.02	189.03	252.04	1,260.20
11.0 to 11.5	131.68	197.52	263.36	1,316.80
11.5 to 12.0	137.60	206.40	275.20	1,376.00
12.0 to 12.5	143.80	215.70	287.60	1,438.00
12.5 to 13.0	150.28	225.42	300.56	1,502.80
13.0 to 13.5	157.04	235.56	314.08	1,570.40
13.5 to 14.0	164.10	246.15	328.20	1,641.00
14.0 to 14.5	171.48	257.22	342.96	1,714.80
14.5 to 15.0	179.20	268.80	358.40	1,792.00
15.0 to 15.5	187.26	280.89	374.52	1,872.60
15.5 to 16.0	195.70	293.55	391.40	1,957.00
16.0 to 16.5	204.50	306.75	409.00	2,045.00
16.5 to 17.0	213.70	320.55	427.40	2,137.00
17.0 to 17.5	223.32	334.98	446.64	2,233.20
17.5 to 18.0	233.36	350.04	466.72	2,333.60
18.0 to 18.5	243.86	365.79	487.72	2,438.60
18.5 to 19.0	254.84	382.26	509.68	2,548.40
19.0 to 19.5	266.32	399.48	532.64	2,663.20
19.5 to 20.0	278.30	417.45	556.60	2,783.00
20.0 to 20.5	290.82	436.23	581.64	2,908.20

(26 U.S.C. 220, and 31 U.S.C. 757; 40 Stat. 288, 48 Stat. 343, as amended; 31 U.S.C. 752, 7546; 5 U.S.C. 301)

[40 FR 4240, Jan. 28, 1975, as amended at 42 FR 37521, July 21, 1977; 45 FR 53397, Aug. 11, 1980; 45 FR 55178, Aug. 19, 1980; 46 FR 60577, Dec. 11, 1981]

PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

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

SOURCE: 55 FR 567, Jan. 5, 1990, unless otherwise noted.

§ 351.0 Offering of bonds.

The Secretary of the Treasury offers for sale to the people of the United States, United States Savings Bonds of Series EE, hereinafter referred to as *Series EE bonds* or *bonds*. This offer, effective May 1, 1997, will continue until terminated by the Secretary of the Treasury.

[55 FR 567, Jan. 5, 1990, as amended at 58 FR 60938, Nov. 18, 1993; 60 FR 15431, Mar. 23, 1995; 62 FR 24281, May 2, 1997]

§ 351.1 Governing regulations.

Series EE bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series EE and HH, contained in Department of the Treasury Circular, Public Debt Series No. 3–80 (31 CFR part 353), hereinafter referred to as Circular No. 3–80.

§ 351.2 Description of bonds.

(a) *General.* Series EE bonds are issued only in registered form and are nontransferable.

(b) *Denominations and prices.* Series EE bonds are issued on a discount basis. The denominations and purchase prices are as follows:

Denomination	Purchase price
$50[1]	$25.00
75[1]	37.50
100	50.00
200	100.00
500	250.00
1,000	500.00
5,000	2,500.00
10,000	5,000.00

[1] As of October 1, 1990, $50 & $75 denominations were no longer available through payroll savings plans or through employee thrift, savings, vacation or similar plans.

(c) *Term—original maturity periods for bonds issued prior to May 1, 1995.* The issue date of a Series EE bond is the first day of the month in which payment of the issue price is received by an authorized issuing agent. Series EE bonds issued prior to May 1, 1995, have ''original'' maturity periods, also referred to as ''initial'' maturity periods, as follows:

Issue dates—1st day of:	Original maturity dates—1st day of:	Original terms
Jan. 1980–Oct. 1980	Jan. 1991–Oct. 1991	11 years.
Nov. 1980–Apr. 1981	Nov. 1989–Apr. 1990	9 years.
May. 1981–Oct. 1982	May 1989–Oct. 1990	8 years.
Nov. 1982–Oct. 1986	Nov. 1992–Oct. 1996	10 years.
Nov. 1986–Feb. 1993	Nov. 1998–Feb. 2005	12 years.
Mar. 1993–Apr. 1995	Mar. 2011–Apr. 2013	18 years.

(d) *Redemption.* A Series EE bond may be redeemed after 6 months from its issue date. The Secretary of the Treasury may not call Series EE bonds for redemption prior to final maturity.

(e) *Investment yield (interest) during original maturity periods—bonds bearing issue dates of November 1, 1982 through April 1, 1995.* The investment yield of a Series EE bond bearing issue dates of November 1, 1982, through April 1, 1995, from its issue date to each interest accrual date occurring less than 5 years

after issue, will be as shown in Tables 1, 2, and 3 in the appendix to this part.

(1) *Guaranteed minimum investment yield.* The guaranteed minimum investment yield of a bond from its issue date to each semiannual interest accrual date occurring on or after 5 years from issue up to original maturity will be 7.5 percent per annum, compounded semiannually, for a bond bearing an issue date of November 1, 1982, through October 1, 1986, and 6 percent per annum, compounded semiannually, for a bond bearing an issue date of November 1, 1986, through February 1, 1993; and, 4 percent per annum, compounded semiannually, for a bond bearing an issue date of March 1, 1993, through April 1, 1995. Interest that accrues on a Series EE bond becomes part of its redemption value and is paid, as set out in § 351.2 (h).

(2) *Market-based variable investment yield.* If a Series EE bond is not sooner redeemed, its yield 5 years after its issue date and on each successive semiannual interest accrual date will be determined as follows:

(i) For each 6-month period, starting with the period beginning on May 1, 1982, the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period will be determined.

(ii) For bonds bearing issue dates of November 1, 1982, through April 1, 1989, the market-based variable investment yield from the issue date of a bond to its semiannual interest accrual date 5 years thereafter will be 85 percent, rounded to the nearest one-fourth of 1 percent, of the arithmetic average of the market yield averages for the ten 6-month periods starting with the 6-month period that most recently ended before such issue date.

(iii) For bonds bearing issue dates of May 1, 1989 through April 1, 1995, the market-based variable investment yield from the issue date to the semiannual interest accrual date 5 years thereafter will be 85 percent, rounded to the nearest one-hundredth of 1 percent, of the arithmetic average of the market yield averages for the ten 6-month periods starting with the 6-month period that most recently ended before such issue date.

(iv) In determining the market-based variable investment yield for a bond from its issue date to each successive semiannual interest accrual date occurring after 5 years from issue up to original maturity, the average market yield for each additional 6-month period will be included in the computation.

(v) The determination by the Secretary of the Treasury, or his delegate, of the average market yields shall be final and conclusive.

Example. For bonds bearing issue dates of November 1, 1982, through April 1, 1983, the market-based variable investment yield from issue date to 5 years will be determined from the ten 6-month market yield averages for the period from May 1, 1982, through April 30, 1987. The market-based variable investment yield from issue to 5½ years will be determined for the period from May 1, 1982, through October 31, 1987. For bonds bearing issue dates of May 1, 1983, to October 1, 1983, the 5 year market-based variable investment yield will be determined for the period from November 1, 1982, through October 31, 1987, and the 5½ year market-based variable investment yield will be determined from November 1, 1982, through April 30, 1988. In each case where a bond is held for 5 years or longer during its original maturity period, its redemption value on the appropriate interest accrual date will be determined from such yield, unless the guaranteed minimum yield, compounded semiannually, as specified in § 351.2(e)(1), from issue to that accrual date results in a higher redemption value.

(f) *Investment yields (interest) during original maturity periods—bonds issued prior to November 1, 1982.* For bonds bearing issue dates of January 1, 1980, through October 1, 1982, the investment yields shall be as follows:

(1) *Guaranteed minimum investment yield.* The guaranteed minimum investment yields on bonds bearing issue dates prior to November 1, 1982, are made available, on request, by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328.

(2) *Market-based variable investment yield.* If a bond is held for a period of 5 years after its first semiannual interest accrual period, occurring on or after November 1, 1982, its yield for such period, and to each successive semiannual interest accrual date up to its original maturity, shall be either the guaranteed minimum investment yield specified above in paragraph (f)(1)

of this section or the market-based variable investment yield computed as provided in paragraph (e)(2) of this section, whichever produces the greater value, using the appropriate number of 6-month periods. The first such period began on May 1, 1982.

(g) *Extended maturity periods for bonds bearing issue dates prior to May 1, 1995*—(1) *General.* The terms *extended maturity period, second extended maturity period,* and *extended maturity,* as used herein, refer to periods after the original maturity dates of the bonds during which owners may retain them at interest. No special action is required of owners desiring to take advantage of any extensions herein granted.

(2) *Extensions granted for bonds bearing issue dates prior to May 1, 1995.* As described in the charts below, owners of Series EE bonds may retain their bonds for an extended maturity period of l0 years. Owners of Series EE bonds also may retain their bonds for a second extended maturity period having a period such that, if outstanding, interest shall accrue for a term totaling 30 years from the issue date. Each Series EE bond will reach its final maturity and cease to accrue interest 30 years after its issue date.

Issues dates—1st day of:	Original terms	Original maturity dates-day of:	Final maturity dates—1st day of:
Jan. 1980–Oct. 1980	11 years	Jan. 1991–Oct. 1991	Jan. 2010–Oct. 2010.
Nov. 1980–Apr. 1981	9 years	Nov. 1989–Apr. 1990	Nov. 2010–Apr. 2011.
May 1981–Oct. 1982	8 years	May 1989–Oct. 1990	May 2011–Oct. 2012.
Nov. 1982–Oct. 1986	10 years	Nov. 1992–Oct. 1996	Nov. 2012–Oct. 2016.
Nov. 1986–Feb. 1993	12 years	Nov. 1998–Feb. 2005	Nov. 2016–Feb. 2023.
Mar. 1993–Apr. 1995	18 years	Mar. 2011–Apr. 2013	Mar. 2023–Apr. 2025

Issues dates—1st day of:	1st extended maturity dates—1st day of:*	Years to final maturity	Final maturity dates—1st day of:
Jan. 1980–Oct. 1980	Jan. 2001–Oct. 2001	9 years	Jan. 2010–Oct. 2010.
Nov. 1980–Apr. 1981	Nov. 1999–Apr. 2000	11 years	Nov. 2010–Apr. 2011.
May 1981–Oct. 1982	May 1999–Oct. 2000	12 years	May 2011–Oct. 2012.
Nov. 1982–Oct. 1986	Nov. 2002–Oct. 2006	10 years	Nov. 2012–Oct. 2016.
Nov. 1986–Feb. 1993	Nov. 2008–Feb. 2015	8 years	Nov. 2016–Feb. 2023.
Mar. 1993–Apr. 1995	Mar. 2021–Apr. 2023	2 years	Mar. 2023–Apr. 2025

* At 10 years after original maturity.

(3) *Determination of redemption values during any extended maturity period for bonds bearing issue dates prior to May 1, 1995.* The redemption value of a bond on a given interest accrual date during an extended maturity period or periods will be the higher of the value produced using the applicable guaranteed minimum investment yield or the value produced using the appropriate market-based variable investment yield. The calculation of these yields and the resulting redemption values are described below:

(i) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A bond may be subject to one guaranteed minimum investment yield during its original maturity period and to another such yield during each of its extended maturity periods. Bonds that entered an extended maturity period from May 1, 1989, through February 1, 1993, have a guaranteed minimum investment yield of 6 percent per annum, compounded semiannually, during that extended maturity period. Bonds that entered or enter an extended maturity period on or after March 1, 1993, have a guaranteed minimum investment yield of 4 percent per annum, compounded semiannually, during that extended maturity period, or the guaranteed minimum investment yield in effect at the beginning of that period. In order to determine values for a bond during its first extended maturity period, the value of the bond at the end of its original maturity period is determined using the guaranteed minimum investment yield applicable to that period. This value is then used as the base upon which interest accrues during the first extended maturity period at the applicable guaranteed minimum investment yield for that period. The value thus attained at first extended

maturity (10 years after original maturity) is then used as the base upon which interest accrues during the second extended maturity period at the applicable guaranteed minimum investment yield for that period. The resulting semiannual values are then compared with the corresponding values determined using the applicable market-based variable investment yields.

(ii) *Market-based variable investment yield and resulting values during an extended maturity period.* For a bond beginning an extended maturity period, the market-based variable investment yield from its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, to each semiannual interest accrual date occurring on or after November 1, 1989, will be 85 percent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages for the appropriate number of 6-month periods involved, beginning with the period from May l, 1982, or the 6-month period that most recently ended before the issue date, whichever period occurs later. The value of a bond on its first semiannual interest accrual date occurring on or after November l, 1982, or its issue date, whichever is later, is used as the base upon which interest accrues during the extended maturity period at the applicable market-based variable investment yield. As described above, the bond will receive the higher of the two values produced using the applicable market-based variable investment yield and guaranteed minimum investment yield.

(h) *Accrual and payment of interest for bonds issued prior to May 1, 1995.* Interest accrues on a Series EE bond and becomes a part of the redemption value which is paid when the bond is cashed. For bonds with issue dates from January 1, 1980, through October 1, 1980, the redemption value increases on the first day of each month from the third through the thirtieth month after issue, and thereafter on the first day of each successive 6-month period. For bonds with issue dates from November 1, 1980, through October 1, 1986, the redemption value increases on the first day of each month from the third through the eighteenth month after issue, and thereafter on the first day of each successive 6-month period. For bonds with issue dates from November 1, 1986, through February 1, 1993, the redemption values increase on the first day of each month from the third through the thirtieth month after issue, and thereafter on the first day of each successive 6-month period. For bonds with issue dates of March 1, 1993 through April 1, 1995, the redemption values increase on the first day of each month from the third through the sixtieth month after issue, and thereafter either on the first day of each month or on the first day of each successive 6-month period, whichever accrual schedule ensures that the actual yield from issue date to redemption date is in no case less than 4 percent per annum, compounded semiannually. The interest on an outstanding bond ceases to accrue 30 years after its issue date.

(i) *Tables of redemption values for bonds issued prior to May 1, 1995.* For bonds with issue dates of November 1, 1982 through April 1, 1995, Tables 1, 2, and 3, in the appendix to this part, show the established redemption values and investment yields for the first 4½ years after issue and redemption values produced by guaranteed minimum investment yields from 5 years after issue to original maturity. For bonds issued prior to November 1, 1982, tables showing the established redemption values and investment yields for interest accrual dates occurring less than 5 years from the first semiannual interest accrual period starting on or after November 1, 1982, and the guaranteed minimum investment yields and resulting redemption values for interest accrual dates occurring thereafter to original maturity, are made available by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328. The market-based variable investment yields for bonds redeemed during each 6-month period, beginning on May 1 and November 1 of each year, are made available prior to each of those dates by the Bureau of the Public Debt, accompanied by tables of the redemption values of bonds for the following 6 months, as determined by applicable market-based variable investment

yields or guaranteed minimum investment yields.

(j) *Market-based interest rate and redemption values—bonds bearing issue dates of May 1, 1995, through April 1, 1997.* (1) The following definitions apply for determining the interest rates and redemption values for bonds bearing issue dates of May 1, 1995, through April 1, 1997:

(i) *Market yields.* Treasury uses market bid yields for bills, notes, and bonds to create a yield curve based on the most actively traded Treasury securities. This curve relates the yield on a security to its time to maturity. Yields at particular points on the curve are referred to as ''constant maturity yields'' and are determined by the Treasury from this daily yield curve. The 6-month and 5-year Treasury securities rates described below are derived from these yield curves.

(ii) *Short-term savings bond rate.* No less frequently than on each May 1 and November 1, Treasury announces a short-term savings bond rate. To determine this rate, Treasury compiles 6-month Treasury securities rates as of the close of business for each day of the previous three months and calculates the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. The short-term savings bond rate is then determined by taking 85 percent of the three-month average and rounding the result to the nearest one-hundredth of one percent. 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 and is effective as of the first day of that month. For bonds entitled to interest accruals at the short-term savings bond rate, that rate applies to the bond's first full semiannual interest accrual period following each announcement of the rate.

(iii) *Long-term savings bond rate.* No less frequently than on each May 1 and November 1, Treasury announces a long-term savings bond rate. To determine this rate, Treasury compiles 5-year Treasury securities rates as of the close of business for each day of the previous six months and calculates the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. The long-term savings bond rate is then determined by taking 85 percent of the 6-month average and rounding the result to the nearest one-hundredth of one percent. 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 and is effective as of the first day of that month. For bonds entitled to interest accruals at the long-term savings bond rate, that rate applies to the bond's first full semiannual interest accrual period following each announcement of the rate.

(iv) *Base denomination.* All redemption value calculations are performed on a hypothetical denomination of $25 having a value at the beginning of the first earning period equal to an issue price of $12.50. 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 $26.80—*i.e.,* $12.50 issue price plus $14.30 accrued interest—on the same redemption date, the value of a $50 bond bearing the same issue date is $26.80 × (50 ÷ 25) or $53.60.

(v) *Issue date.* The issue date of a Series EE bond is the first day of the month in which payment of the issue price is received by an authorized issuing agent.

(vi) *Semiannual earning periods and accrual dates.* Bonds bearing issue dates of May 1, 1995, through April 1, 1997, earn interest during each successive six month period from date of issue to final maturity. Interest accrues, immediately following each earning period, on each semiannual anniversary of the date of issue, including the date of final maturity.

(vii) *Original maturity.* Bonds reach original maturity at 17 years after date of issue.

(viii) *Final maturity.* Bonds reach final maturity at 30 years after date of issue. A bond ceases to earn interest at final maturity.

(2) *Interest rates and redemption values for bonds held 5 years or less.* The interest rate for a Series EE bond bearing an issue date of May 1, 1995, through

April 1, 1997, for semiannual earning periods during the first 5 years from date of issue, is the short-term savings bond rate determined as defined in paragraph (j)(1)(ii) of this section. Redemption values for semiannual accrual dates occurring on or before 5 years from date of issue are calculated in accordance with paragraph (j)(5) of this section.

(3) *Interest rates and redemption values for bonds held 5 years and 6 months and longer.* The interest rate for a Series EE bond bearing an issue date of May 1, 1995, through April 1, 1997, for semiannual earning periods beginning 5 years from date of issue through original maturity, is the long-term savings bond rate determined as defined in paragraph (j)(1)(iii) of this section. Redemption values for semiannual accrual dates occurring after 5 years from date of issue, through original maturity, are calculated in accordance with paragraph (j)(5) of this section, except that the redemption value at the date of original maturity, as provided in paragraph (j)(1)(vii) of this section, shall not be less than the denomination (face amount or face value).

(4) *Interest rates and redemption values for bonds during an extended maturity period.* From 17 years after date of issue to the final maturity date (the ''extended maturity period'') the bond will be subject to the terms and conditions in effect when it is issued, and will continue to earn interest as described in paragraph (j)(3) of this section, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(5) *Redemption value calculations.* Interest on a bond accrues and becomes part of the redemption value which is paid when the bond is cashed. The redemption value of a bond on the accrual date immediately following each semiannual earning period is determined as follows:

(i) The applicable long-term or short-term savings bond rate for the semiannual earning period is converted to decimal form by dividing by 100, and is adjusted to a semiannual rate by dividing by 2.

(ii) Using redemption values for the base denomination, as defined in paragraph (j)(1)(iv) of this section, this rate is then multiplied by the redemption value of the bond at the beginning of the semiannual earning period.

(iii) The resulting interest amount, rounded to the nearest cent, is added to the redemption value of the bond at the beginning of the earning period to produce the redemption value at the next semiannual accrual date. The redemption value of a bond remains constant between accrual dates.

(6) *The Secretary's determination.* The determination by the Secretary of the Treasury, or his delegate, of the market yields, and the long-term and short-term savings bond rates, shall be final and conclusive.

(7) *Tables of redemption values.* Tables of redemption value are made available by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328, prior to the periods during which the redemption values are payable.

(k) *Interest rate and redemption values—bonds bearing issue dates of May 1, 1997, or thereafter.*

(1) The following definitions apply for determining the interest rates and redemption values for bonds bearing issue dates of May 1, 1997, or thereafter:

(i) *Market yields.* Treasury uses market bid yields for bills, notes, and bonds to create a yield curve based on the most actively traded Treasury securities. This curve relates the yield on a security to its time to maturity. Yields at particular points on the curve are referred to as ''constant maturity yields'' and are determined by the Treasury from this daily yield curve. The 5-year Treasury securities yields described below are derived from these yield curves.

(ii) *Savings bonds rate.* No less frequently than on each May 1 and November 1, Treasury announces a variable market-based savings bonds rate. To determine this rate, Treasury compiles 5-year Treasury securities yields as of the close of business for each day of the previous six months and calculates the monthly average to the nearest one-hundredth of one percent. The savings bonds rate is then determined by taking 90 percent of the 6-month average and rounding the result to the nearest one-hundredth of one

percent. 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 rate remains the first day of the month of the announcement.

(iii) *Base denomination.* All redemption value calculations are performed on a hypothetical denomination of $25 having a value at the beginning of the first semiannual rate period equal to an issue price of $12.50. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations.

(iv) *Issue date.* The issue date of a Series EE savings bond is the first day of the month in which payment of the issue price is received by an authorized issuing agent.

(v) *Accrual date.* Interest on a Series EE savings bond accrues on the first day of each month beginning with the fourth month from the date of issue. The redemption value of a bond does not change between these accrual dates.

(vi) *Semiannual Rate Periods.* Semiannual rate periods are the 6-month periods beginning on the date of issue and on each semiannual anniversary of the date of issue to original maturity.

(vii) *Original maturity.* Bonds reach original maturity at 17 years after date of issue.

(viii) *Final maturity.* Bonds reach final maturity at 30 years after the date of issue. Bonds cease to earn interest at final maturity.

(2) *Interest rates and monthly accruals for bonds with issue dates of May 1, 1997, or thereafter, through original maturity.* Savings bonds rates defined in paragraph (k)(1)(ii) of this section apply to earnings during the first semiannual rate period beginning on or after the effective date of the rate. Interest is credited on the first day of each month and compounded semiannually. Interest accrues beginning with the fourth month from the date of issue. *For example,* a bond issued in January has interest first credited on May 1, which represents one month of interest because of the 3-month interest penalty. The following table shows, for any given month of issue with rates announced each May and November, the months making up the semiannual rate period during which interest is earned at the announced rate (disregarding the penalty for bonds redeemed prior to 5 years after the date of issue) and the months in which the bonds increase in value. This rate is an annual rate compounded semiannually.

If issue month is:	And rate announcement/effective date is:	Then, semiannual rate periods in which interest is earned include months of:	And bonds increase in value on 1st day of months of:
JAN or JUL	May 1	JUL through DEC	AUG through JAN.
FEB or AUG	May 1	AUG through JAN	SEP through FEB.
MAR or SEP	May 1	SEP through FEB	OCT through MAR.
APR or OCT	May 1	OCT through MAR	NOV through APR.
MAY or NOV	May 1	MAY through OCT	JUN through NOV.
JUN or DEC	May 1	JUN through NOV	JUL through DEC.
JAN or JUL	November 1	JAN through JUN	FEB through JUL.
FEB or AUG	November 1	FEB through JUL	MAR through AUG.
MAR or SEP	November 1	MAR through AUG	APR through SEP.
APR or OCT	November 1	APR through SEP	MAY through OCT.
MAY or NOV	November 1	NOV through APR	DEC through MAY.
JUN or DEC	November 1	DEC through MAY	JAN through JUN.

(3) *Interest penalty for Series EE bonds with issue dates of May 1, 1997, or thereafter, redeemed less than 5 years following the issue dates.* If a Series EE savings bond with an issue date of May 1, 1997, or thereafter, 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, 1998, is redeemed 9 months later on October 1, 1998, the redemption value will be determined by applying the redemption value calculation formula described in paragraph (k)(4) of this section and the savings bonds rate for that bond at 6 months after the date of issue on July 1, 1998. The redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 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 surrendered for payment. The redemption value of a bond at original maturity shall not be less than the face amount/denomination of the bond.

(ii)(A) The redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the date of issue) is determined in accordance with this section and the following formula:

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

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

PV (present value) = redemption value at the beginning of the semiannual rate period as defined in paragraph (k)(l)(vi) of this section.

i = savings bonds rate as defined in paragraph (k)(1)(ii) of this section converted to decimal form by dividing by 100.

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

(B) The following hypothetical example illustrates how this formula is applied:

Example, assume a hypothetical savings bonds rate of 5.00% effective May 1, 2002, for a bond denominated at $25, with an issue date of September 1, 1997 and a redemption value of $16.00 as of September 1, 2002. The February 1, 2003, 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 effective date of the May 1, 2002, rate would be the period beginning September 1, 2002. PV, the present value, would be the value of the bond at the beginning of the semiannual rate period, on September 1, 2002. The savings bonds rate of 5.00% converted to a decimal would be 0.05. The number of months, m, is 5 since 5 full calendar months (September through January) have lapsed since the beginning of the rate period. FV is then the result of the formula:

$FV = \$16.00 \times \{[1 + (0.05 \div 2)]^{(5 \div 6)}\} = \$16.33$ after rounding to the nearest cent.

Using the example, the FV of a savings bond with a $50 or larger denomination can be determined by applying the appropriate multiple, for example: $16.33 × ($50.00 ÷ $25.00) for a bond with a $50.00 face amount; or $16.33 × ($100.00 ÷ $25.00) for a bond with a $100.00 face amount.

(5) *Interest rates and redemption values for bonds during an extended maturity period.* From 17 years after date of issue to the final maturity date (the ''extended maturity period'') the bond will be subject to the terms and conditions in effect when it is issued and will continue to earn interest as described in paragraph (k)(2) of this section, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

(6) *The Secretary's determination.* The determination by the Secretary of the Treasury, or his delegate, of market yields, savings bonds rates, rates applicable during any extended maturity period, and savings bond redemption values shall be final and conclusive.

(7) *Tables of redemption values.* Tables of redemption values are made available by the Bureau of the Public Debt, Parkersburg, West Virginia 26106–1328. Redemption values published in such tables reflect the 3-month interest penalty applied to bonds redeemed prior to 5 years from the date of issue.

[55 FR 567, Jan. 5, 1990, as amended at 57 FR 14285, Apr. 17, 1992; 58 FR 60938, 60939, Nov. 18, 1993; 60 FR 15431, 15432, Mar. 23, 1995; 62 FR 24281, May 2, 1997]

§ 351.3 Registration and issue.

(a) *Registration.* Bonds may be registered as set forth in subpart B of 31 CFR part 353, also published as Department of the Treasury Circular, Public Debt Series No. 3–80.

(b) *Validity of issue.* A bond is validly issued when it (1) is registered as provided in Circular No. 3–80, and (2) bears an issue date, as well as the validation indicia of an authorized issuing agent.

(c) *Taxpayer identifying number.* The inscription of a bond must include the taxpayer identifying number of the owner or first-named coowner. The taxpayer identifying number of the second-named coowner or beneficiary is not required but its inclusion is desirable. If the bond is being purchased as a gift or award and the owner's taxpayer identifying number is not known, the taxpayer identifying number of the purchaser must be included in the inscription on the bond.

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

[55 FR 567, Jan. 5, 1990, as amended at 57 FR 14285, Apr. 17, 1992]

§ 351.4 Limitation on purchases.

The amount of Series EE bonds which may be purchased in the name of any one person, in any one calendar year, is limited to $30,000 (face amount). Subpart C of Circular No. 3–80 (31 CFR part 353) contains the rules governing the computation of amounts and the special limitation for employee plans.

§ 351.5 Purchase of bonds.

(a) *Payroll plans.* Bonds in $100 and higher denominations 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.

(b) *Over-the-counter/mail*—(1) *Through financial institutions.* Bonds registered in the names of individuals in their own right may be purchased through any financial institution, *i.e.,* bank, savings association, etc., qualified as an issuing agent. In most instances, the issuing agent will forward purchase applications to Federal Reserve Banks (see § 351.12) for processing and bond issuance.

(2) *Remittance.* The application for purchase of a bond must be accompanied by the remittance to cover the issue price. Checks or other forms of exchange will be accepted subject to collection. Checks payable by endorsement are not acceptable. (For requirements relating to the remittance of sales proceeds by issuing agents, see Item 4, subpart A, in the appendix to 31 CFR part 317).

(c) *Bond-a-month plan.* A depositor of a financial institution qualified as an issuing agent may purchase bonds through a system of regular monthly withdrawals from the depositor's account.

(d) *Employee thrift, savings, vacation, and similar plans.* Bonds registered in the names of trustees of employee plans may be purchased in book-entry form in $100 multiples through an authorized Federal Reserve Bank after Bureau of the Public Debt approval of the plan as eligible for the special limitation under 31 CFR 353.13, also published as section 353.13 of Department of the Treasury Circular, Public Debt Series No. 3–80.

[55 FR 567, Jan. 5, 1990, as amended at 57 FR 14285, Apr. 17, 1992; 59 FR 10540, Mar. 4, 1994]

§ 351.6 Delivery of bonds.

Issuing agents are authorized to arrange for the delivery of Series EE 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, and to residents of what was formerly the Panama Canal Zone. 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.

§ 351.7 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 31 CFR part 321, also published as Department of the Treasury Circular, Public Debt Series No. 750, will pay the current redemption value of a Series EE 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 EE 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 legal 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 § 351.12 will pay the current redemption value of a Series EE 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. 3–80.

[55 FR 567, Jan. 5, 1990, as amended at 57 FR 14285, Apr. 17, 1992; 59 FR 10540, Mar. 4, 1994]

§ 351.8 Taxation.

(a) *General.* The increment in value, represented by the difference between the issue price of a Series EE bond and the redemption value received for it, is interest. This interest is subject to all taxes imposed under the Internal Revenue Code of 1954, 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.* An owner of Series EE 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:

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

(2) *Accrua1 basis.* Elect to report the increase each year as it accrues, in which case the election applies to all Series EE 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.

(3) If the method in paragraph (b)(1) of this section is used, the taxpayer may change to the method in paragraph (b)(2) of this section without obtaining permission from the Internal Revenue Service. However, once the election to use the method in paragraph (b)(2) of this section is made, the taxpayer may not change the method of reporting unless he or she obtains permission from 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) *Tax-deferred exchanges.* Department of the Treasury Circular, Public Debt Series No. 2–80 (31 CFR part 352), authorizes the exchange of Series EE bonds for Series HH bonds, with a continuation of the tax-deferral privilege. The rules governing tax-deferred exchanges are contained in that circular.

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

§ 351.9 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 U.S. 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 it can be found in Internal Revenue Service Publication 17, ''Your Federal Income Tax'', and Publication 550, ''Investment Income and Expenses'', available from your District Director of the Internal Revenue Service.

[62 FR 24283, May 2, 1997]

§ 351.10 Reservation as to issue of bonds.

The Commissioner of the Public Debt, as delegate of the Secretary of the Treasury, is authorized to reject any application for Series EE 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 he deems the action to be in the public interest, and his action in any such respect is final.

§ 351.11 Waiver.

The Commissioner of the Public Debt, as delegate 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 existing rights, and (c) if he is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 351.12 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 delegate, in connection with the issue, servicing and redemption of Series EE bonds.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY, (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10540, Mar. 4, 1994]

§ 351.13 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.

APPENDIX TO PART 351—TABLE 1, EE BONDS BEARING ISSUE DATES FROM NOVEMBER 1, 1982 THROUGH OCTOBER 1, 1986, TABLE 2, EE BONDS BEARING ISSUE DATES BEGINNING NOVEMBER 1, 1986, TABLE 3, EE BONDS BEARING ISSUE DATES MARCH 1, 1993, THROUGH APRIL 1, 1995

Appendix

TABLE 1

EE BONDS BEARING ISSUE DATES FROM NOVEMBER 1, 1982 THROUGH OCTOBER 1, 1986

ISSUE PRICE	$25.00	$37.50	$50.00	$100.00	$250.00	$500.00	$2500.00	$ 5000.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
MATURITY VALUE	52.22	78.33	104.44	208.88	522.20	1044.40	5222.00	10444.00			
PERIOD (YEARS AND MONTHS AFTER ISSUE)	(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
									PERCENT	PERCENT	PERCENT
A/ 0- 0 TO 0- 2	1/(11/1/82)	$25.00	$37.50	$50.00	$100.00	$250.00	$500.00	$2500.00	$ 5000.00	----	4.35	7.50
0- 2 TO 0- 3	(1/1/83)	25.18	37.77	50.36	100.72	251.80	503.60	2518.00	5036.00	4.35	3.84	7.56
0- 3 TO 0- 4	(2/1/83)	25.26	37.89	50.52	101.04	252.60	505.20	2526.00	5052.00	4.18	3.83	7.59
0- 4 TO 0- 5	(3/1/83)	25.34	38.01	50.68	101.36	253.40	506.80	2534.00	5068.00	4.09	3.82	7.62
0- 5 TO 0- 6	(4/1/83)	25.42	38.13	50.84	101.68	254.20	508.40	2542.00	5084.00	4.04	4.77	7.66
0- 6 TO 0- 7	(5/1/83)	25.52	38.28	51.04	102.08	255.20	510.40	2552.00	5104.00	4.16	5.71	7.68
0- 7 TO 0- 8	(6/1/83)	25.64	38.46	51.28	102.56	256.40	512.80	2564.00	5128.00	4.38	6.64	7.70
0- 8 TO 0- 9	(7/1/83)	25.78	38.67	51.56	103.12	257.80	515.60	2578.00	5156.00	4.66	7.56	7.71
0- 9 TO 0-10	(8/1/83)	25.94	38.91	51.88	103.76	259.40	518.80	2594.00	5188.00	4.98	6.56	7.71
0-10 TO 0-11	(9/1/83)	26.08	39.12	52.16	104.32	260.80	521.60	2608.00	5216.00	5.14	7.48	7.72
0-11 TO 1- 0	(10/1/83)	26.24	39.36	52.48	104.96	262.40	524.80	2624.00	5248.00	5.35	7.43	7.72
1- 0 TO 1- 1	(11/1/83)	26.40	39.60	52.80	105.60	264.00	528.00	2640.00	5280.00	5.52	6.45	7.72
1- 1 TO 1- 2	(12/1/83)	26.54	39.81	53.08	106.16	265.40	530.80	2654.00	5308.00	5.59	6.41	7.74
1- 2 TO 1- 3	(1/1/84)	26.68	40.02	53.36	106.72	266.80	533.60	2668.00	5336.00	5.65	5.46	7.75
1- 3 TO 1- 4	(2/1/84)	26.80	40.20	53.60	107.20	268.00	536.00	2680.00	5360.00	5.66	6.35	7.77
1- 4 TO 1- 5	(3/1/84)	26.94	40.41	53.88	107.76	269.40	538.80	2694.00	5388.00	5.68	6.32	7.78
1- 5 TO 1- 6	(4/1/84)	27.08	40.62	54.16	108.32	270.80	541.60	2708.00	5416.00	5.72	6.28	7.80
1- 6 TO 2- 0	(5/1/84)	27.22	40.83	54.44	108.88	272.20	544.40	2722.00	5444.00	5.75	6.76	7.81
2- 0 TO 2- 6	(11/1/84)	28.14	42.21	56.28	112.56	281.40	562.80	2814.00	5628.00	6.00	7.25	7.88
2- 6 TO 3- 0	(5/1/85)	29.16	43.74	58.32	116.64	291.60	583.20	2916.00	5832.00	6.25	7.82	7.92
3- 0 TO 3- 6	(11/1/85)	30.30	45.45	60.60	121.20	303.00	606.00	3030.00	6060.00	6.51	8.18	7.93
3- 6 TO 4- 0	(5/1/86)	31.54	47.31	63.08	126.16	315.40	630.80	3154.00	6308.00	6.75	8.88	7.91
4- 0 TO 4- 6	(11/1/86)	32.94	49.41	65.88	131.76	329.40	658.80	3294.00	6588.00	7.02	9.23	7.83
4- 6 TO 5- 0	(5/1/87)	34.46	51.69	68.92	137.84	344.60	689.20	3446.00	6892.00	7.26	9.75	7.70
B/ 5- 0 TO 5- 6	(11/1/87)	36.14	54.21	72.28	144.56	361.40	722.80	3614.00	7228.00	7.51	7.53	7.50
5- 6 TO 6- 0	(5/1/88)	37.50	56.25	75.00	150.00	375.00	750.00	3750.00	7500.00	7.51	7.47	7.50
6- 0 TO 6- 6	(11/1/88)	38.90	58.35	77.80	155.60	389.00	778.00	3890.00	7780.00	7.51	7.51	7.50
6- 6 TO 7- 0	(5/1/89)	40.36	60.54	80.72	161.44	403.60	807.20	4036.00	8072.00	7.51	7.43	7.50
7- 0 TO 7- 6	(11/1/89)	41.86	62.79	83.72	167.44	418.60	837.20	4186.00	8372.00	7.50	7.55	7.51
7- 6 TO 8- 0	(5/1/90)	43.44	65.16	86.88	173.76	434.40	868.80	4344.00	8688.00	7.50	7.46	7.50
8- 0 TO 8- 6	(11/1/90)	45.06	67.59	90.12	180.24	450.60	901.20	4506.00	9012.00	7.50	7.55	7.51
8- 6 TO 9- 0	(5/1/91)	46.76	70.14	93.52	187.04	467.60	935.20	4676.00	9352.00	7.50	7.44	7.50
9- 0 TO 9- 6	(11/1/91)	48.50	72.75	97.00	194.00	485.00	970.00	4850.00	9700.00	7.50	7.51	7.53
9- 6 TO 10- 0	(5/1/92)	50.32	75.48	100.64	201.28	503.20	1006.40	5032.00	10064.00	7.50	7.55	7.55
10- 0 2/	(11/1/92)	52.22	78.33	104.44	208.88	522.20	1044.40	5222.00	10444.00	7.50		

1/ MONTH, DAY, AND YEAR ON WHICH ISSUES OF NOVEMBER 1, 1982 ENTER EACH PERIOD. FOR SUBSEQUENT ISSUE MONTHS ADD THE APPROPRIATE NUMBER OF MONTHS.

2/ MATURITY VALUE IS REACHED 10 YEARS AND 0 MONTHS AFTER ISSUE DATE.

A/ THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES BEFORE FIVE YEARS AFTER ISSUE ARE THOSE ESTABLISHED UNDER SECTION 351.2(E) OF THIS CIRCULAR.

B/ THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES FIVE YEARS AFTER ISSUE AND THEREAFTER REPRESENT THE MINIMUM GUARANTEED INVESTMENT YIELDS PROVIDED BY SECTION 351.2(E)(1) OF THIS CIRCULAR. THESE REDEMPTION VALUES WILL APPLY UNLESS APPLICATION OF THE VARIABLE RATE PRESCRIBED UNDER SECTION 351.2(E)(2) PRODUCES A HIGHER REDEMPTION VALUE.

TABLE 2

EE BONDS BEARING ISSUE DATES FROM NOVEMBER 1, 1986 THROUGH FEBRUARY 1, 1993

ISSUE PRICE / MATURITY VALUE	$25.00 / 50.82	$37.50 / 76.23	$50.00 / 101.64	$100.00 / 203.28	$250.00 / 508.20	$500.00 / 1016.40	$2500.00 / 5082.00	$ 5000.00 / 10164.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
PERIOD (YEARS AND MONTHS AFTER ISSUE)	(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
									PERCENT	PERCENT	PERCENT
0- 0 TO 0- 2	1/(11/1/86)	$25.00	$37.50	$50.00	$100.00	$250.00	$500.00	$2500.00	$ 5000.00	----	4.35	6.00
0- 2 TO 0- 3	(1/1/87)	25.18	37.77	50.36	100.72	251.80	503.60	2518.00	5036.00	4.35	3.84	6.02
0- 3 TO 0- 4	(2/1/87)	25.26	37.89	50.52	101.04	252.60	505.20	2526.00	5052.00	4.18	3.83	6.04
0- 4 TO 0- 5	(3/1/87)	25.34	38.01	50.68	101.36	253.40	506.80	2534.00	5068.00	4.09	3.82	6.05
0- 5 TO 0- 6	(4/1/87)	25.42	38.13	50.84	101.68	254.20	508.40	2542.00	5084.00	4.04	4.77	6.07
0- 6 TO 0- 7	(5/1/87)	25.52	38.28	51.04	102.08	255.20	510.40	2552.00	5104.00	4.16	3.79	6.08
0- 7 TO 0- 8	(6/1/87)	25.60	38.40	51.20	102.40	256.00	512.00	2560.00	5120.00	4.11	4.73	6.10
0- 8 TO 0- 9	(7/1/87)	25.70	38.55	51.40	102.80	257.00	514.00	2570.00	5140.00	4.19	3.76	6.11
0- 9 TO 0-10	(8/1/87)	25.78	38.67	51.56	103.12	257.80	515.60	2578.00	5156.00	4.14	4.70	6.12
0-10 TO 0-11	(9/1/87)	25.88	38.82	51.76	103.52	258.80	517.60	2588.00	5176.00	4.19	4.68	6.14
0-11 TO 1- 0	(10/1/87)	25.98	38.97	51.96	103.92	259.80	519.60	2598.00	5196.00	4.24	4.66	6.15
1- 0 TO 1- 1	(11/1/87)	26.08	39.12	52.16	104.32	260.80	521.60	2608.00	5216.00	4.27	4.65	6.16
1- 1 TO 1- 2	(12/1/87)	26.18	39.27	52.36	104.72	261.80	523.60	2618.00	5236.00	4.30	4.63	6.17
1- 2 TO 1- 3	(1/1/88)	26.28	39.42	52.56	105.12	262.80	525.60	2628.00	5256.00	4.33	4.61	6.18
1- 3 TO 1- 4	(2/1/88)	26.38	39.57	52.76	105.52	263.80	527.60	2638.00	5276.00	4.34	4.59	6.19
1- 4 TO 1- 5	(3/1/88)	26.48	39.72	52.96	105.92	264.80	529.60	2648.00	5296.00	4.36	4.57	6.21
1- 5 TO 1- 6	(4/1/88)	26.58	39.87	53.16	106.32	265.80	531.60	2658.00	5316.00	4.37	5.48	6.22
1- 6 TO 1- 7	(5/1/88)	26.70	40.05	53.40	106.80	267.00	534.00	2670.00	5340.00	4.43	4.54	6.22
1- 7 TO 1- 8	(6/1/88)	26.80	40.20	53.60	107.20	268.00	536.00	2680.00	5360.00	4.44	5.43	6.24
1- 8 TO 1- 9	(7/1/88)	26.92	40.38	53.84	107.68	269.20	538.40	2692.00	5384.00	4.49	5.41	6.24
1- 9 TO 1-10	(8/1/88)	27.04	40.56	54.08	108.16	270.40	540.80	2704.00	5408.00	4.53	5.38	6.25
1-10 TO 1-11	(9/1/88)	27.16	40.74	54.32	108.64	271.60	543.20	2716.00	5432.00	4.57	5.36	6.26
1-11 TO 2- 0	(10/1/88)	27.28	40.92	54.56	109.12	272.80	545.60	2728.00	5456.00	4.61	5.34	6.27
2- 0 TO 2- 1	(11/1/88)	27.40	41.10	54.80	109.60	274.00	548.00	2740.00	5480.00	4.64	5.31	6.27
2- 1 TO 2- 2	(12/1/88)	27.52	41.28	55.04	110.08	275.20	550.40	2752.00	5504.00	4.66	5.29	6.28
2- 2 TO 2- 3	(1/1/89)	27.64	41.46	55.28	110.56	276.40	552.80	2764.00	5528.00	4.69	5.27	6.29
2- 3 TO 2- 4	(2/1/89)	27.76	41.64	55.52	111.04	277.60	555.20	2776.00	5552.00	4.71	6.13	6.30
2- 4 TO 2- 5	(3/1/89)	27.90	41.85	55.80	111.60	279.00	558.00	2790.00	5580.00	4.76	5.22	6.30
2- 5 TO 2- 6	(4/1/89)	28.02	42.03	56.04	112.08	280.20	560.40	2802.00	5604.00	4.78	6.07	6.31
2- 6 TO 3- 0	(5/1/89)	28.16	42.24	56.32	112.64	281.60	563.20	2816.00	5632.00	4.82	5.97	6.31
3- 0 TO 3- 6	(11/1/89)	29.00	43.50	58.00	116.00	290.00	580.00	2900.00	5800.00	5.01	6.76	6.33
3- 6 TO 4- 0	(5/1/90)	29.98	44.97	59.96	119.92	299.80	599.60	2998.00	5996.00	5.26	7.20	6.31
4- 0 TO 4- 6	(11/1/90)	31.06	46.59	62.12	124.24	310.60	621.20	3106.00	6212.00	5.50	7.86	6.25
4- 6 TO 5- 0	(5/1/91)	32.28	48.42	64.56	129.12	322.80	645.60	3228.00	6456.00	5.76	8.18	6.14
5- 0 TO 5- 6	(11/1/91)	33.60	50.40	67.20	134.40	336.00	672.00	3360.00	6720.00	6.00	6.07	6.00
5- 6 TO 6- 0	(5/1/92)	34.62	51.93	69.24	138.48	346.20	692.40	3462.00	6924.00	6.01	6.01	5.99
6- 0 TO 6- 6	(11/1/92)	35.66	53.49	71.32	142.64	356.60	713.20	3566.00	7132.00	6.01	5.95	5.99
6- 6 TO 7- 0	(5/1/93)	36.72	55.08	73.44	146.88	367.20	734.40	3672.00	7344.00	6.00	5.99	6.00
7- 0 TO 7- 6	(11/1/93)	37.82	56.73	75.64	151.28	378.20	756.40	3782.00	7564.00	6.00	6.03	6.00
7- 6 TO 8- 0	(5/1/94)	38.96	58.44	77.92	155.84	389.60	779.20	3896.00	7792.00	6.00	5.95	5.99
8- 0 TO 8- 6	(11/1/94)	40.12	60.18	80.24	160.48	401.20	802.40	4012.00	8024.00	6.00	6.08	6.00
8- 6 TO 9- 0	(5/1/95)	41.34	62.01	82.68	165.36	413.40	826.80	4134.00	8268.00	6.01	6.00	5.99
9- 0 TO 9- 6	(11/1/95)	42.58	63.87	85.16	170.32	425.80	851.60	4258.00	8516.00	6.01	5.92	5.98
9- 6 TO 10- 0	(5/1/96)	43.84	65.76	87.68	175.36	438.40	876.80	4384.00	8768.00	6.00	6.02	6.00
10- 0 TO 10- 6	(11/1/96)	45.16	67.74	90.32	180.64	451.60	903.20	4516.00	9032.00	6.00	6.02	5.99
10- 6 TO 11- 0	(5/1/97)	46.52	69.78	93.04	186.08	465.20	930.40	4652.00	9304.00	6.00	6.02	5.98
11- 0 TO 11- 6	(11/1/97)	47.92	71.88	95.84	191.68	479.20	958.40	4792.00	9584.00	6.00	5.93	5.96
11- 6 TO 12- 0	(5/1/98)	49.34	74.01	98.68	197.36	493.40	986.80	4934.00	9868.00	6.00	6.00	6.00
12- 0 2/	(11/1/98)	50.82	76.23	101.64	203.28	508.20	1016.40	5082.00	10164.00	6.00		

MONTH, DAY, AND YEAR ON WHICH ISSUES OF NOVEMBER 1, 1986 ENTER EACH PERIOD. FOR SUBSEQUENT ISSUE MONTHS ADD THE APPROPRIATE NUMBER OF MONTHS.
MATURITY VALUE IS REACHED 12 YEARS AND 0 MONTHS AFTER ISSUE DATE.

THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES BEFORE FIVE YEARS AFTER ISSUE ARE THOSE ESTABLISHED UNDER SECTION 351.2(e) OF THIS CIRCULAR.
THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES FIVE YEARS AFTER ISSUE AND THEREAFTER REPRESENT THE MINIMUM GUARANTEED INVESTMENT YIELDS PROVIDED BY SECTION 351.2(e)(1) OF THIS CIRCULAR. THESE REDEMPTION VALUES WILL APPLY UNLESS APPLICATION OF THE VARIABLE RATE PRESCRIBED UNDER SECTION 351.2(e)(2) PRODUCES A HIGHER REDEMPTION VALUE.

TABLE 3

EE BONDS BEARING ISSUE DATES MARCH 1, 1993, THROUGH APRIL 1, 1995

ISSUE PRICE / MATURITY VALUE	$25.00 / 51.00	$37.50 / 76.50	$50.00 / 102.00	$100.00 / 204.00	$250.00 / 510.00	$500.00 / 1020.00	$2500.00 / 5100.00	$ 5000.00 / 10200.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
PERIOD (YEARS AND MONTHS AFTER ISSUE)	(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
									PERCENT	PERCENT	PERCENT
A/ 0- 0 TO 0- 2 1/(3/1/93)	$25.00	$37.50	$50.00	$100.00	$250.00	$500.00	$2500.00	$ 5000.00	----	4.35	4.00
0- 2 TO 0- 3 (5/1/93)	25.18	37.77	50.36	100.72	251.80	503.60	2518.00	5036.00	4.35	3.84	4.00
0- 3 TO 0- 4 (6/1/93)	25.26	37.89	50.52	101.04	252.60	505.20	2526.00	5052.00	4.18	3.83	4.00
0- 4 TO 0- 5 (7/1/93)	25.34	38.01	50.68	101.36	253.40	506.80	2534.00	5068.00	4.09	3.82	4.00
0- 5 TO 0- 6 (8/1/93)	25.42	38.13	50.84	101.68	254.20	508.40	2542.00	5084.00	4.04	3.81	4.00
0- 6 TO 0- 7 (9/1/93)	25.50	38.25	51.00	102.00	255.00	510.00	2550.00	5100.00	4.00	4.75	4.00
0- 7 TO 0- 8 (10/1/93)	25.60	38.40	51.20	102.40	256.00	512.00	2560.00	5120.00	4.11	3.78	4.00
0- 8 TO 0- 9 (11/1/93)	25.68	38.52	51.36	102.72	256.80	513.60	2568.00	5136.00	4.07	3.77	4.00
0- 9 TO 0-10 (12/1/93)	25.76	38.64	51.52	103.04	257.60	515.20	2576.00	5152.00	4.03	3.76	4.00
0-10 TO 0-11 (1/1/94)	25.84	38.76	51.68	103.36	258.40	516.80	2584.00	5168.00	4.01	4.69	4.00
0-11 TO 1- 0 (2/1/94)	25.94	38.91	51.88	103.76	259.40	518.80	2594.00	5188.00	4.07	3.73	4.00
1- 0 TO 1- 1 (3/1/94)	26.02	39.03	52.04	104.08	260.20	520.40	2602.00	5204.00	4.04	3.72	4.00
1- 1 TO 1- 2 (4/1/94)	26.10	39.15	52.20	104.40	261.00	522.00	2610.00	5220.00	4.01	4.64	4.00
1- 2 TO 1- 3 (5/1/94)	26.20	39.30	52.40	104.80	262.00	524.00	2620.00	5240.00	4.06	3.69	4.00
1- 3 TO 1- 4 (6/1/94)	26.28	39.42	52.56	105.12	262.80	525.60	2628.00	5256.00	4.03	3.68	4.00
1- 4 TO 1- 5 (7/1/94)	26.36	39.54	52.72	105.44	263.60	527.20	2636.00	5272.00	4.01	4.60	4.00
1- 5 TO 1- 6 (8/1/94)	26.46	39.69	52.92	105.84	264.60	529.20	2646.00	5292.00	4.05	3.66	4.00
1- 6 TO 1- 7 (9/1/94)	26.54	39.81	53.08	106.16	265.40	530.80	2654.00	5308.00	4.03	3.64	4.00
1- 7 TO 1- 8 (10/1/94)	26.62	39.93	53.24	106.48	266.20	532.40	2662.00	5324.00	4.01	4.55	4.00
1- 8 TO 1- 9 (11/1/94)	26.72	40.08	53.44	106.88	267.20	534.40	2672.00	5344.00	4.03	3.62	4.00
1- 9 TO 1-10 (12/1/94)	26.80	40.20	53.60	107.20	268.00	536.00	2680.00	5360.00	4.01	4.52	4.00
1-10 TO 1-11 (1/1/95)	26.90	40.35	53.80	107.60	269.00	538.00	2690.00	5380.00	4.04	3.60	4.00
1-11 TO 2- 0 (2/1/95)	26.98	40.47	53.96	107.92	269.80	539.60	2698.00	5396.00	4.02	4.49	4.00
2- 0 TO 2- 1 (3/1/95)	27.08	40.62	54.16	108.32	270.80	541.60	2708.00	5416.00	4.04	3.57	4.00
2- 1 TO 2- 2 (4/1/95)	27.16	40.74	54.32	108.64	271.60	543.20	2716.00	5432.00	4.02	4.46	4.00
2- 2 TO 2- 3 (5/1/95)	27.26	40.89	54.52	109.04	272.60	545.20	2726.00	5452.00	4.03	3.55	4.00
2- 3 TO 2- 4 (6/1/95)	27.34	41.01	54.68	109.36	273.40	546.80	2734.00	5468.00	4.02	4.43	4.00
2- 4 TO 2- 5 (7/1/95)	27.44	41.16	54.88	109.76	274.40	548.80	2744.00	5488.00	4.03	3.52	4.00
2- 5 TO 2- 6 (8/1/95)	27.52	41.28	55.04	110.08	275.20	550.40	2752.00	5504.00	4.01	4.40	4.00
2- 6 TO 2- 7 (9/1/95)	27.62	41.43	55.24	110.48	276.20	552.40	2762.00	5524.00	4.03	3.50	4.00
2- 7 TO 2- 8 (10/1/95)	27.70	41.55	55.40	110.80	277.00	554.00	2770.00	5540.00	4.01	4.37	4.00
2- 8 TO 2- 9 (11/1/95)	27.80	41.70	55.60	111.20	278.00	556.00	2780.00	5560.00	4.02	3.48	4.00
2- 9 TO 2-10 (12/1/95)	27.88	41.82	55.76	111.52	278.80	557.60	2788.00	5576.00	4.00	4.34	4.00
2-10 TO 2-11 (1/1/96)	27.98	41.97	55.96	111.92	279.80	559.60	2798.00	5596.00	4.01	4.33	4.00
2-11 TO 3- 0 (2/1/96)	28.08	42.12	56.16	112.32	280.80	561.60	2808.00	5616.00	4.02	3.44	4.00
3- 0 TO 3- 1 (3/1/96)	28.16	42.24	56.32	112.64	281.60	563.20	2816.00	5632.00	4.01	4.30	4.00
3- 1 TO 3- 2 (4/1/96)	28.26	42.39	56.52	113.04	282.60	565.20	2826.00	5652.00	4.02	4.28	4.00
3- 2 TO 3- 3 (5/1/96)	28.36	42.54	56.72	113.44	283.60	567.20	2836.00	5672.00	4.02	3.41	4.00
3- 3 TO 3- 4 (6/1/96)	28.44	42.66	56.88	113.76	284.40	568.80	2844.00	5688.00	4.01	4.26	4.00
3- 4 TO 3- 5 (7/1/96)	28.54	42.81	57.08	114.16	285.40	570.80	2854.00	5708.00	4.01	4.24	4.00
3- 5 TO 3- 6 (8/1/96)	28.64	42.96	57.28	114.56	286.40	572.80	2864.00	5728.00	4.02	3.38	4.00
3- 6 TO 3- 7 (9/1/96)	28.72	43.08	57.44	114.88	287.20	574.40	2872.00	5744.00	4.00	4.21	4.00
3- 7 TO 3- 8 (10/1/96)	28.82	43.23	57.64	115.28	288.20	576.40	2882.00	5764.00	4.01	4.20	4.00
3- 8 TO 3- 9 (11/1/96)	28.92	43.38	57.84	115.68	289.20	578.40	2892.00	5784.00	4.01	4.19	4.00
3- 9 TO 3-10 (12/1/96)	29.02	43.53	58.04	116.08	290.20	580.40	2902.00	5804.00	4.02	3.33	4.00
3-10 TO 3-11 (1/1/97)	29.10	43.65	58.20	116.40	291.00	582.00	2910.00	5820.00	4.00	4.16	4.00
3-11 TO 4- 0 (2/1/97)	29.20	43.80	58.40	116.80	292.00	584.00	2920.00	5840.00	4.00	4.14	4.00
4- 0 TO 4- 1 (3/1/97)	29.30	43.95	58.60	117.20	293.00	586.00	2930.00	5860.00	4.01	4.13	4.00
4- 1 TO 4- 2 (4/1/97)	29.40	44.10	58.80	117.60	294.00	588.00	2940.00	5880.00	4.01	4.12	4.00
4- 2 TO 4- 3 (5/1/97)	29.50	44.25	59.00	118.00	295.00	590.00	2950.00	5900.00	4.01	4.10	4.00
4- 3 TO 4- 4 (6/1/97)	29.60	44.40	59.20	118.40	296.00	592.00	2960.00	5920.00	4.01	4.09	4.00
4- 4 TO 4- 5 (7/1/97)	29.70	44.55	59.40	118.80	297.00	594.00	2970.00	5940.00	4.02	3.25	4.00

ISSUE PRICE / MATURITY VALUE	$25.00 / 51.00	$37.50 / 76.50	$50.00 / 102.00	$100.00 / 204.00	$250.00 / 510.00	$500.00 / 1020.00	$2500.00 / 5100.00	$ 5000.00 / 10200.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
PERIOD (YEARS AND MONTHS AFTER ISSUE)	(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
									PERCENT	PERCENT	PERCENT
4- 5 TO 4- 6 (8/1/97)	29.78	44.67	59.56	119.12	297.80	595.60	2978.00	5956.00	4.00	4.06	4.00
4- 6 TO 4- 7 (9/1/97)	29.88	44.82	59.76	119.52	298.80	597.60	2988.00	5976.00	4.00	4.05	4.00
4- 7 TO 4- 8 (10/1/97)	29.98	44.97	59.96	119.92	299.80	599.60	2998.00	5996.00	4.00	4.04	4.00
4- 8 TO 4- 9 (11/1/97)	30.08	45.12	60.16	120.32	300.80	601.60	3008.00	6016.00	4.00	4.02	4.00
4- 9 TO 4-10 (12/1/97)	30.18	45.27	60.36	120.72	301.80	603.60	3018.00	6036.00	4.00	4.01	4.00
4-10 TO 4-11 (1/1/98)	30.28	45.42	60.56	121.12	302.80	605.60	3028.00	6056.00	4.00	4.00	4.00
4-11 TO 5- 0 (2/1/98)	30.38	45.57	60.76	121.52	303.80	607.60	3038.00	6076.00	4.00	3.98	4.00
B/ 5- 0 TO 5- 1 (3/1/98)	30.48	45.72	60.96	121.92	304.80	609.60	3048.00	6096.00	4.00	3.97	4.00
5- 1 TO 5- 2 (4/1/98)	30.58	45.87	61.16	122.32	305.80	611.60	3058.00	6116.00	4.00	3.96	4.00
5- 2 TO 5- 3 (5/1/98)	30.68	46.02	61.36	122.72	306.80	613.60	3068.00	6136.00	4.00	3.94	4.00
5- 3 TO 5- 4 (6/1/98)	30.78	46.17	61.56	123.12	307.80	615.60	3078.00	6156.00	4.00	3.93	4.00
5- 4 TO 5- 5 (7/1/98)	30.88	46.32	61.76	123.52	308.80	617.60	3088.00	6176.00	4.00	4.71	4.00
5- 5 TO 5- 6 (8/1/98)	31.00	46.50	62.00	124.00	310.00	620.00	3100.00	6200.00	4.01	3.90	4.00
5- 6 TO 5- 7 (9/1/98)	31.10	46.65	62.20	124.40	311.00	622.00	3110.00	6220.00	4.01	3.89	4.00
5- 7 TO 5- 8 (10/1/98)	31.20	46.80	62.40	124.80	312.00	624.00	3120.00	6240.00	4.01	3.88	4.00
5- 8 TO 5- 9 (11/1/98)	31.30	46.95	62.60	125.20	313.00	626.00	3130.00	6260.00	4.01	3.86	4.00
5- 9 TO 5-10 (12/1/98)	31.40	47.10	62.80	125.60	314.00	628.00	3140.00	6280.00	4.00	3.85	4.00
5-10 TO 5-11 (1/1/99)	31.50	47.25	63.00	126.00	315.00	630.00	3150.00	6300.00	4.00	4.62	4.00
5-11 TO 6- 0 (2/1/99)	31.62	47.43	63.24	126.48	316.20	632.40	3162.00	6324.00	4.01	3.83	4.00
6- 0 TO 6- 1 (3/1/99)	31.72	47.58	63.44	126.88	317.20	634.40	3172.00	6344.00	4.01	3.81	4.00
6- 1 TO 6- 2 (4/1/99)	31.82	47.73	63.64	127.28	318.20	636.40	3182.00	6364.00	4.00	3.80	4.00
6- 2 TO 6- 3 (5/1/99)	31.92	47.88	63.84	127.68	319.20	638.40	3192.00	6384.00	4.00	4.55	4.00
6- 3 TO 6- 4 (6/1/99)	32.04	48.06	64.08	128.16	320.40	640.80	3204.00	6408.00	4.01	3.77	4.00
6- 4 TO 6- 5 (7/1/99)	32.14	48.21	64.28	128.56	321.40	642.80	3214.00	6428.00	4.01	3.76	4.00
6- 5 TO 6- 6 (8/1/99)	32.24	48.36	64.48	128.96	322.40	644.80	3224.00	6448.00	4.00	4.51	4.00
6- 6 TO 6- 7 (9/1/99)	32.36	48.54	64.72	129.44	323.60	647.20	3236.00	6472.00	4.01	3.74	4.00
6- 7 TO 6- 8 (10/1/99)	32.46	48.69	64.92	129.84	324.60	649.20	3246.00	6492.00	4.01	3.73	4.00
6- 8 TO 6- 9 (11/1/99)	32.56	48.84	65.12	130.24	325.60	651.20	3256.00	6512.00	4.00	4.46	4.00
6- 9 TO 6-10 (12/1/99)	32.68	49.02	65.36	130.72	326.80	653.60	3268.00	6536.00	4.01	3.70	4.00
6-10 TO 6-11 (1/1/00)	32.78	49.17	65.56	131.12	327.80	655.60	3278.00	6556.00	4.00	3.69	4.00
6-11 TO 7- 0 (2/1/00)	32.88	49.32	65.76	131.52	328.80	657.60	3288.00	6576.00	4.00	4.42	4.00
7- 0 TO 7- 1 (3/1/00)	33.00	49.50	66.00	132.00	330.00	660.00	3300.00	6600.00	4.01	3.66	4.00
7- 1 TO 7- 2 (4/1/00)	33.10	49.65	66.20	132.40	331.00	662.00	3310.00	6620.00	4.00	4.39	4.00
7- 2 TO 7- 3 (5/1/00)	33.22	49.83	66.44	132.88	332.20	664.40	3322.00	6644.00	4.01	3.64	4.00
7- 3 TO 7- 4 (6/1/00)	33.32	49.98	66.64	133.28	333.20	666.40	3332.00	6664.00	4.00	4.36	4.00
7- 4 TO 7- 5 (7/1/00)	33.44	50.16	66.88	133.76	334.40	668.80	3344.00	6688.00	4.01	3.62	4.00
7- 5 TO 7- 6 (8/1/00)	33.54	50.31	67.08	134.16	335.40	670.80	3354.00	6708.00	4.00	4.33	4.00
7- 6 TO 7- 7 (9/1/00)	33.66	50.49	67.32	134.64	336.60	673.20	3366.00	6732.00	4.01	3.59	4.00
7- 7 TO 7- 8 (10/1/00)	33.76	50.64	67.52	135.04	337.60	675.20	3376.00	6752.00	4.00	4.30	4.00
7- 8 TO 7- 9 (11/1/00)	33.88	50.82	67.76	135.52	338.80	677.60	3388.00	6776.00	4.00	4.29	4.00
7- 9 TO 7-10 (12/1/00)	34.00	51.00	68.00	136.00	340.00	680.00	3400.00	6800.00	4.01	3.56	4.00
7-10 TO 7-11 (1/1/01)	34.10	51.15	68.20	136.40	341.00	682.00	3410.00	6820.00	4.00	4.26	4.00
7-11 TO 8- 0 (2/1/01)	34.22	51.33	68.44	136.88	342.20	684.40	3422.00	6844.00	4.01	3.53	4.00
8- 0 TO 8- 1 (3/1/01)	34.32	51.48	68.64	137.28	343.20	686.40	3432.00	6864.00	4.00	4.23	4.00
8- 1 TO 8- 2 (4/1/01)	34.44	51.66	68.88	137.76	344.40	688.80	3444.00	6888.00	4.00	4.22	4.00
8- 2 TO 8- 3 (5/1/01)	34.56	51.84	69.12	138.24	345.60	691.20	3456.00	6912.00	4.00	4.20	4.00
8- 3 TO 8- 4 (6/1/01)	34.68	52.02	69.36	138.72	346.80	693.60	3468.00	6936.00	4.01	3.49	3.99
8- 4 TO 8- 5 (7/1/01)	34.78	52.17	69.56	139.12	347.80	695.60	3478.00	6956.00	4.00	4.18	4.00
8- 5 TO 8- 6 (8/1/01)	34.90	52.35	69.80	139.60	349.00	698.00	3490.00	6980.00	4.00	4.16	4.00
8- 6 TO 8- 7 (9/1/01)	35.02	52.53	70.04	140.08	350.20	700.40	3502.00	7004.00	4.00	4.15	4.00
8- 7 TO 8- 8 (10/1/01)	35.14	52.71	70.28	140.56	351.40	702.80	3514.00	7028.00	4.01	3.44	3.99
8- 8 TO 8- 9 (11/1/01)	35.24	52.86	70.48	140.96	352.40	704.80	3524.00	7048.00	4.00	4.12	4.00
8- 9 TO 8-10 (12/1/01)	35.36	53.04	70.72	141.44	353.60	707.20	3536.00	7072.00	4.00	4.11	4.00
8-10 TO 8-11 (1/1/02)	35.48	53.22	70.96	141.92	354.80	709.60	3548.00	7096.00	4.00	4.09	4.00
8-11 TO 9- 0 (2/1/02)	35.60	53.40	71.20	142.40	356.00	712.00	3560.00	7120.00	4.00	4.08	4.00

ISSUE PRICE / MATURITY VALUE	$25.00 / 51.00	$37.50 / 76.50	$50.00 / 102.00	$100.00 / 204.00	$250.00 / 510.00	$500.00 / 1020.00	$2500.00 / 5100.00	$ 5000.00 / 10200.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
PERIOD (YEARS AND MONTHS AFTER ISSUE)	(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
									PERCENT	PERCENT	PERCENT
9- 0 TO 9- 1 (3/1/02)	35.72	53.58	71.44	142.88	357.20	714.40	3572.00	7144.00	4.00	4.07	4.00
9- 1 TO 9- 2 (4/1/02)	35.84	53.76	71.68	143.36	358.40	716.80	3584.00	7168.00	4.00	4.05	4.00
9- 2 TO 9- 3 (5/1/02)	35.96	53.94	71.92	143.84	359.60	719.20	3596.00	7192.00	4.01	4.04	4.00
9- 3 TO 9- 4 (6/1/02)	36.08	54.12	72.16	144.32	360.80	721.60	3608.00	7216.00	4.01	4.02	3.99
9- 4 TO 9- 5 (7/1/02)	36.20	54.30	72.40	144.80	362.00	724.00	3620.00	7240.00	4.01	4.01	3.99
9- 5 TO 9- 6 (8/1/02)	36.32	54.48	72.64	145.28	363.20	726.40	3632.00	7264.00	4.01	4.00	3.99
9- 6 TO 9- 7 (9/1/02)	36.44	54.66	72.88	145.76	364.40	728.80	3644.00	7288.00	4.01	3.98	3.99
9- 7 TO 9- 8 (10/1/02)	36.56	54.84	73.12	146.24	365.60	731.20	3656.00	7312.00	4.01	3.97	3.99
9- 8 TO 9- 9 (11/1/02)	36.68	55.02	73.36	146.72	366.80	733.60	3668.00	7336.00	4.01	3.96	3.99
9- 9 TO 9-10 (12/1/02)	36.80	55.20	73.60	147.20	368.00	736.00	3680.00	7360.00	4.00	3.95	3.99
9-10 TO 9-11 (1/1/03)	36.92	55.38	73.84	147.68	369.20	738.40	3692.00	7384.00	4.00	3.93	4.00
9-11 TO 10- 0 (2/1/03)	37.04	55.56	74.08	148.16	370.40	740.80	3704.00	7408.00	4.00	3.92	4.00
10- 0 TO 10- 1 (3/1/03)	37.16	55.74	74.32	148.64	371.60	743.20	3716.00	7432.00	4.00	3.91	4.00
10- 1 TO 10- 2 (4/1/03)	37.28	55.92	74.56	149.12	372.80	745.60	3728.00	7456.00	4.00	3.89	4.00
10- 2 TO 10- 3 (5/1/03)	37.40	56.10	74.80	149.60	374.00	748.00	3740.00	7480.00	4.00	3.88	4.00
10- 3 TO 10- 4 (6/1/03)	37.52	56.28	75.04	150.08	375.20	750.40	3752.00	7504.00	4.00	4.52	4.00
10- 4 TO 10- 5 (7/1/03)	37.66	56.49	75.32	150.64	376.60	753.20	3766.00	7532.00	4.00	3.85	3.99
10- 5 TO 10- 6 (8/1/03)	37.78	56.67	75.56	151.12	377.80	755.60	3778.00	7556.00	4.00	3.84	4.00
10- 6 TO 10- 7 (9/1/03)	37.90	56.85	75.80	151.60	379.00	758.00	3790.00	7580.00	4.00	3.83	4.00
10- 7 TO 10- 8 (10/1/03)	38.02	57.03	76.04	152.08	380.20	760.40	3802.00	7604.00	4.00	4.46	4.00
10- 8 TO 10- 9 (11/1/03)	38.16	57.24	76.32	152.64	381.60	763.20	3816.00	7632.00	4.00	3.80	3.99
10- 9 TO 10-10 (12/1/03)	38.28	57.42	76.56	153.12	382.80	765.60	3828.00	7656.00	4.00	3.79	4.00
10-10 TO 10-11 (1/1/04)	38.40	57.60	76.80	153.60	384.00	768.00	3840.00	7680.00	4.00	4.42	4.00
10-11 TO 11- 0 (2/1/04)	38.54	57.81	77.08	154.16	385.40	770.80	3854.00	7708.00	4.00	3.77	3.99
11- 0 TO 11- 1 (3/1/04)	38.66	57.99	77.32	154.64	386.60	773.20	3866.00	7732.00	4.00	3.75	4.00
11- 1 TO 11- 2 (4/1/04)	38.78	58.17	77.56	155.12	387.80	775.60	3878.00	7756.00	4.00	4.37	4.00
11- 2 TO 11- 3 (5/1/04)	38.92	58.38	77.84	155.68	389.20	778.40	3892.00	7784.00	4.00	3.73	4.00
11- 3 TO 11- 4 (6/1/04)	39.04	58.56	78.08	156.16	390.40	780.80	3904.00	7808.00	4.00	4.34	4.00
11- 4 TO 11- 5 (7/1/04)	39.18	58.77	78.36	156.72	391.80	783.60	3918.00	7836.00	4.00	3.70	3.99
11- 5 TO 11- 6 (8/1/04)	39.30	58.95	78.60	157.20	393.00	786.00	3930.00	7860.00	4.00	4.31	4.00
11- 6 TO 11- 7 (9/1/04)	39.44	59.16	78.88	157.76	394.40	788.80	3944.00	7888.00	4.00	3.68	3.99
11- 7 TO 11- 8 (10/1/04)	39.56	59.34	79.12	158.24	395.60	791.20	3956.00	7912.00	4.00	4.28	4.00
11- 8 TO 11- 9 (11/1/04)	39.70	59.55	79.40	158.80	397.00	794.00	3970.00	7940.00	4.00	3.65	3.99
11- 9 TO 11-10 (12/1/04)	39.82	59.73	79.64	159.28	398.20	796.40	3982.00	7964.00	4.00	4.26	4.00
11-10 TO 11-11 (1/1/05)	39.96	59.94	79.92	159.84	399.60	799.20	3996.00	7992.00	4.00	3.63	4.00
11-11 TO 12- 0 (2/1/05)	40.08	60.12	80.16	160.32	400.80	801.60	4008.00	8016.00	4.00	4.23	4.00
12- 0 TO 12- 1 (3/1/05)	40.22	60.33	80.44	160.88	402.20	804.40	4022.00	8044.00	4.00	4.21	4.00
12- 1 TO 12- 2 (4/1/05)	40.36	60.54	80.72	161.44	403.60	807.20	4036.00	8072.00	4.00	3.59	3.99
12- 2 TO 12- 3 (5/1/05)	40.48	60.72	80.96	161.92	404.80	809.60	4048.00	8096.00	4.00	4.19	4.00
12- 3 TO 12- 4 (6/1/05)	40.62	60.93	81.24	162.48	406.20	812.40	4062.00	8124.00	4.00	4.17	4.00
12- 4 TO 12- 5 (7/1/05)	40.76	61.14	81.52	163.04	407.60	815.20	4076.00	8152.00	4.00	4.16	3.99
12- 5 TO 12- 6 (8/1/05)	40.90	61.35	81.80	163.60	409.00	818.00	4090.00	8180.00	4.00	3.55	3.99
12- 6 TO 12- 7 (9/1/05)	41.02	61.53	82.04	164.08	410.20	820.40	4102.00	8204.00	4.00	4.13	4.00
12- 7 TO 12- 8 (10/1/05)	41.16	61.74	82.32	164.64	411.60	823.20	4116.00	8232.00	4.00	4.12	4.00
12- 8 TO 12- 9 (11/1/05)	41.30	61.95	82.60	165.20	413.00	826.00	4130.00	8260.00	4.00	4.10	3.99
12- 9 TO 12-10 (12/1/05)	41.44	62.16	82.88	165.76	414.40	828.80	4144.00	8288.00	4.00	4.09	3.99
12-10 TO 12-11 (1/1/06)	41.58	62.37	83.16	166.32	415.80	831.60	4158.00	8316.00	4.00	3.49	3.99
12-11 TO 13- 0 (2/1/06)	41.70	62.55	83.40	166.80	417.00	834.00	4170.00	8340.00	4.00	4.06	4.00
13- 0 TO 13- 1 (3/1/06)	41.84	62.76	83.68	167.36	418.40	836.80	4184.00	8368.00	4.00	4.05	4.00
13- 1 TO 13- 2 (4/1/06)	41.98	62.97	83.96	167.92	419.80	839.60	4198.00	8396.00	4.00	4.04	4.00
13- 2 TO 13- 3 (5/1/06)	42.12	63.18	84.24	168.48	421.20	842.40	4212.00	8424.00	4.00	4.02	4.00
13- 3 TO 13- 4 (6/1/06)	42.26	63.39	84.52	169.04	422.60	845.20	4226.00	8452.00	4.00	4.01	4.00
13- 4 TO 13- 5 (7/1/06)	42.40	63.60	84.80	169.60	424.00	848.00	4240.00	8480.00	4.00	4.00	4.00
13- 5 TO 13- 6 (8/1/06)	42.54	63.81	85.08	170.16	425.40	850.80	4254.00	8508.00	4.00	3.98	4.00
13- 6 TO 13- 7 (9/1/06)	42.68	64.02	85.36	170.72	426.80	853.60	4268.00	8536.00	4.00	3.97	4.00

ISSUE PRICE / MATURITY VALUE		$25.00 / 51.00	$37.50 / 76.50	$50.00 / 102.00	$100.00 / 204.00	$250.00 / 510.00	$500.00 / 1020.00	$2500.00 / 5100.00	$ 5000.00 / 10200.00	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
PERIOD (YEARS AND MONTHS AFTER ISSUE)		(1) REDEMPTION VALUES DURING EACH PERIOD (VALUES INCREASE ON FIRST DAY OF PERIOD)								(2)FROM ISSUE DATE TO START OF PERIOD	(3)DURING EACH PERIOD	(4)FROM START OF PERIOD TO MATURITY
										PERCENT	PERCENT	PERCENT
13- 7 TO 13- 8	(10/1/06)	42.82	64.23	85.64	171.28	428.20	856.40	4282.00	8564.00	4.00	3.96	4.00
13- 8 TO 13- 9	(11/1/06)	42.96	64.44	85.92	171.84	429.60	859.20	4296.00	8592.00	4.00	3.94	4.00
13- 9 TO 13-10	(12/1/06)	43.10	64.65	86.20	172.40	431.00	862.00	4310.00	8620.00	4.00	3.93	4.00
13-10 TO 13-11	(1/1/07)	43.24	64.86	86.48	172.96	432.40	864.80	4324.00	8648.00	4.00	4.48	4.00
13-11 TO 14- 0	(2/1/07)	43.40	65.10	86.80	173.60	434.00	868.00	4340.00	8680.00	4.00	3.90	3.99
14- 0 TO 14- 1	(3/1/07)	43.54	65.31	87.08	174.16	435.40	870.80	4354.00	8708.00	4.00	3.89	3.99
14- 1 TO 14- 2	(4/1/07)	43.68	65.52	87.36	174.72	436.80	873.60	4368.00	8736.00	4.00	3.88	4.00
14- 2 TO 14- 3	(5/1/07)	43.82	65.73	87.64	175.28	438.20	876.40	4382.00	8764.00	4.00	3.86	4.00
14- 3 TO 14- 4	(6/1/07)	43.96	65.94	87.92	175.84	439.60	879.20	4396.00	8792.00	4.00	4.41	4.00
14- 4 TO 14- 5	(7/1/07)	44.12	66.18	88.24	176.48	441.20	882.40	4412.00	8824.00	4.00	3.84	3.99
14- 5 TO 14- 6	(8/1/07)	44.26	66.39	88.52	177.04	442.60	885.20	4426.00	8852.00	4.00	3.83	4.00
14- 6 TO 14- 7	(9/1/07)	44.40	66.60	88.80	177.60	444.00	888.00	4440.00	8880.00	4.00	4.36	4.00
14- 7 TO 14- 8	(10/1/07)	44.56	66.84	89.12	178.24	445.60	891.20	4456.00	8912.00	4.00	3.80	3.99
14- 8 TO 14- 9	(11/1/07)	44.70	67.05	89.40	178.80	447.00	894.00	4470.00	8940.00	4.00	3.79	3.99
14- 9 TO 14-10	(12/1/07)	44.84	67.26	89.68	179.36	448.40	896.80	4484.00	8968.00	4.00	4.32	4.00
14-10 TO 14-11	(1/1/08)	45.00	67.50	90.00	180.00	450.00	900.00	4500.00	9000.00	4.00	3.76	3.99
14-11 TO 15- 0	(2/1/08)	45.14	67.71	90.28	180.56	451.40	902.80	4514.00	9028.00	4.00	4.29	4.00
15- 0 TO 15- 1	(3/1/08)	45.30	67.95	90.60	181.20	453.00	906.00	4530.00	9060.00	4.00	3.74	3.99
15- 1 TO 15- 2	(4/1/08)	45.44	68.16	90.88	181.76	454.40	908.80	4544.00	9088.00	4.00	4.26	4.00
15- 2 TO 15- 3	(5/1/08)	45.60	68.40	91.20	182.40	456.00	912.00	4560.00	9120.00	4.00	3.71	3.99
15- 3 TO 15- 4	(6/1/08)	45.74	68.61	91.48	182.96	457.40	914.80	4574.00	9148.00	4.00	4.23	4.00
15- 4 TO 15- 5	(7/1/08)	45.90	68.85	91.80	183.60	459.00	918.00	4590.00	9180.00	4.00	3.69	3.99
15- 5 TO 15- 6	(8/1/08)	46.04	69.06	92.08	184.16	460.40	920.80	4604.00	9208.00	4.00	4.21	4.00
15- 6 TO 15- 7	(9/1/08)	46.20	69.30	92.40	184.80	462.00	924.00	4620.00	9240.00	4.00	4.19	3.99
15- 7 TO 15- 8	(10/1/08)	46.36	69.54	92.72	185.44	463.60	927.20	4636.00	9272.00	4.00	3.65	3.99
15- 8 TO 15- 9	(11/1/08)	46.50	69.75	93.00	186.00	465.00	930.00	4650.00	9300.00	4.00	4.16	4.00
15- 9 TO 15-10	(12/1/08)	46.66	69.99	93.32	186.64	466.60	933.20	4666.00	9332.00	4.00	4.15	3.99
15-10 TO 15-11	(1/1/09)	46.82	70.23	93.64	187.28	468.20	936.40	4682.00	9364.00	4.00	3.62	3.99
15-11 TO 16- 0	(2/1/09)	46.96	70.44	93.92	187.84	469.60	939.20	4696.00	9392.00	4.00	4.12	4.00
16- 0 TO 16- 1	(3/1/09)	47.12	70.68	94.24	188.48	471.20	942.40	4712.00	9424.00	4.00	4.11	4.00
16- 1 TO 16- 2	(4/1/09)	47.28	70.92	94.56	189.12	472.80	945.60	4728.00	9456.00	4.00	4.10	3.99
16- 2 TO 16- 3	(5/1/09)	47.44	71.16	94.88	189.76	474.40	948.80	4744.00	9488.00	4.00	4.08	3.99
16- 3 TO 16- 4	(6/1/09)	47.60	71.40	95.20	190.40	476.00	952.00	4760.00	9520.00	4.00	3.56	3.98
16- 4 TO 16- 5	(7/1/09)	47.74	71.61	95.48	190.96	477.40	954.80	4774.00	9548.00	4.00	4.06	4.00
16- 5 TO 16- 6	(8/1/09)	47.90	71.85	95.80	191.60	479.00	958.00	4790.00	9580.00	4.00	4.04	4.00
16- 6 TO 16- 7	(9/1/09)	48.06	72.09	96.12	192.24	480.60	961.20	4806.00	9612.00	4.00	4.03	4.00
16- 7 TO 16- 8	(10/1/09)	48.22	72.33	96.44	192.88	482.20	964.40	4822.00	9644.00	4.00	4.01	4.00
16- 8 TO 16- 9	(11/1/09)	48.38	72.57	96.76	193.52	483.80	967.60	4838.00	9676.00	4.00	4.00	3.99
16- 9 TO 16-10	(12/1/09)	48.54	72.81	97.08	194.16	485.40	970.80	4854.00	9708.00	4.00	3.99	3.99
16-10 TO 16-11	(1/1/10)	48.70	73.05	97.40	194.80	487.00	974.00	4870.00	9740.00	4.00	3.98	3.99
16-11 TO 17- 0	(2/1/10)	48.86	73.29	97.72	195.44	488.60	977.20	4886.00	9772.00	4.00	3.96	4.00
17- 0 TO 17- 1	(3/1/10)	49.02	73.53	98.04	196.08	490.20	980.40	4902.00	9804.00	4.00	3.95	4.00
17- 1 TO 17- 2	(4/1/10)	49.18	73.77	98.36	196.72	491.80	983.60	4918.00	9836.00	4.00	4.43	4.00
17- 2 TO 17- 3	(5/1/10)	49.36	74.04	98.72	197.44	493.60	987.20	4936.00	9872.00	4.00	3.92	3.96
17- 3 TO 17- 4	(6/1/10)	49.52	74.28	99.04	198.08	495.20	990.40	4952.00	9904.00	4.00	3.91	3.97
17- 4 TO 17- 5	(7/1/10)	49.68	74.52	99.36	198.72	496.80	993.60	4968.00	9936.00	4.00	3.90	3.97
17- 5 TO 17- 6	(8/1/10)	49.84	74.76	99.68	199.36	498.40	996.80	4984.00	9968.00	4.00	3.88	3.98
17- 6 TO 17- 7	(9/1/10)	50.00	75.00	100.00	200.00	500.00	1000.00	5000.00	10000.00	4.00	4.36	4.00
17- 7 TO 17- 8	(10/1/10)	50.18	75.27	100.36	200.72	501.80	1003.60	5018.00	10036.00	4.00	3.86	3.93
17- 8 TO 17- 9	(11/1/10)	50.34	75.51	100.68	201.36	503.40	1006.80	5034.00	10068.00	4.00	3.84	3.95
17- 9 TO 17-10	(12/1/10)	50.50	75.75	101.00	202.00	505.00	1010.00	5050.00	10100.00	4.00	4.32	3.98
17-10 TO 17-11	(1/1/11)	50.68	76.02	101.36	202.72	506.80	1013.60	5068.00	10136.00	4.00	3.82	3.81
17-11 TO 18- 0	(2/1/11)	50.84	76.26	101.68	203.36	508.40	1016.80	5084.00	10168.00	4.00	3.81	3.81
18- 0 2/	(8/1/11)	51.00	76.50	102.00	204.00	510.00	1020.00	5100.00	10200.00	4.00		

1/ MONTH, DAY, AND YEAR ON WHICH ISSUES OF MARCH 1, 1993 ENTER EACH PERIOD. FOR SUBSEQUENT ISSUE MONTHS ADD THE APPROPRIATE NUMBER OF MONTHS.

2/ MATURITY VALUE IS REACHED 18 YEARS AND 0 MONTHS AFTER ISSUE DATE.

A/ THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES BEFORE FIVE YEARS AFTER ISSUE ARE THOSE ESTABLISHED UNDER SECTION 351.2(e) OF THIS CIRCULAR.

B/ THE REDEMPTION VALUES AND INVESTMENT YIELDS SHOWN FOR INTEREST ACCRUAL DATES FIVE YEARS AFTER ISSUE AND THEREAFTER REPRESENT THE MINIMUM GUARANTEED INVESTMENT YIELDS PROVIDED BY SECTION 351.2(e)(1) OF THIS CIRCULAR. THESE REDEMPTION VALUES WILL APPLY UNLESS APPLICATION OF THE VARIABLE RATE PRESCRIBED UNDER SECTION 351.2(e)(2) PRODUCES A HIGHER REDEMPTION VALUE.

[55 FR 567, Jan. 5, 1990, as amended at 58 FR 60939, Nov. 18, 1993; 62 FR 24283, May 2, 1997]

PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH

Sec.
352.0 Offering of bonds.
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TABLE 1—HH BONDS BEARING ISSUE DATES BEGINNING MARCH 1, 1993

AUTHORITY: 31 U.S.C. 3105, 5 U.S.C. 301.

SOURCE: 54 FR 40249, Sept. 29, 1989, unless otherwise noted.

§ 352.0 Offering of bonds.

The Secretary of the Treasury hereby offers to the people of the United States, United States Savings Bonds of Series HH in exchange for eligible United States Savings Bonds of Series E and EE and United States Savings Notes (Freedom Shares). This offering, effective as of March 1, 1993, will continue until terminated by the Secretary of the Treasury.

[54 FR 40249, Sept. 29, 1989, as amended at 58 FR 60947, Nov. 18, 1993]

§ 352.1 Governing regulations.

Series HH bonds are subject to the regulations of the Department of the Treasury, now or hereafter prescribed, governing United States Savings Bonds of Series EE and HH contained in Department of the Treasury Circular, Public Debt Series No. 3–80, as amended (31 CFR part 353), hereinafter referred to as Circular No. 3–80.

§ 352.2 Description of bonds.

(a) *General.* Series HH bonds are issued only in registered form and are nontransferable. The bonds are distinguishable by the portraits, color, border design, tax-deferral legend, and text material.

(b) *Denominations and prices.* Series HH bonds are issued at face amount and are in denominations of $500, $1,000, $5,000 and $10,000.

(c) *Term.* Each bond bears an issue date which is the date from which interest is earned. The date is established as provided in § 352.7(f). Series HH bonds have an original maturity period of 10 years and have been granted an extended maturity period of 10 years; they will reach final maturity 20 years from their issue dates.

(d) *Redemption.* A Series HH bond may be redeemed after six months from its issue date. The Secretary of the Treasury may not call Series HH bonds for redemption prior to maturity. In any case where Series HH bonds are surrendered to an authorized paying agent for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.

(e) *Investment yield (interest).* (1) During original maturity. Interest payments on Series HH bonds will produce the investment yields specified below during their original maturity period:

(i) *Current offering.* Series HH bonds issued on or after March 1, 1993, yield 4 percent per annum, paid semiannually, to original maturity. See Table 1 in the Appendix to this Circular.

(ii) *Bonds with issue dates of November 1, 1986, through February 1, 1993.* Series HH bonds with issue dates of November 1, 1986, through February 1, 1993, yield 6 percent per annum, paid semiannually, to original maturity.

(iii) *Bonds with issue dates of November 1, 1986, through September 1, 1989.* Series HH bonds with issue dates of November 1, 1986, through September 1, 1989, will yield 6 percent per annum, paid semiannually, to original maturity.

(iv) *Bonds with issue dates of November 1, 1982, through October 1, 1986.* Series HH bonds with issue dates of November 1, 1982, through October 1, 1986, will yield 7.5 percent per annum, paid semiannually, to original maturity.

(v) *Bonds with issue dates of May 1, 1981, through October 1, 1982.* Series HH bonds with issue dates of May 1, 1981,

through October 1, 1982, will yield 8.5 percent per annum, paid semiannually, to original maturity.

(vi) *Bonds with issue dates of November 1, 1980, through April 1, 1981.* Series HH bonds with issue dates of November 1, 1980, through April 1, 1981, were originally offered to yield 7.5 percent per annum, paid semiannually. The yield to original maturity was increased by 1 percent, effective with the first full semiannual interest accrual period beginning on or after May 1, 1981.

(vii) *Bonds with issue dates of January 1, 1980, through October 1, 1980.* Series HH bonds with issue dates of January 1, 1980, through October 1, 1980, were originally offered to yield 6.5 percent per annum, paid semiannually. The yield to original maturity was increased by 1 percent, effective with the first full semiannual interest accrual period beginning on or after November 1, 1980, and an additional 1 percent, effective with the first full semiannual interest accrual period beginning on or after May 1, 1981.

(2) *During extended maturity.* The investment yield during the 10-year extended maturity period authorized for Series HH bonds is 4 percent per annum, paid semiannually, unless changed prior to the beginning of such period, for any Series HH bond that entered or enter such period on or after March 1, 1993; and, 6 percent per annum, paid semiannually, for any Series HH bond that entered into such period from January 1, 1990, through February 1, 1993.

(f) *Payment of interest.* The interest on a Series HH bond is paid semiannually beginning six months from the issue date. Interest ceases at final maturity or, if the bond is redeemed before final maturity, as of the end of the interest period preceding the date of redemption. If the redemption date falls on an interest payment date, interest ceases on that date.

(1) *Bonds issued on or after October 1, 1989.* Interest on Series HH bonds issued on or after October 1, 1989, will be paid by the automated clearing house (ACH) method to the registered owner or coowner's account at a financial institution, unless the Bureau of the Public Debt determines that extraordinary circumstances warrant payment by check or other means.

(2) *Bonds issued prior to October 1, 1989.* Interest on Series HH bonds issued prior to October 1, 1989, will be paid as follows:

(i) By check drawn to the order of the registered owner or both coowners; or

(ii) Upon request, by the ACH method to the owner or coowner's account at a financial institution.

(g) *Rules governing payment of interest by the ACH method.* Provisions contained in § 353.31 of Department of the Treasury Circular, Public Debt Series No. 3–80, as amended (31 CFR part 353), apply to the submission of deposit account information for Series HH interest payments made on and after October 1, 1989, for which ACH payment:

(1) Is required under paragraph (f)(1) of this section;

(2) Is requested by an owner or coowner on or after October 1, 1989, pursuant to paragraph (f)(2) of this section; or

(3) Was requested by an owner or coowner prior to October 1, 1989.

Interest payments made by the ACH method on and after October 1, 1989, will be processed in accordance with 31 CFR part 370.

(Approved by the Office of Management and Budget under control number 1535–0094)

(h) *Tables of interest payments and redemption values.* Tables showing the interest payments and redemption values of bonds issued under previous revisions of this Circular will be available from the Bureau of the Public Debt and designated Federal Reserve Banks.

[54 FR 40249, Sept. 29, 1989, as amended at 58 FR 60947, Nov. 18, 1993; 59 FR 10540, Mar. 4, 1994]

§ 352.3 Registration and issue.

(a) *Registration.* Series HH bonds may be registered as set forth in subpart B of 31 CFR part 353, also published as Department of the Treasury Circular, Public Debt Series No. 3–80.

(b) *Validity of issue.* A bond is validly issued when it is registered as provided 31 CFR part 353, also published as Department of the Treasury Circular, Public Debt Series No. 3–80, and bears an issue date and appropriate validation indicia.

(c) *Taxpayer identifying number.* The inscription of a bond must include the taxpayer identifying number of the owner or first-named coowner. The taxpayer identifying number of the second-named coowner or beneficiary is not required but its inclusion is desirable.

[54 FR 40249, Sept. 29, 1989, as amended at 57 FR 14286, Apr. 17, 1992]

§ 352.4 Limitation on purchases.

Series HH bonds issued under the terms of this Circular are not subject to a purchase limitation.

§ 352.5 Authorized issuing and paying agents.

Series HH bonds may be issued or redeemed only by Federal Reserve Banks (see § 352.13) and the Bureau of the Public Debt.

[54 FR 40249, Sept. 29, 1989, as amended at 59 FR 10540, Mar. 4, 1994]

§ 352.6 [Reserved]

§ 352.7 Issues on exchange.

(a) *Securities eligible for exchange.* Owners may exchange United States Savings Bonds of Series E and EE and United States Savings Notes (Freedom Shares) at their current redemption values for Series HH bonds. Series E bonds and savings notes remain eligible for exchange for a period of one year from the month in which they reached final maturity. Series EE bonds become eligible for exchange six months after their issue dates.

(b) *Basis for issue.* Series HH bonds will be issued on exchange by an authorized issuing agent upon receipt of a properly executed exchange application with eligible securities, and additional cash, if any, and any supporting evidence that may be required under the regulations. If eligible securities are submitted directly to a Federal Reserve Bank referred to in § 351.13, each must bear a properly signed and certified request for payment. Checks in payment of additional cash needed to complete a transaction (see paragraph (d) of this section) must be drawn to the order of the Federal Reserve Bank.

(c) *Role of financial institutions.* Department of the Treasury Circular No. 750, current revision (31 CFR part 321), authorizes financial institutions qualified as paying agents for savings bonds and notes to redeem eligible securities presented for exchange and to forward an exchange application and full payment to a Federal Reserve Bank referred to in § 351.13 for the issue of Series HH bonds. The securities redeemed on exchange by such an institution must be securities which it is authorized to redeem for cash.

(d) *Computation of issue price.* The total current redemption value of the eligible securities submitted for exchange in any one transaction must be $500 or more. If the current redemption value is an even multiple of $500, Series HH bonds must be issued in that exact amount. If the current redemption value exceeds, but is not an even multiple of, $500, the owner has the option either:

(1) To add the cash necessary to bring the amount of the application to the next higher multiple of $500, or

(2) To receive a payment to reduce the amount of the application to the next lower multiple of $500.

(e) *Registration.* A Series HH bond issued on exchange may be registered in any form authorized in subpart B of Circular No. 3–80, subject to the following restrictions:

(1) If the securities submitted for exchange are in single ownership form, the owner must be named as owner or first-named coowner on the Series HH bonds. A coowner or beneficiary may be named.

(2) If the securities submitted for exchange are in coownership form, and one coowner is the ''principal coowner'', that person must be named as owner or first-named coowner on the Series HH bonds. A coowner or beneficiary may also be named. The ''principal coowner'' is the coowner who purchased the securities presented for exchange with his or her own funds, or received them as a gift, inheritance or legacy, or as a result of judicial proceedings, and had them reissued in coownership form, provided he or she has received no contribution in money or money's worth for designating the other coowner on the securities.

(3) If the securities presented for exchange are in coownership form, and both coowners shared in their purchase

or received them jointly as a gift, inheritance, or legacy or as a result of judicial proceedings, both persons must be named as coowners on the Series HH bonds.

(4) If the securities presented for exchange are in beneficiary form, the owner must be named on the Series HH bonds as owner or first-named coowner. If the owner is deceased, a surviving beneficiary must be named as owner or first-named coowner. In either case, a coowner or beneficiary may also be named.

(f) *Issue date.* Series HH bonds issued on exchange will be dated as of the first day of the month in which the eligible securities presented for exchange are redeemed by an authorized paying agent, as evidenced in the payment stamp on the securities and the exchange application.

(g) *Tax-deferred exchanges.* (1) Continuation of tax deferral. Pursuant to the provisions of the Internal Revenue Code of 1954, as amended, an owner who has not been reporting the interest on his or her Series E or EE bonds and savings notes on an accrual basis for Federal income tax purposes, and who exchanges those securities for Series HH bonds, may continue to defer reporting the interest on the securities exchanged until the taxable year in which the Series HH bonds received in the exchange reach final maturity, are redeemed, or are otherwise disposed of, whichever is earlier. A reissue transaction that affects any of the persons required to be named on the Series HH bonds, as set forth in paragraph (e) of this section, may result in termination of the tax deferral privilege.

(2) *Tax deferral legend.* Each bond issued in a tax-deferred exchange shall bear a legend showing how much of its issue price represents interest on the securities exchanged. This interest must be treated as income for Federal income tax purposes and reported in accordance with paragraph (g)(1) of this section.

(3) *Reporting of interest paid to owner.* To the extent that it represents interest earned on the securities presented for exchange, an amount paid to an owner in accordance with paragraph (d) of this section is reportable as income for Federal income tax purposes for the year in which it is paid. Pursuant to 26 CFR 1.6049.4, a paying agent is required to report interest income of $10 or more included in any amount paid in an exchange transaction to the payee and to the Internal Revenue Service on Form 1099-INT or an approved substitute. A separate report may be made for each exchange transaction in which interest in the amount of $10 or more is paid, or all interest paid in both cash redemption and exchange transactions may be aggregated and reported annually should the total amount be $10 or more.

(h) *Exchanges without tax deferral.* The rules prescribed for exchanges under paragraphs (a) through (f) of this section also apply to exchanges by owners who report the interest earned on their bonds of Series E and EE and savings notes annually for Federal income tax purposes, or elect to report all such interest that was not previously reported for the taxable year of the exchange. Series HH bonds issued in a nontax-deferred exchange shall show a ''0'' in the tax-deferral legend.

[54 FR 40249, Sept. 29, 1989, as amended at 59 FR 10540, Mar. 4, 1994]

§ 352.8 Reinvestment of matured Series H bonds.

(a) *General.* The proceeds of matured Series H bonds, whether purchased for cash or issued in exchange for other securities, may be reinvested in Series HH bonds. Tax deferral granted to interest earned on securities exchanged for Series H bonds may not be continued when the Series H bonds reach final maturity and their proceeds are reinvested in Series HH bonds. The amount appearing in the legend on a matured Series H bond on which tax deferral was granted must be reported for Federal income tax purposes for the year of such final maturity.

(b) *Rules.* The reinvestment transaction will be subject to the rules governing exchanges, as set forth in § 352.7 of this Circular, and the Series HH bonds issued on reinvestment will be identical in all respects with those issued in a non-tax-deferred exchange.

§ 352.9 Delivery of bonds.

Authorized issuing agents will deliver Series HH bonds by mail at the

risk and expense of the United States to the address given by the applicant, if it is within the United States, one of its territories or possessions, or the Commonwealth of Puerto Rico. No mail deliveries elsewhere will be made. Bonds acquired by a citizen of the United States residing abroad will be delivered only to such address in the United States as the applicant directs.

§ 352.10 Taxation.

The interest paid on Series HH bonds is subject to all taxes imposed under the Internal Revenue Code of 1954, as amended. The bonds are subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest by any State or any local taxing authority.

§ 352.11 Reservation as to issue of bonds.

The Commissioner of the Public Debt, as delegate of the Secretary of the Treasury, reserves the right to reject any application for Series HH 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 action is deemed to be in the public interest. The Commissioner's action in such respect is final.

§ 352.12 Waiver.

The Commissioner of the Public Debt, as delegate 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 if:

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

(b) It does not impair any existing rights; and

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

§ 352.13 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 delegate, in connection with the issue, servicing, and redemption of Series HH bonds.

(b)(1) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(2) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

[59 FR 10541, Mar. 4, 1994]

§ 352.14 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.

TABLE 1

HH BONDS BEARING ISSUE DATES BEGINNING MARCH 1, 1993

ISSUE PRICE	$500	$1,000	$5,000	$10,000	APPROXIMATE INVESTMENT YIELD (ANNUAL PERCENTAGE RATE)		
REDEMPTION AND MATURITY VALUE 1/	500	1,000	5,000	10,000			
PERIOD OF TIME BOND IS HELD AFTER ISSUE DATE	(1) AMOUNTS OF INTEREST PAYMENTS FOR EACH DENOMINATION				(2) FROM ISSUE TO EACH INTEREST PAYMENT DATE	(3) FOR HALF-YEAR PERIOD PRECEDING INTEREST PAYMENT DATE	(4) FROM EACH INTEREST PAYMENT DATE TO MATURITY
					PERCENT	PERCENT	PERCENT
0.5 YEARS	$10.00	$20.00	$100.00	$200.00	4.00	4.00	4.00
1.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
1.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
2.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
2.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
3.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
3.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
4.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
4.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
5.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
5.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
6.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
6.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
7.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
7.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
8.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
8.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
9.0 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
9.5 YEARS	10.00	20.00	100.00	200.00	4.00	4.00	4.00
10.0 YEARS 2/	10.00	20.00	100.00	200.00	4.00	4.00	----

1/ AT ALL TIMES, EXCEPT THAT BOND IS NOT REDEEMABLE DURING FIRST 6 MONTHS.
2/ MATURITY REACHED AT 10 YEARS AND 0 MONTHS AFTER ISSUE DATE.

[58 FR 60948, Nov. 18, 1993]

PART 353—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES EE AND HH

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AUTHORITY: 31 U.S.C. 3105 and 5 U.S.C. 301.

SOURCE: 44 FR 76441, Dec. 26, 1979, unless otherwise noted.

Subpart A—General Information

§ 353.0 Applicability.

The regulations in this circular, Department of the Treasury Circular, Public Debt Series No. 3–80, govern United States Savings Bonds of Series EE and Series HH. These bonds bear issue dates of January 1, 1980, or thereafter. The regulations in Department of the Treasury Circular No. 530, current revision (31 CFR part 315), govern all other United States Savings Bonds and Savings Notes.

§ 353.1 Official agencies.

(a) The Bureau of the Public Debt of the Department of the Treasury is responsible for administering the Savings Bonds Program. Authority to process transactions has been delegated to Federal Reserve Banks and Branches in

the list in paragraph (b) of this section, as fiscal agents of the United States.

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

(1) A Federal Reserve Bank or Branch in the list below; the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26101; or the Bureau of the Public Debt, Washington, DC 20226.

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

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 250 Marquette Avenue, Minneapolis, MN 55480.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

(ii) Until March 1, 1996, other Federal Reserve Offices may continue to provide some savings bond services, but such services will be phased out over the period prior to that date.

(c) Notices and documents must be filed with the agencies referred to above and as indicated in these regulations.

[44 FR 76441, Dec. 26, 1979, as amended at 59 FR 10541, Mar. 4, 1994]

§ 353.2 Definitions.

(a) *Bond* means a United States Savings Bond of Series EE or HH, unless the context indicates otherwise.

(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, current revision (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, current revision (31 CFR part 321), to make payment of savings bonds.

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

(f) *Person* means any legal entity including, but without limitation, an individual, corporation (public or private), partnership, unincorporated association, 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, or the executors or administrators of decedents' estates.

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

transaction, the actual receipt of the 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 §353.64.

Subpart B—Registration

§353.5 General rules.

(a) *Registration is conclusive of ownership.* Savings bonds 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 §353.49.

(b) *Requests for registration.* 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 taxpayer identifying number of the second-named coowner or beneficiary is not required but its inclusion is desirable. The registration of all bonds owned by the same person, organization, or fiduciary should be uniform with respect to the name of the owner and any description of the fiduciary capacity. 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 *Miss, Mr., Mrs., Ms., 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 given 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 number of the intended owners is 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.

[44 FR 76441, Dec. 26, 1979, as amended at 55 FR 575, Jan. 5, 1990]

§353.6 Restrictions on registration.

(a) *Natural persons.* Only an individual in his or her own right may be designated as coowner or beneficiary along with any other individual, whether on original issue or reissue, except as provided in §353.7(f).

(b) *Residence.* The designation of an owner or first-named coowner is restricted, on original issue only, to persons (whether individuals or others) who are:

(1) Residents of the United States, its territories or possessions, or the Commonwealth of Puerto Rico;

(2) Citizens of the United States residing abroad;

(3) Civilian employees of the United States or members of its armed forces, regardless of their residence or citizenship; and

(4) Residents of Canada or Mexico who work in the United States but only if the bonds are purchased on a payroll deduction plan and the owner provides a taxpayer identifying number.

A nonresident alien may be designated coowner or beneficiary or, on authorized reissue, owner, unless the nonresident alien is a resident of an area with respect to which the Department of the Treasury restricts or regulates the delivery of checks drawn against funds of the United States or its agencies or instrumentalities. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211). Registration is not permitted in any form which includes the name of any alien who is a resident of any restricted area.

(c) *Minors.* (1) Minors may purchase with their wages, earnings, or other funds belonging to them and under

their control bonds registered in their names alone or with a coowner or beneficiary.

(2) Bonds purchased by another person with funds belonging to a minor not under legal guardianship or similar fiduciary estate must be registered, without a coowner or beneficiary, in the name of the minor or a natural guardian on behalf of a minor.

(3) Bonds purchased with funds of another may be registered to name the minor as owner, coowner, or beneficiary. If the minor is under legal guardianship or similar fiduciary estate, the registration must include an appropriate reference to it.

(4) Bonds purchased as a gift to a minor under a gift-to-minors statute must be registered as prescribed by the statute and no coowner or beneficiary may be named.

(5) Bonds purchased by a representative of a minor's estate must be registered in the name of the minor and must include in the registration an appropriate reference to the guardianship or similar fiduciary estate. Bonds purchased by a representative of the estates of two or more minors, even though appointed in a single proceeding, must be registered in the name of each minor separately with appropriate reference to the guardianship or similar fiduciary estate.

(d) *Incompetents.* Bonds may be registered to name as owner, coowner, or beneficiary an incompetent for whose estate a guardian or similar representative has been appointed, except that a coowner or beneficiary may not be named on bonds purchased with funds belonging to the incompetent. The registration must include appropriate reference to the guardianship or similar fiduciary estate. Bonds should not be registered in the name of an incompetent unless there is a representative for his or her estate, except as provided in § 353.64.

§ 353.7 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 below. A savings bond inscribed in the 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.

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

John A. 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:

John A. Jones 123–45–6789 or Ella S. Jones 987–65–4321.

John A. Jones 123–45–6789 or (Miss, Ms. or Mrs.) Ella S. Jones.

Ella S. Jones 987–65–4321 or John A. Jones.

(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:

John A. Jones 123–45–6789 payable on death to Mrs. Ella S. Jones.

John A. Jones 123–45–6789 P.O.D. Ella S. Jones 987–65–4321.

(b) *Fiduciaries (including legal guardians and similar representatives, certain custodians, natural guardians, executors, administrators, and trustees)*—(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. Registration should conform to a form authorized by this paragraph. A coowner or beneficiary may be named only in accordance with the applicable provisions of § 353.6 (c) and (d). 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 these regulations.

(2) *Legal guardians, conservators, similar representatives, certain custodians.* A bond may be registered in the name

and title or capacity of the legally appointed or authorized representative of the estate of a minor, incompetent, aged or infirm person, absentee, et al., or in the name of that individual followed by an appropriate reference to the estate. 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.

John F. Green 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.

Arnold A. Ames, as custodian for Barry B. Bryan 123–45–6789, under the California Uniform Gifts to Minors Act.

Thomas J. Reed, as custodian for Lawrence W. Reed 123–45–6789, a minor, under laws of Georgia.

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). (If the beneficiary is a minor, the words ''a minor'' should appear immediately after the social security number.)

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.

Redd State Hospital and School, selected payee for John A. Jones 123–45–6789, a Civil Service annuitant, pursuant to 5 U.S.C. 8345(e).

(3) *Natural guardians.* A bond may be registered in the name of either parent (natural and adoptive) of a minor, as natural guardian. The registration of a bond in this form is considered as establishing a fiduciary relationship. A coowner or beneficiary may be named but only if the funds used to purchase the bonds do not belong to the minor. Examples:

John A. Jones, as natural guardian for Henry M. Jones 123–45–6789.

Melba Smith, as natural guardian for Thelma Smith 123–45–6789 P.O.D. Bartholomew Smith.

(4) *Executors and administrators.* A bond may be registered in the name of the representative appointed by a court to act for an estate of a decedent, or in the name of an executor authorized to administer a trust under the terms of a will although not named trustee. The name and capacity of all the representatives as shown in the letters of appointment must be included in the registration and be followed by an adequate indentifying reference to the estate. Examples:

John H. Smith and Calvin N. Jones, executors of the will (or administrators of the estate) of Robert J. Smith, deceased, 12–3456789.

John H. Smith, executor of the will of Robert J. Smith, deceased, in trust for Mrs. Jane L. Smith, with remainder over, 12–3456789.

(5) *Trustees or life tenants under wills, deeds of trust, agreements, or similar instruments.* A bond may be registered in the name and title of the trustee of a trust estate, or in the name of a life tenant, followed by an adequate identifying reference to the authority governing the trust or life tenancy. Examples:

Thomas J. White and Tenth National Bank, trustees under the will of Robert J. Smith, deceased, 12–3456789.

Jane N. Black 123–45–6789, life tenant under the will of Robert J. Black, deceased.

Tenth National Bank, trustee under agreement with Paul E. White, dated 2/1/80, 12–3456789.

Carl A. Black and Henry B. Green, trustees under agreement with Paul E. White, dated 2/1/80, 12–3456789.

Paul E. White, trustee under declaration of trust dated 2/1/80, 12–3456789.

(i) If the trust instrument designates by title only an officer of a board or an organization as trustee, only the title of the officer should be used. Example:

Chairman, Board of Trustees, First Church of Christ, Scientist, of Chicago, Illinois, in trust under the will of Robert J. Smith, deceased, 12–3456789.

(ii) The names of all trustees, in the form used in the trust instrument, must be included in the registration, except as follows:

(A) If there are several trustees designated as a board or they are required to act as a unit, their names may be omitted and the words ''Board of Trustees'' substituted for the word ''trustee''. Example:

Board of Trustees of Immediate Relief Trust of Federal Aid Association, under trust indenture dated 2/1/80, 12–3456789.

(B) If the trustees do not constitute a board or are not required to act as a unit, and are too numerous to be designated in the registration by names and title, some or all the names may be omitted. Examples:

John A. Smith, Henry B. Jones, et al., trustees under the will of Edwin O. Mann, deceased, 12–3456789.

Trustees under the will of Edwin O. Mann, deceased, 12–3456789.

(6) *Employee thrift, savings, vacation and similar plans.* A bond may be registered in the name and title, or title alone, of the trustee of an eligible employee thrift, savings, vacation or similar plan, as defined in § 353.13(a). 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, 1980, 12–3456789.

Trustees of Retirement Fund of Safety Manufacturing Company, under directors' resolution adopted March 31, 1980, 12–3456789.

County Trust company, trustee of the Employee Savings Plan of Jones Company, Inc., U/A dated January 17, 1980, 12–3456789.

Trustee of the Employee Savings Plan of Brown Brothers, Inc., U/A dated January 20, 1980, 12–3456789.

(7) *Funds of lodges, churches, societies, or similar organizations.* A bond may be registered in the title of the trustees, or a board of trustees, holding funds in trust for a lodge, church, or society, or similar organization, whether or not incorporated. Examples:

Trustees of the First Baptist Church, Akron, OH, acting as a Board under section 15 of its bylaws, 12–3456789.

Trustees of Jamestown Lodge No. 1000, Benevolent and Protective Order of Elks, under section 10 of its bylaws, 12–3456789.

Board of Trustees of Lotus Club, Washington, IN, under Article 10 of its constitution, 12–3456789.

(8) *Investment agents for religious, educational, charitable and non-profit organizations.* A bond may be registered in the name of a bank, trust company, or other financial institution, or an individual, as agent under an agreement with a religious, educational, charitable or non-profit organization, whether or not incorporated, if the agent holds funds for the sole purpose of investing them and paying the income to the organization. The name and designation of the agent must be followed by an adequate reference to the agreement. Examples:

Tenth National Bank, fiscal agent U/A with the Evangelical Lutheran Church of the Holy Trinity, dated 12/28/80, 12–3456789.

Sixth Trust Company, Investment Agent U/A dated September 16, 1980, with Central City Post, Department of Illinois, American Legion, 12–3456789.

John Jones, Investment Agent U/A dated September 16, 1980, with Central City Post, Department of Illinois, American Legion, 12–3456789.

(9) *Funds of school groups or activities.* A bond may be registered in the title of the principal or other officer of a public, private, or parochial school holding funds in trust for a student body fund or for a class, group, or activity. If the amount purchased for any one fund does not exceed $2,500 (face amount), no reference need be made to a trust instrument. Examples:

Principal, Western High School, in trust for the Class of 1980 Library Fund, 12–3456789.

Director of Athletics, Western High School, in trust for Student Activities Association, under resolution adopted 5/12/80, 12–3456789.

(10) *Public corporations, bodies, or officers as trustees.* A bond may be registered in the name of a public corporation or a public body, or in the title of a public officer, acting as trustee under express authority of law, followed by an appropriate reference to the statute creating the trust. Examples:

Rhode Island Investment Commission, trustee of the General Sinking Fund under Title 35, Ch. 8, Gen. Laws of Rhode Island.

Superintendent of the Austin State Hospital Annex, in trust for the Benefit Fund under Article 3183C, Vernon's Civ. Stat. of Texas Ann.

(c) *Private organizations (corporations, associations, partnerships)*—(1) *General.* A bond may be registered in the name of any private organization in its own right. The full legal name of the organization as set forth in its charter, articles of incorporation, constitution,

partnership agreement, or other authority from which its powers are derived, must be included in the registration and may be followed by a parenthetical reference to a particular account other than a trust account.

(2) *Corporations.* A bond may be registered in the name of a business, fraternal, religious, non-profit, or other private corporation. The words ''a corporation'' must be included in he registration unless the fact of incorporation is shown in the name. Examples:

Smith Manufacturing Company, a corporation, 12–3456789.

Green and Redd, Inc., 12–3456789 (Depreciation Acct.)

(3) *Unincorporated associations.* A bond may be registered in the name of a club, lodge, society, or a similar self-governing association which is unincorporated. The words ''an unincorporated association'' must be included in the registration. This form of registration must not be used for a trust fund, board of trustees, a partnership, or a sole proprietorship. If the association is chartered by or affiliated with a parent organization, the name or designation of the subordinate or local organization must be given first, followed by the name of the parent organization. The name of the parent organization may be placed in parentheses and, if well known, may be abbreviated. Examples:

The Lotus Club, an unincorporated association, 12–3456789.

Local 447, Brotherhood of Railroad Trainmen, an unincorporated association, 12–3456789.

Eureka Lodge 317 (A.F. and A.M.), an unincorporated association, 12–3456789.

(4) *Partnerships.* A bond may be registered in the name of a partnership. The words ''a partnership'' must be included in the registration. Examples:

Smith & Jones, a partnership, 12–3456789.

Acme Novelty Company, a partnership, 12–3456789.

(5) *Sole Proprietorships.* A bond may be registered in the name of an individual who is doing business as a sole proprietor. A reference may be made to the trade name under which the business is conducted. Example:

John Jones DBA Jones Roofing Company 123–45–6789.

(d) *Institutions (churches, hospitals, homes, schools, etc.).* A bond may be registered in the name of a church, hospital, home, school, or similar institution conducted by a private organization or by private trustees, regardless of the manner in which it is organized or governed or title to its property is held. Descriptive words, such as ''a corporation'' or ''an unincorporated association'', must not be included in the registration. Examples:

Shriners' Hospital for Crippled Children, St. Louis, MO, 12–3456789.

St. Mary's Roman Catholic Church, Albany, NY, 12–3456789.

Rodeph Shalom Sunday School, Philadelphia, PA, 12–3456789.

(e) *States, public bodies and corporations, and public officers.* A bond may be registered in the name of a State, county, city, town, village, school district, or other political entity, public body, or corporation established by law (including a board, commission, administration, authority, or agency) which is the owner or official custodian of public funds, other than trust funds, or in the full legal title of the public officer having custody of the funds. Examples:

State of Maine.

Town of Rye, NY (Street Improvement Fund).

Maryland State Highway Administration.

Treasurer, City of Chicago.

(f) *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 coowner or beneficiary. Examples:

George T. Jones 123–45–6789 or the United States Treasury.

George T. Jones 123–45–6789 P.O.D. the United States Treasury.

§ 353.8 Chain letters prohibited.

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

Subpart C—Limitations on Annual Purchases

§ 353.10 Amounts which may be purchased.

The amount of savings bonds of Series EE and HH 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 § 353.11 and is limited as follows:

(a) *Series EE*—(1) *General annual limitation*. $30,000 (face amount).

(2) *Special limitation*. $4,000 (face amount) multiplied by the highest number of employees participating in an eligible employee plan, as defined in § 353.13, at any time during the calendar year in which the bonds are issued.

(b) *Series HH*—(1) *General annual limitation*. $20,000 (face amount).

(2) *Special limitation*. $200,000 (face amount) for bonds received in a calendar year as gifts by an organization which at the time of purchase was an exempt organization under the terms of 26 CFR 1.501(c)(3)–1.

§ 353.11 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. A pension or retirement fund, or an investment, insurance, annuity, or similar fund or trust is regarded as an entity, regardless of the number of beneficiaries or the manner in which their shares or interests are established, determined, or segregated.

(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 of that person alone;

(2) All bonds registered in the name of the representative of the estate of that person; and

(3) All bonds registered in the name of that person as coowner. However, in computing the amount of bonds of each series held in coownership form, the limitation may be applied to the holdings of either of the coowners or apportioned between them.

(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 § 353.70 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;

(3) Bonds issued in an authorized exchange or reinvestment; and

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

§ 353.12 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 26101, for appropriate adjustment of the excess. Under the conditions specified in § 353.90, the Commissioner of the Public Debt may permit excess purchases to stand in any particular case or class of cases.

§ 353.13 Employee plans—Conditions of eligibility.

(a) *Definition of plan*. Employee thrift, savings, vacation 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 EE 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 § 353.10.

(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 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 $50 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 EE bond in the denomination of $10,000 (face amount) is purchased in December 1980 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 EE bond in the denomination of $100 (face amount) bearing an issue date of December 1, 1980.

(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 1954 (26 U.S.C. section 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.* 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. 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 EE 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 26101.

(31 U.S.C. 3105 and 3121)

[44 FR 76441, Dec. 26, 1979, as amended at 48 FR 55458, Dec. 13, 1983; 59 FR 10541, Mar. 4, 1994]

Subpart D—Limitations on Transfer or Pledge

§ 353.15 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.

§ 353.16 Pledge.

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

Subpart E—Judicial Proceedings

§ 353.20 General.

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

(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 353.23 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.

§ 353.21 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. 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.

(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.

§ 353.22 Payment or reissue pursuant to judgment.

(a) *Divorce.* 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:

(1) A request for reissue by the other person or (2) 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. The evidence required under § 353.23 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) *Gift causa mortis.* A savings bond belonging solely to one individual will be paid or reissued at the request of the person found by a court to be entitled by reason of a gift causa mortis from the sole owner.

(c) *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.

§ 353.23 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.

§ 353.24 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 (a)(4) above, 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 (b), 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.

[61 FR 53822, Oct. 15, 1996]

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

§ 353.25 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 considers necessary to protect the interests of the United States. In all cases the savings bond must be identified by serial number and the applicant must submit satisfactory evidence of the loss, theft, or destruction, or a satisfactory explanation of the mutilation or defacement.

§ 353.26 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 26101.

(b) If the bond serial number is not known, the claimant must provide sufficient information to enable the Bureau of the Public Debt to identify the bond by serial number. See § 353.29(c). The Bureau will furnish the proper application form and instructions.

(c) If applicable, a defaced bond and all available fragments of a mutilated bond should be submitted to the Bureau.

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

(1) If the bond is in beneficiary form and the owner and beneficiary are both living, both will ordinarily be required to join in the application.

(2) If a minor named on a bond as owner, coowner, or beneficiary is not of sufficient competency and understanding to request payment, both parents 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 check in payment.

§ 353.27 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.

§ 353.28 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 26101, 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, WV 26101, for cancellation.

§ 353.29 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.* A bond for which no claim has been filed within 10 years of the recorded date of redemption will be presumed to have been properly paid. If a claim is subsequently filed, a photographic copy of the bond will not be available to support the disallowance.

(c) *Claims filed six years after final maturity.* No claim filed six years or more after the final maturity of a savings bond will be entertained unless the claimant supplies the serial number of the bond.

Subpart G—Interest

§ 353.30 Series EE bonds.

Series EE bonds are issued at a discount. The accrued interest is added to the issue price at stated intervals and is payable only at redemption as part of the redemption value. Information regarding interest rates and redemption values is found in Department of the Treasury Circular, Public Debt Series No. 1–80 (31 CFR part 351).

§ 353.31 Series HH bonds.

(a) *General.* Series HH bonds are current income bonds issued at par (face amount). Interest on a Series HH bond is paid semiannually beginning six months from the issue date. Interest ceases at final maturity, or, if the bond is redeemed prior to final maturity, as of the end of the interest period last preceding the date of redemption. For example, if a bond on which interest is payable on January 1 and July 1 is redeemed on September 1, interest ceases as of the preceding July 1, and no interest will be paid for the period from July 1 to September 1. However, if the redemption date falls on an interest payment date, interest ceases on that date. Information regarding interest rates is found in Department of the Treasury Circular, Public Debt Series No. 2–80, current revision (31 CFR part 352).

(b) *Payment of interest.* Series HH bond interest accounts are maintained by the Bureau of the Public Debt, Parkersburg, WV. Interest on bonds issued on or after October 1, 1989 will be paid on each interest due date by the Automated Clearing House (ACH) method to the owner or coowner's account at a financial institution, unless the Bureau determines that extraordinary circumstances warrant payment by check or other means. See 31 CFR part 370. Interest on bonds issued prior to October 1, 1989, is payable by check drawn to the order of the owner or both coowners or, upon request, by the ACH method to the owner or coowner's account at a financial institution. Checks will be mailed to the delivery address provided to the Bureau. Deposit account information for ACH payments shall be provided on the form designated by the Bureau. Rules governing payment of interest by the ACH method are contained in paragraph (h) of this section.

(Approved by the Office of Management and Budget under control number 1535–0094)

(c) *Delivery of interest.* (1) Notices affecting the delivery of interest payments. To ensure appropriate action, notices affecting the delivery of interest payments on Series HH bonds must be received by the Bureau of the Public Debt, Parkersburg, WV 26102–1328, at least one month prior to the interest payment date. Each notice must include the owner or coowner's name and the taxpayer identifying number appearing on the account under which records of the bonds are maintained. The notice must be signed by the owner or coowner or, in the case of a minor or incompetent, as provided in paragraph (d) or (e) of this section.

(2) *Owner or coowner deceased.* (i) Sole owner. Upon receipt of notice of the death of the owner of a bond, payment of interest will be suspended until satisfactory evidence is submitted as to who is authorized to receive and collect interest payments on behalf of the estate of the decedent, in accordance with the provisions of subpart L.

(ii) *Coowner.* Upon receipt of notice of the death of the coowner to whom interest payments have been directed, payment of interest will be suspended until delivery instructions are received from the other coowner, if living. If both coowners are deceased, payment of interest will be suspended until satisfactory evidence is submitted as to who is authorized to receive and collect interest payments on behalf of the estate of the last deceased coowner, in accordance with the provisions of subpart L.

(iii) *Owner with beneficiary.* Interest on a bond registered in beneficiary form is paid to the owner during his or her lifetime. Upon receiving notice of the owner's death, the Bureau will suspend payment of interest until the bond is presented for payment or reissue by the beneficiary, if surviving, or by some other proper person. Interest so withheld will be paid to the person entitled to the bond.

(d) *Representative appointed for the estate of a minor, incompetent, absentee, et al.* Interest on Series HH bonds is paid in accordance with the provisions of § 353.60 to the representative appointed for the estate of an owner who is a minor, incompetent, absentee, *et al.* If the registration of the bonds does not include reference to the owner's status, the bonds should be submitted for reissue to a designated Federal Reserve Bank so that interest payments may be properly directed. They must be accompanied by proof of appointment, as required by § 353.60.

(e) *Adult incapacitated owner having no representative.* If an adult owner of a Series HH bond is incapacitated and unable to receive and collect interest payments, and no legal guardian or similar representative has been appointed to act for the owner's the relative, or other person, responsible for his or her care and support may apply to the Bureau of the Public Debt for recog- nition as voluntary guardian for the purpose of receiving and collecting the payments.

(f) *Reissue during interest period.* Physical reissue of a Series HH bond may be made without regard to interest payment dates. The Series HH interest accounts maintained by the Bureau of the Public Debt will be closed in the first week of the month preceding each interest payment date, and payments will be made pursuant to the information contained in the accounts as of the date they are closed.

(g) *Endorsement of checks.* Interest checks must be endorsed in accordance with the regulations governing the payment of fiscal agency checks, as contained in 31 CFR part 355.

(h) *Payment of interest by the ACH method*—(1) *Submission of deposit account information.* To obtain payment of interest by the ACH method, the owner or coowner must furnish the name and ABA routing/transit number of the financial institution to which the payments are to be directed, as well as the deposit account title, number, and type or classification of the account. Such information shall be provided on the form(s) prescribed by the Bureau of the Public Debt. Payments on all Series HH bonds assigned to the same account maintained by the Bureau must be made to the same deposit account at a financial institution. If the financial institution designated to receive the interest payments has not agreed to receive and deposit payments under 31 CFR part 210, but is willing to do so, it should be asked to contact a Federal Reserve Bank for enrollment advice.

(2) *Designation of financial institution as owner's agent.* The designation of a financial institution to receive Series HH interest payments by an owner or coowner constitutes the appointment of that institution as his or her agent for receipt of the payments.

(3) *Deposit account held by individuals in their own right.* Where the Series HH bonds are registered in the name of individual(s) as sole owner, or as owner and beneficiary, and the deposit account at the financial institution is held in the name of individual(s) in their own right, the owner's name must appear on the deposit account. Where the bonds are registered in the names of two individuals as coowners and the deposit account is held in the name of individual(s) in their own right, the registration of the bonds and the title of the account must contain at least one name that is common to both. The deposit account to which the interest

payments are directed should preferably be established in a form identical to the registration of the bonds to ensure that rights of ownership and survivorship can be more easily identified and preserved. Neither the United States nor any Federal Reserve Bank shall be liable for any loss sustained because the interest of the holder(s) of a deposit account to which payments are made are not the same as the owner(s) of the bonds.

(4) *Deposit account held by organization.* Where the deposit account to which interest payments are to be directed is held in the name of the financial institution itself acting as sole trustee, or as co-trustee, or is the name of a commercially-managed investment fund, the owner or coowner should inquire whether the financial institution is able to receive ACH payments; if not, the owner or coowner should make alternative arrangements.

(5) *Financial institution cannot accept ACH payments.* If after submission of deposit account information, it is determined that ACH payments cannot be accepted by the designated financial institution, pending receipt of new deposit account information, payment will be made by check drawn to the registered owner or both coowners and mailed to the address of record.

(6) *Cancellation of ACH arrangement.* (i) Bonds issued on or after October 1, 1989. As set forth in paragraph (b) of this section and in the Series HH offering contained in Circular No. 2–80, interest on Series HH bonds issued on or after October 1, 1989, will be paid by the ACH method. In the absence of extraordinary circumstances, a request to discontinue payment by the ACH method in favor of payment by check will not be accepted.

(ii) Bonds issued prior to October 1, 1989. An ACH arrangement established in accordance with paragraph (b) of this section for Series HH bonds issued prior to October 1, 1989, shall remain in effect until it is terminated by one of the following events:

(A) Either coowner submits a request to the Bureau of the Public Debt, Parkersburg, WV, 26102–1328 to terminate the ACH arrangement;

(B) A change in the title of the deposit account to which payments are being directed alters the interest of the person(s) entitled to the payments;

(C) An individual named on the deposit account dies or is adjudicated legally incompetent;

(D) The account is closed; or

(E) The ACH arrangement is terminated unilaterally by the financial institution after having given written notice to the account holder 30 days in advance of the termination, except in cases of fraud, where termination shall be effective immediately.

(7) *Suspension of ACH payments.* Upon receipt of notice that a designated deposit account has been closed, that an individual named on such account is dead or has been declared legally incompetent, or where the corporation is the owner and it has been dissolved, the Bureau reserves the right to suspend ACH payments, pending satisfactory evidence of entitlement. See paragraph (c) of this section regarding suspension of payments in the case of deceased individuals.

(8) *Processing of ACH payments.* Series HH interest payments made by the ACH method will be processed in accordance with 31 CFR part 370.

(i) *Nonreceipt or loss of interest payment.* The Bureau of the Public Debt, Parkersburg, WV 26106–1328 should be notified if:

(1) An interest check is not received or is lost after receipt or

(2) An ACH payment is not credited to the designated account and the financial institution has no record of receiving it. The notice should include the owner or coowner's name and taxpayer identifying number and the interest payment date.

(ii) [Reserved]

[54 FR 40254, Sept. 29, 1989, as amended at 59 FR 10541, Mar. 4, 1994]

Subpart H—General Provisions for Payment

§ 353.35 Payment (redemption).

(a) *General.* Payment of a savings bond will be made to the person or persons entitled under the provisions of these regulations, except that checks in payment will not be delivered to addresses in areas with respect to which

the Department of the Treasury restricts or regulates the delivery of checks 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) *Series EE.* A Series EE bond will be paid at any time after six months from issue date at the current redemption value shown in Department of the Treasury Circular, Public Debt Series No. 1–80 (31 CFR part 351).

(c) *Series HH.* A Series HH bond will be paid at any time after six months from issue date. A Series HH bond issued in an authorized exchange or reinvestment transaction will be paid at face value. A Series HH bond issued for cash will be paid at the current redemption value shown in Department of the Treasury Circular, Public Debt Series No. 2–80, Second Revision (31 CFR part 352). If the bond is redeemed at less than face value, the difference represents an adjustment of interest. In any case where Series HH bonds are surrendered to a designated Federal Reserve Bank or Branch or the Bureau of the Public Debt, Parkersburg, WV 26106–1328, for redemption in the month prior to an interest payment date, redemption will not be deferred but will be made in regular course, unless the presenter specifically requests that the transaction be delayed until that date. A request to defer redemption made more than one month preceding the interest payment date will not be accepted.

[44 FR 76441, Dec. 26, 1979, as amended at 51 FR 23754, July 1, 1986; 59 FR 10541, Mar. 4, 1994]

§ 353.36 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.

§ 353.37 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 § 353.43), the other coowner will cease to have any interest in the bond. If both coowners request payment, payment will be made by check drawn in the form, ''John A. Jones AND Mary C. Jones''.

§ 353.38 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 § 353.43) the beneficiary will cease to have any interest in the bond.

§ 353.39 Surrender for payment.

(a) *Procedure for bonds of Series EE, in the names of individual owners or coowners only.* An individual who is the owner or coowner of a Series EE bond may present the bond to an authorized paying agent for redemption. The presenter must be prepared to establish his or her identity in accordance with Treasury instructions and identification guidelines. The owner or coowner 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 or coowner 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 immediate payment at the current redemption value without charge to the presenter. Paying agents are not authorized to process any case involving partial redemption or any case in which supporting evidence is required.

(b) *Procedure for all other cases.* In the case of 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 appear before an officer authorized to certify requests for payment, establish his or her identity, sign the request for payment, and provide information as to the address to which the check in payment is to be mailed. The bond 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 by check drawn to the order of the registered owner or other person entitled and will be mailed to the address requested.

(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.

[44 FR 76441, Dec. 26, 1979, as amended at 59 FR 10541, Mar. 4, 1994]

§ 353.40 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 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 J. 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 evidence on file in the Bureau of the Public Debt, 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 § 353.50.

(d) *Attorneys-in-fact.* A request for payment, reinvestment, or exchange executed by an attorney-in-fact 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.

[45 FR 64091, Sept. 26, 1980, as amended at 57 FR 39602, Sept. 1, 1992; 59 FR 10541, Mar. 4, 1994]

§ 353.41 Partial redemption.

A bond of Series EE or HH 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 § 353.39(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 I.

[44 FR 76441, Dec. 26, 1979, as amended at 59 FR 10541, Mar. 4, 1994]

§ 353.42 Nonreceipt or loss of check issued in payment.

If a check in payment 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.

§ 353.43 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.

§ 353.44 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 either in cash or through the issuance of the redemption check.

(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 L, 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 § 353.70 (b) and (c).

Subpart I—Reissue and Denominational Exchange

§ 353.45 General.

Reissue of a bond may be made only under the conditions specified in these regulations, and only at:

(a) A Federal Reserve Bank or Branch, or

(b) The Bureau of the Public Debt.

Reissue will not be made if the request is received less than one full calendar month before the final maturity date of a bond. The request, however, will be effective to establish ownership as though the requested reissue had been made.

§ 353.46 Effective date of request for reissue.

The Department of the Treasury will treat the receipt by: (a) A Federal Reserve Bank or Branch or (b) 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.

§ 353.47 Authorized reissue—during lifetime.

A bond belonging to an individual may be reissued in any authorized form of registration upon an appropriate request for the purposes outlined below.

(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, but only if:

(i) The new owner is related to the previous owner by blood (including legal adoption) or marriage; (ii) the previous owner and the new owner are parties to a divorce or annulment; or (iii) the new sole owner is the trustee of a personal trust estate which was created by the previous owner or which designates as beneficiary either the previous owner or a person related to him or her by blood (including legal adoption) or marriage.

(b) *Coownership*—(1) *Reissue—to name a related individual as owner or coowner.* During the lifetime of both coowners, a coownership bond may be reissued in the name of another individual related by blood (including legal adoption) or marriage to either coowner:

(i) As single owner,

(ii) As owner with one of the original coowners as beneficiary, or

(iii) As a new coowner with one of the original coowners.

(2) *Reissue—to name either coowner alone or with another individual as coowner or beneficiary.* During the lifetime of both coowners, a coownership bond may be reissued in the name of either coowner alone or with another individual as coowner or beneficiary if:

(i) After issue of the submitted bond, either coowner named thereon marries, or the coowners are divorced or legally separated from each other, or their marriage is annulled; or

(ii) Both coowners on the submitted bond are related by blood (including legal adoption) or marriage to each other.

(3) *Reissue—to name the trustee of a personal trust estate.* A bond registered in coownership form may be reissued to name a trustee of a personal trust estate created by either coowner or by some other person if:

(i) Either coowner is a beneficiary of the trust, or (ii) a beneficiary of the trust is related by blood or marriage to either coowner.

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

(1) To name the beneficiary as coowner;

(2) To substitute another individual as beneficiary; or

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

§ 353.48 Restrictions on reissue.

(a) *Denominational exchange.* Reissue is not permitted solely to change denominations.

(b) *United States Treasury.* Reissue may not be made to eliminate the United States Treasury as coowner.

§ 353.49 Correction of errors.

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

§ 353.50 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.

§ 353.51 Requests for reissue.

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 J—Certifying Officers

§ 353.55 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) *At 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 a 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.

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''.

(2) *At issuing agents that are not banks or trust companies.* Any officer of an organization, not a bank or a trust company, that is qualified as an issuing agent for bonds of Series EE. The agent's stamp must be imprinted in the certification.

(3) *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) *At the 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 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; the Governor and the Director of Administrative Services of American Samoa; or designated officers of the Panama Canal Commission.

(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.

§ 353.56 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.

§ 353.57 When a certifying officer may not certify.

Certifying officers may not certify the requests for payment 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.

§ 353.58 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 K—Minors, Incompetents, Aged Persons, Absentees, et al.

§ 353.60 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 accompained by appropriate evidence.

(b) Appropriate evidence for paragraphs (a) (2) and (3) of this section includes a certified copy of the letters of appointment or, if the representative is not appointed by a court, other proof of qualification. Except in the case of corporate fiduciaries, the evidence must show that the appointment is in full force and be 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)''.

§ 353.61 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.

§ 353.62 Payment to minors.

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.

§ 353.63 Payment to a parent or other person on behalf of a 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 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. The request must appear on the back of the bond in one of the following forms:

(a) *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

(b) *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

§ 353.64 Payment, reinvestment, or exchange—voluntary guardian of an incapacitated person.

(a) Payment of bonds. 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 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 § 315.60.

(b) Reinvestment of bonds. If the bonds have finally matured and it is desired to redeem them and reinvest the proceeds in other savings bonds, 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. If an amount insufficient to purchase an additional bond of any authorized denomination of either series remains after the reinvestment, the voluntary guardian may furnish additional funds sufficient to purchase another bond of either series 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.

(c) Exchange of bonds. The provisions for reinvestment of the proceeds of matured bonds are equally applicable to any authorized exchange of bonds of one series for those of another.

[57 FR 39602, Sept. 1, 1992]

§ 353.65 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:

(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) A bond on which a minor is named as beneficiary or coowner may be reissued in the name of a custodian for the minor under a statute authorizing gifts to minor upon the request of the adult whose name appears on the bond as owner or coowner.

(c) A minor coowner for whose estate no representative has been appointed, may be named sole owner upon the request of the competent coowner.

(d) Reissue to eliminate the name of a minor or incompetent for whose estate a legal representative has been appointed is permitted only if supported by evidence that a court has authorized the representative of the minor's or incompetent's estate to request the reissue. See § 353.23.

Except to the extent provided in paragraphs (a) through (d) 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 who is not of sufficient understanding to make a request, or other person under legal disability. Requests for reissue should be executed by the person authorized to request payment under §§ 353.60 and 353.63, or the person who may request recognization as voluntary guardian under § 353.64.

[44 FR 76441, Dec. 26, 1979. Redesignated at 57 FR 39602, Sept. 1, 1992]

Subpart L—Deceased Owner, Coowner or Beneficiary

§ 353.70 General rules governing entitlement.

The following rules 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:

(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) *Simultaneously 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 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 checks drawn against funds of the United States or its agencies or instrumentalities, delivery of the redemption check will not be made so long as the restriction applies. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211).

§ 353.71 Estate administered.

(a) *During administration.* The legal representative of an estate may request payment of bonds, including interest or redemption checks, belonging to the estate or may have the bonds reissued in the names of the persons entitled to share in the estate under the following conditions:

(1) When there is more than one legal representative, all must join in the request for payment or reissue, unless § 353.75(a)(1) or (b) applies.

(2) The request for payment or reissue must be signed in the form: ''John A. Jones, administrator of the estate (or executor of the will) of Henry M. Jones, deceased''. The request must be supported by evidence of the legal representative's authority in the form of a court certificate or a certified copy of the legal 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 the presentation of the bond.

(3) For reissue, the legal representative must certify that each person in whose name reissue is requested is entitled to the extent specified and must certify that each person has consented to the reissue. If a person in whose name reissue is requested desires to name a coowner or beneficiary, the person must execute an additional request for reissue on the appropriate form.

(b) *After administration.* If the estate of the decedent has been settled through judicial proceedings, the bond and interest and redemption checks will be paid, or the bond will be reissued, upon the request of the person shown to be entitled by the court order. The request must be supported by a certified copy of the legal representative's court-approved final account, the decree of distribution, or other pertinent court records. If two or

more persons have an interest in the bond, they must enter into an agreement concerning the bond's disposition. If the person entitled desires to name a coowner or beneficiary, a separate request must be made on an appropriate form.

(c) *Special provisions for small amounts.* Special procedures are available for establishing entitlement to, or effecting disposition of, savings bonds and interest and redemption checks if the aggregate face amount, excluding interest checks, does not exceed $1,000.

§ 353.72 Estate not administered.

(a) *Special State law provisions.* A request for payment or reissue of a bond by the person who has qualified under State law to receive or distribute the assets of a decedent's estate will be accepted, provided evidence of the person's authority is submitted.

(b) *Agreement of persons entitled.* If there is no legal representative for the estate of a decedent, the bonds will be paid to, or reissued in the name of, the persons entitled, pursuant to an agreement and request executed by all persons entitled to share in the decedent's personal estate. If the persons entitled to share in the decedent's personal estate include minors or incompetents, payment or reissue of the bonds must be made to them or in their names unless their interest in the bonds is otherwise protected.

(c) *Creditors.* An institutional creditor of a deceased owner's estate is entitled to payment only to the extent of its claim.

(d) *Special provisions for payment of small amounts—survivors of the decedent.* (1) If the face amount of the bond does not exceed $500 and there is no legal representative of the deceased owner's estate, the bond will be paid upon the request of the person who paid the burial expenses and who has not been reimbursed.

(2) If there is no legal representative of the estate of a decedent who died without a will, and the total face amount of bonds in the estate does not exceed $1,000 (face amount), the bonds may be paid to the decedent's survivors upon request in the following order of precedence:

(i) Surviving spouse;

(ii) If no surviving spouse, to the child or children of the decedent, and the descendants of deceased children by representation;

(iii) If none of the above, to the parents of the decedent, or the survivor;

(iv) If none of the above, to the brothers and sisters, and the decendants of deceased brothers or sisters by representation;

(v) If none of the above, to other next-of-kin, as determined by the laws of the owner's domicile at death;

(vi) If none of the above, to persons related to the decedent by marriage.

The payment pursuant to this section shall be made upon the request and agreement of the survivors to receive the redemption proceeds individually and for the account of any persons entitled. Interest checks held for the estate of a decedent will be distributed with the bonds.

Subpart M—Fiduciaries

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

(a) *Payment or reissue before maturity*—(1) *Request from the fiduciary named in the registration.* A request for reissue or payment prior to maturity must be signed by all of the fiduciaries unless by statute, decree of court, or the terms of the governing instrument, any lesser number may properly execute the request. If the fiduciaries named in the registration are still acting, no further evidence will be required. In other cases, evidence to support the request will be required, as specified:

(i) *Fiduciaries by title only.* If the bond is registered only in the titles, without the names, of fiduciaries not acting as a board, satisfactory evidence of their incumbency must be furnished, except in the case of bonds registered in the title of public officers as trustees.

(ii) *Boards, committees, commission, etc.* If a bond is registered in the name of a governing body which is empowered to act as a unit, and which holds title to the property of a religious, educational, charitable or nonprofit organization or a public corporation, the request should be signed in the name of the body by an authorized person. Ordinarily, a signed and certified request

will be accepted without further evidence.

(iii) *Corporate fiduciaries.* If a bond is registered in the name of a public or private corporation 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.

(2) *Trustee of a common trust fund.* A bond held by a financial institution in a fiduciary capacity 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 cofiduciary.

(3) *Successor fiduciary.* If the fiduciary in whose name the bond is registered has been replaced by another fiduciary, satisfactory evidence of successorship must be furnished.

(b) *Payment at or after final maturity.* At or after final maturity, a request for payment signed by any one or more of the fiduciaries will be accepted. Payment will be made by check drawn as the bond is registered.

§ 353.76 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 a fiduciary estate. 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.

§ 353.77 Exchanges by fiduciaries.

Fiduciaries are authorized to request an exchange of bonds of one series for those of another, pursuant to any applicable Department of the Treasury offering. A living coowner of beneficiary named on the bonds submitted in exchange may be retained in the same capacity on the new bonds.

Subpart N—Private Organizations (Corporations, Associations, Partnerships, et cetera) and Governmental Agencies, Units and Officers

§ 353.80 Payment to corporations or unincorporated associations.

A bond registered in the name of a private corporation or an unincorporated association will be paid to the corporation or unincorporated association upon a request for payment on its behalf by an authorized officer. The signature to the request should be in the form, for example, ''The Jones Coal Company, a corporation, by John Jones, President'', or ''The Lotus Club, an unincorporated association, by William A. Smith, Treasurer''. A request for payment so signed and certified will ordinarily be accepted without further evidence of the officer's authority.

§ 353.81 Payment to partnerships.

A bond registered in the name of an existing partnership will be paid upon a request for payment signed by a general partner. The signature to the request should be in the form, for example, ''Smith and Jones, a partnership, by John Jones, a general partner''. A request for payment so signed and certified will ordinarily be accepted as sufficient evidence that the partnership is still in existence and that the person signing the request is authorized.

§ 353.82 Reissue or payment to successors of corporations, unincorporated associations, or partnerships.

A bond registered in the name of a private corporation, an unincorporated association, or a partnership which has been succeeded by another corporation, unincorporated association, or partnership by operation of law or otherwise, in any manner whereby the business or activities of the original organization are continued without substantial change, will be paid to or reissued in the name of the succeeding organization upon appropriate request on its

behalf, supported by satisfactory evidence of successorship. The appropriate form should be used.

§ 353.83 Reissue or payment on dissolution of corporation or partnership.

(a) *Corporations.* A bond registered in the name of a private corporation which is in the process of dissolution will be paid to the authorized representative of the corporation upon a request for payment, supported by satisfactory evidence of the representative's authority. At the termination of dissolution proceedings, the bond may be reissued upon the request of the authorized representative in the names of those persons, other than creditors, entitled to the assets of the corporation, to the extent of their respective interests. Proof will be required that all statutory provisions governing the dissolution of the corporation have been complied with and that the persons in whose names reissue is requested are entitled and have agreed to the reissue. If the dissolution proceedings are under the direction of a court, a certified copy of an order of the court, showing the authority of the representative to make the distribution requested must be furnished.

(b) *Partnerships.* A bond registered in the name of a partnership which has been dissolved by death or withdrawal of a partner, or in any other manner:

(1) Will be paid upon a request for payment by any partner or partners authorized by law to act on behalf of the dissolved partnership, or

(2) Will be paid to or reissued in the names of the persons entitled as the result of such dissolution to the extent of their respective interests, except that reissue will not be made in the names of creditors. The request must be supported by satisfactory evidence of entitlement, including proof that the debts of the partnership have been paid or properly provided for. The appropriate form should be used.

§ 353.84 Payment to certain institutions.

A bond registered in the name of a church, hospital, home, school, or similar institution, without reference in the registration to the manner in which it is organized or governed or to the manner in which title to its property is held, will be paid upon a request for payment signed on behalf of such institution by an authorized representative. A request for payment signed by a pastor of a church, superintendent of a hospital, president of a college, or by any official generally recognized as having authority to conduct the financial affairs of the particular institution will ordinarily be accepted without further proof of authority. The signature to the request should be in the form, for example, ''Shriners' Hospital for Crippled Children, St. Louis, MO, by William A. Smith, Superintendent'', or ''St. Mary's Roman Catholic Church, Albany, NY, by the Rev. John Smyth, Pastor''.

§ 353.85 Reissue in name of trustee or agent for reinvestment purposes.

A bond registered in the name of a religious, educational, charitable or nonprofit organization, whether or not incorporated, may be reissued in the name of a financial institution, or an individual, as trustee or agent. There must be an agreement between the organization and the trustee or agent holding funds of the organization, in whole or in part, for the purpose of investing and reinvesting the principal and paying the income to the organization. Reissue should be requested on behalf of the organization by an authorized officer using the appropriate form.

§ 353.86 Reissue upon termination of investment agency.

A bond registered in the name of a financial institution, or individual, as agent for investment purposes only, under an agreement with a religious, an educational, a charitable, or a nonprofit organization, may be reissued in the name of the organization upon termination of the agency. The former agent should request such reissue and should certify that the organization is entitled by reason of the termination of the agency. If such request and certification are not obtainable, the bond will be reissued in the name of the organization upon its own request, supported by satisfactory evidence of the

termination of the agency. The appropriate form should be used.

§ 353.87 Payment to governmental agencies, units, or their officers.

(a) *Agencies and units.* A bond registered in the name of a State, county, city, town, village, or in the name of a Federal, State, or local governmental agency, such as a board, commission, or corporation, will be paid upon a request signed in the name of the governmental agency or unit or by an authorized officer. A request for payment so signed and certified will ordinarily be accepted without further proof of the officer's authority.

(b) *Officers.* A bond registered in the official title of an officer of a governmental agency or unit will be paid upon a request for payment signed by the officer. The request for payment so signed and certified will ordinarily be accepted as proof that the person signing is the incumbent of the office.

Subpart O—Miscellaneous Provisions

§ 353.90 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 these regulations. He 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 existing rights, and (c) if he is satisfied that such action would not subject the United States to any substantial expense or liability.

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

§ 353.92 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 of Series EE and HH.

PART 354—REGULATIONS GOVERNING BOOK-ENTRY SECURITIES OF THE STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)

Sec.

354.0 Applicability; maintenance of Sallie Mae Securities.
354.1 Definitions of terms.
354.2 Law governing rights and obligations of Federal Reserve Banks, and Sallie Mae; rights of any Person against Federal Reserve Bank, and Sallie Mae.
354.3 Law governing other interests.
354.4 Creation of Participant's Security Entitlement; security interests.
354.5 Obligations of Sallie Mae; no adverse claims.
354.6 Authority of Federal Reserve Banks.
354.7 Withdrawal of eligible Book-entry Sallie Mae Securities for conversion to definitive form.
354.8 Waiver of regulations.
354.9 Liability of Sallie Mae and Federal Reserve Banks.
354.10 Additional provisions.

AUTHORITY: 12 U.S.C. 391; 20 U.S.C. 1087–2(m).

SOURCE: 62 FR 622, Jan. 6, 1997, unless otherwise noted.

§ 354.0 Applicability; maintenance of Sallie Mae Securities.

(a) A Sallie Mae Security may be maintained in the form of a Definitive Sallie Mae Security or a Book-entry Sallie Mae Security. A Book-entry Sallie Mae Security shall be maintained in the Book-entry System.

(b) The Sallie Mae Securities to which the regulations in this part apply are obligations which, by the terms of their issue, are available exclusively as Book-entry Sallie Mae Securities or which, pursuant to the securities documentation, are convertible from Book-entry Sallie Mae Securities to Definitive Sallie Mae Securities or vice versa.

§ 354.1 Definitions of terms.

(a) *Adverse Claim* means a claim that a claimant has a property interest in a Security and that it is a violation of the rights of the claimant for another Person to hold, transfer, or deal with the Security.

(b) *Book-entry Sallie Mae Security* means a Sallie Mae Security issued or maintained in the Book-entry System.

(c) *Book-entry System* means the automated book-entry system operated by the Federal Reserve Banks acting as the fiscal agent for Sallie Mae, on which Book-entry Sallie Mae Securities are issued, recorded, transferred and maintained in book-entry form.

(d) *Definitive Sallie Mae Security* means a Sallie Mae Security in engraved or printed form, or that is otherwise represented by a certificate.

(e) *Eligible Book-entry Sallie Mae Security* means a Book-entry Sallie Mae Security issued or maintained in the Book-entry System which by the terms of its Security Documentation is available in either definitive or book-entry form.

(f) *Entitlement Holder* means a Person to whose account an interest in a Book-entry Sallie Mae Security is credited on the records of a Securities Intermediary.

(g) *Federal Reserve Bank* means a Federal Reserve Bank or Branch.

(h) *Federal Reserve Bank Operating Circular* means the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Federal Reserve Bank maintains book-entry Securities accounts (including Book-entry Sallie Mae Securities) and transfers book-entry Securities (including Book-entry Sallie Mae Securities).

(i) *Funds Account* means a reserve and/or clearing account at a Federal Reserve Bank to which debits or credits are posted for transfers against payment, book-entry securities transaction fees, or principal and interest payments.

(j) *Participant* means a Person that maintains a Participant's Securities Account with a Federal Reserve Bank.

(k) *Participant's Securities Account* means an account in the name of a Participant at a Federal Reserve Bank to which Book-entry Sallie Mae Securities held for a Participant are or may be credited.

(l) *Person* means and includes an individual, corporation, company, governmental entity, association, firm, partnership, trust, estate, representative, and any other similar organization, but does not mean or include the United States, Sallie Mae, or a Federal Reserve Bank.

(m) *Revised Article 8* means Uniform Commercial Code, Revised Article 8, Investment Securities (with Conforming and Miscellaneous Amendments to Articles 1, 3, 4, 5, 9, and 10) 1994 Official Text. Revised Article 8 of the Uniform Commercial Code is incorporated by reference in this part pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Article 8 was adopted by the American Law Institute and the National Conference of Commissioners on Uniform State laws and approved by the American Bar Association on February 14, 1995. Copies of this publication are available from the Executive Office of the American Law Institute, 4025 Chestnut Street, Philadelphia, PA 19104, and the National Conference of Commissioners on Uniform State Laws, 676 North St. Clair Street, Suite 1700, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 5030, main Treasury Building, 1500 Pennsylvania Avenue, N.W., Washington D.C. 20220, and in the Office of the Federal Register, 800 North Capitol St., N.W., Suite 700, Washington D.C.

(n) *Sallie Mae* means the Student Loan Marketing Association, a stock holder-owned corporation and government-sponsored enterprise established in 1972 by, and operating pursuant to, section 439 of the Higher Education Act of 1965, as amended, 20 U.S.C. 1087–2.

(o) *Sallie Mae Security* means any security or obligation of Sallie Mae issued in the form of a Definitive Sallie Mae Security or a Book-entry Sallie Mae Security.

(p) *Securities Documentation* means the applicable statement of terms and conditions or other documents establishing the terms of a Book-entry Sallie Mae Security.

(q) *Securities Intermediary* means:

(1) A Person that is registered as a ''clearing agency'' under the federal securities laws; a Federal Reserve Bank; any other Person that provides clearance or settlement services with respect to a Book-entry Security that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority; or

(2) A Person (other than an individual, unless such individual is registered as a broker or dealer under the federal securities laws) including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

(r) *Security* means any note, bond, debenture, evidence of indebtedness, or, in general, any interest or instrument commonly known as a ''security.''

(s) *Security Entitlement* means the rights and property interest of an Entitlement Holder with respect to a Book-entry Sallie Mae Security.

(t) *State* means any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other territory or possession of the United States.

(u) *Transfer Message* means an instruction of a Participant to a Federal Reserve Bank to effect a transfer of a Book-entry Security (including a Book-entry Sallie Mae Security) maintained in the Book-entry System, as set forth in Federal Reserve Bank Operating Circulars.

§ 354.2 Law governing rights and obligations of Federal Reserve Banks, and Sallie Mae; rights of any Person against Federal Reserve Banks and Sallie Mae.

(a) Except as provided in paragraph (b) of this section, the following are governed solely by the book-entry regulations contained in this part 354, the Securities Documentation (to the extent not inconsistent with these regulations) and Federal Reserve Bank Operating Circulars:

(1) The rights and obligations of Sallie Mae and the Federal Reserve Banks with respect to:

(i) A Book-entry Sallie Mae Security or Security Entitlement; and

(ii) The operation of the Book-entry System as it applies to Sallie Mae Securities; and

(2) The rights of any Person, including a Participant, against Sallie Mae and the Federal Reserve Banks with respect to:

(i) A Book-entry Sallie Mae Security or Security Entitlement; and

(ii) The operation of the Book-entry System as it applies to Sallie Mae Securities.

(b) A security interest in a Security Entitlement that is in favor of a Federal Reserve Bank from a Participant and that is not recorded on the books of a Federal Reserve Bank pursuant to § 354.4(c)(1), is governed by the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the Participant's Securities Account is located. A security interest in a Security Entitlement that is in favor of a Federal Reserve Bank from a Person that is not a Participant, and that is not recorded on the books of a Federal Reserve Bank pursuant to § 354.14(c)(1), is governed by the law determined in the manner specified in § 354.3.

(c) If the jurisdiction specified in the first sentence of paragraph (b) of this section is a State that has not adopted Revised Article 8 (incorporated by reference, see § 354.1), then the law specified in paragraph (b) shall be the law of that State as though Revised Article 8 had been adopted by that State.

§ 354.3 Law governing other interests.

(a) To the extent not inconsistent with the regulations in this part, the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction governs:

(1) The acquisition of a Security Entitlement from the Securities Intermediary;

(2) The rights and duties of the Securities Intermediary and Entitlement Holder arising out of a Security Entitlement;

(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;

(4) Whether an Adverse Claim can be asserted against a Person who acquires a Security Entitlement from the Securities Intermediary or a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and

(5) Except as otherwise provided in paragraph (c) of this section, the perfection, effect of perfection or non-perfection and priority of a security interest in a Security Entitlement.

(b) The following rules determine a ''Securities Intermediary's jurisdiction'' for purposes of this section:

(1) If an agreement between the Securities Intermediary and its Entitlement Holder specifies that it is governed by the law of a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(2) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify the governing law as provided in paragraph (b)(1) of this section, but expressly specifies that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(3) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the office identified in an account statement as the office serving the Entitlement Holder's account.

(4) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section and an account statement does not identify an office serving the Entitlement Holder's account as provided in paragraph (b)(3) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the chief executive office of the Securities Intermediary.

(c) Notwithstanding the general rule in paragraph (a)(5) of this section, the law (but not the conflict-of-law rules) of the jurisdiction in which the Person creating a security interest is located governs whether and how the security interest may be perfected automatically or by filing a financing statement.

(d) If the jurisdiction specified in paragraph (b) of this section is a State that has not adopted Revised Article 8 (incorporated by reference, see § 354.1), then the law for the matters specified in paragraph (a) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State. For purposes of the application of the matters specified in paragraph (a) of this section, the Federal Reserve Bank maintaining the Participant's Securities Account is a clearing corporation, and the Participant's interest in a Book-entry Security is a Security Entitlement.

§ 354.4 Creation of Participant's Security Entitlement; security interests.

(a) A Participant's Security Entitlement is created when a Federal Reserve Bank indicates by book-entry that a Book-entry Sallie Mae Security has been credited to a Participant's Securities Account.

(b) A security interest in a Security Entitlement of a Participant in favor of the United States to secure deposits of public money, including without limitation deposits to the Treasury tax and loan accounts, or other security interest in favor of the United States that is required by Federal statute, regulation, or agreement, and that is marked on the books of a Federal Reserve Bank is thereby effected and perfected, and has priority over any other interest in the securities. Where a security interest in favor of the United States in a Security Entitlement of a Participant is marked on the books of a Federal Reserve Bank, such Federal Reserve Bank may rely, and is protected in relying, exclusively on the order of an authorized representative of the United States directing the transfer of the security. For purposes of this paragraph, an ''authorized representative of the United States'' is the official designated in the applicable regulations or agreement to which a Federal Reserve Bank is a party, governing the security interest.

(c)(1) Sallie Mae and the Federal Reserve Banks have no obligation to agree to act on behalf of any Person or

to recognize the interest of any transferee of a security interest or other limited interest in favor of any Person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the Participant is recorded. To the extent required by such law or regulation or set forth in an agreement with a Federal Reserve Bank, or the Federal Reserve Bank Operating Circular, a security interest in a Security Entitlement that is in favor of a Federal Reserve Bank, Sallie Mae, or a Person may be created and perfected by a Federal Reserve Bank marking its books to record the security interest. Except as provided in paragraph (b) of this section, a security interest in a Security Entitlement marked on the books of a Federal Reserve Bank shall have priority over any other interest in the securities.

(2) In addition to the method provided in paragraph (c)(1) of this section, a security interest, including a security interest in favor of a Federal Reserve Bank, may be perfected by any method by which a security interest may be perfected under applicable law as described in §354.2(b) or §354.3. The perfection, effect of perfection or nonperfection and priority of a security interest are governed by such applicable law. A security interest in favor of a Federal Reserve Bank shall be treated as a security interest in favor of a clearing corporation in all respects under such law, including with respect to the effect of perfection and priority of such security interest. A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for such purposes.

§354.5 Obligations of Sallie Mae; no adverse claims.

(a) Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in §354.4(c)(1), for the purposes of this part 354, Sallie Mae and the Federal Reserve Banks shall treat the Participant to whose Securities Account an interest in a Book-entry Sallie Mae Security has been credited as the person exclusively entitled to issue a Transfer Message, to receive interest and other payments with respect thereof and otherwise to exercise all the rights and powers with respect to such Security, notwithstanding any information or notice to the contrary. Neither the Federal Reserve Banks nor Sallie Mae is liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to a Book-entry Sallie Mae Security in a Participant's Securities Account, including any such claim arising as a result of the transfer or disposition of a Book-entry Sallie Mae Security by a Federal Reserve Bank pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(b) The obligation of Sallie Mae to make payments of interest and principal with respect to Book-entry Sallie Mae Securities is discharged at the time payment in the appropriate amount is made as follows:

(1) Interest on Book-entry Sallie Mae Securities is either credited by a Federal Reserve Bank to a Funds Account maintained at such Bank or otherwise paid as directed by the Participant.

(2) Book-entry Sallie Mae Securities are redeemed at maturity or pursuant to a call for redemption in accordance with their terms by a Federal Reserve Bank withdrawing the securities from the Participant's Securities Account in which they are maintained and by either crediting the amount of the redemption proceeds, including both principal and interest where applicable, to a Funds Account at such Bank or otherwise paying such principal and interest, as directed by the Participant.

§354.6 Authority of Federal Reserve Banks.

(a) Each Federal Reserve Bank is hereby authorized as fiscal agent of Sallie Mae to perform functions with respect to the issuance of Book-entry Sallie Mae Securities offered and sold by Sallie Mae, in accordance with the Securities Documentation, and Federal Reserve Bank Operating Circulars; to service and maintain Book-entry Sallie Mae Securities in accounts established for such purposes; to make payments of principal and interest with respect to such Book-entry Sallie Mae Securities

as directed by Sallie Mae; to effect transfer of Book-entry Sallie Mae Securities between Participants' Securities Account as directed by the Participants; to effect conversions between Book-entry Sallie Mae securities and Definitive Sallie Mae Securities with respect to those securities as to which conversion rights are available pursuant to the applicable Securities Documentation; and to perform such other duties as fiscal agent as may be requested by Sallie Mae.

(b) Each Federal Reserve Bank may issue Operating Circulars not inconsistent with this part, governing the details of its handling of Book-entry Sallie Mae Securities, Security Entitlements, and the operation of the Book-entry System under this part.

§ 354.7 Withdrawal of eligible Book-entry Sallie Mae Securities for conversion to definitive form.

(a) Eligible Book-entry Sallie Mae Securities may be withdrawn from the Book-entry System by requesting delivery of like Definitive Sallie Mae Securities.

(b) A Federal Reserve Bank shall, upon receipt of appropriate instructions to withdraw Eligible Book-entry Sallie Mae Securities from book-entry in the Book-entry System, convert such securities into Definitive Sallie Mae Securities and deliver them in accordance with such instructions. No such conversion shall affect existing interests in such Sallie Mae Securities.

(c) All requests for withdrawal of Eligible Book-entry Sallie Mae Securities must be made prior to the maturity or date of call of such securities.

(d) Sallie Mae Securities which are to be delivered upon withdrawal may be issued in either registered or bearer form, to the extent permitted by the applicable Securities Documentation.

§ 354.8 Waiver of regulations.

The Secretary reserves the right, in the Secretary's discretion, to waive any provision(s) of the regulations in this part in any case or class of cases for the convenience of Sallie Mae, or in order to relieve any person or entity of unnecessary hardship, if such action is not inconsistent with law, does not adversely affect substantial existing rights, and the Secretary is satisfied that such action will not subject Sallie Mae to any substantial expense or liability.

§ 354.9 Liability of Sallie Mae and Federal Reserve Banks.

Sallie Mae and the Federal Reserve Banks may rely on the information provided in a Transfer Message, and are not required to verify the information. Sallie Mae and the Federal Reserve Banks shall not be liable for any action taken in accordance with the information set out in a Transfer Message or evidence submitted in support thereof.

§ 354.10 Additional provisions.

(a) *Additional requirements.* In any case or any class of cases arising under these regulations, Sallie Mae may require such additional evidence and a bond of indemnity, with or without surety, as may in the judgment of Sallie Mae be necessary for the protection of the interests of Sallie Mae.

(b) *Notice of attachment for Sallie Mae Securities in Book-entry System.* The interest of a debtor in a Security Entitlement may be reached by a creditor only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained, except where a Security Entitlement is maintained in the name of a secured party, in which case the debtor's interest may be reached by legal process upon the secured party. The regulations in this part do not purport to establish whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

PART 355—REGULATIONS GOVERNING FISCAL AGENCY CHECKS

Sec.

355.0 Applicability.
355.1 Governing law.
355.2 Definitions.
355.3 Presentment.
355.4 Presentment warranties.
355.5 Notice and replacement—non-receipt, theft, loss or destruction; late presentment.
355.6 Additional requirements.
355.7 Waiver of regulations.

355.8 Supplements, amendments or revisions.

AUTHORITY: 31 U.S.C. chapter 31; 12 U.S.C. 391.

SOURCE: 50 FR 42519, Oct. 21, 1985, unless otherwise noted.

§ 355.0 Applicability.

The regulations in this part prescribe the rights and liabilities of the United States, the Federal Reserve Banks, and others on fiscal agency checks. They apply to checks issued on behalf of the United States for payments in connection with United States securities. The checks are issued by a Federal Reserve Bank, in its capacity as fiscal agent of the United States. The checks are drawn on the payor Federal Reserve Bank in its banking capacity. They are referred to from time to time as fiscal agency checks. The drawer of a fiscal agency check is the United States; the drawee is a Federal Reserve Bank. Therefore, a fiscal agency check shall not be deemed to be drawn on the United States nor shall the Federal Reserve Bank be deemed its drawer.

§ 355.1 Governing law.

Except as otherwise provided by statute or this part, the regulations governing checks drawn on the United States or on designated depositories of the United States (*e.g.*, 31 CFR parts 235, 240, 245, and 248) are inapplicable to fiscal agency checks. As to definitions and other matters not specifically covered in this part, fiscal agency checks are governed by Regulation J of the Board of Governors of the Federal Reserve System, 12 CFR part 210 (''Regulation J''), and to the extent not otherwise inconsistent with these regulations and Regulation J, the Uniform Commercial Code (''U.C.C.''), as drafted by the National Conference of Commissioners on Uniform State Laws, and as both may from time to time be revised. Such matters include, but are not limited to, rules regarding general presentment and transfer warranties (as modified herein), indorsement, and final payment.

§ 355.2 Definitions.

Department means the United States Department of the Treasury.

Depository institution means an entity described in section 19(b) of the Federal Reserve Act.[1]

Fiscal agency check means any check drawn upon a Reserve Bank and issued on the Department's behalf by the Reserve Bank in its capacity as fiscal agent of the United States for payments in connection with United States securities.

Payee means the person to whom a fiscal agency check is made payable.

Payor Reserve Bank means the Reserve Bank on which a fiscal agency check is drawn.

Presenting bank means a depository institution which sends a fiscal agency check directly to a Reserve Bank for payment or collection.

Reserve Bank or *Federal Reserve Bank* means any Federal Reserve Bank or any branch of a Federal Reserve Bank.

Security means a direct obligation of the United States, including Treasury bill, note, or savings bond/note.

§ 355.3 Presentment.

(a) *Manner of presentment.* Presentment of a fiscal agency check must be made to the payor Reserve Bank. Such Reserve Bank will cash a fiscal agency check over-the-counter only if presented by the payee and the payee can be reasonably identified to the satisfaction of the Reserve Bank. Otherwise, a fiscal agency check must be

[1] Under section 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)), the term *depository institution* means:

(i) Any insured bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(ii) Any mutual savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(iii) Any savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(iv) Any insured credit union as defined in 12 U.S.C. 1752 or any credit union which is eligible to make application to become an insured credit union pursuant to 12 U.S.C. 1781;

(v) Any member as defined in 12 U.S.C. 1422; and

(vi) Any insured institution as defined in 12 U.S.C. 1724 or any institution which is eligible to make application to become an insured institution under 12 U.S.C. 1726.

presented through banking channels. A refusal to accept or pay a fiscal agency check presented over-the-counter by a person other than the payee or by a payee not reasonably identified does not constitute dishonor.

(b) *Time limit on presentment.* A payor Reserve Bank may refuse to pay a fiscal agency check presented to it more than six (6) months after the issue date on the check. A fiscal agency check not timely presented should be surrendered by the holder to the payor Reserve Bank with a request for issuance of a replacement check pursuant to § 355.5 (d) of this part.

§ 355.4 Presentment warranties.

(a) *Warranties under Regulation J and State law; modifications.* A presenting bank makes the warranties required of a sender under Subpart A of Regulation J. This paragraph does not limit any warranty by a presenter or other party arising under State law. Neither the Department nor a Reserve Bank is barred from recovering on a breach of warranty solely because:

(1) The negligence of the Department or of a Reserve Bank, as fiscal agent, had contributed to a fraudulent indorsement or material alteration;

(2) The Department or a Reserve Bank, as fiscal agent, had failed promptly to discover an unauthorized signature or alteration; or

(3) An imposter had fraudulently caused the issuance of a fiscal agency check in the name of any existing payee; or

(4) An employee of the Department or a Reserve Bank, as fiscal agent, had fraudulently caused the issuance of a fiscal agency check in the name of any existing payee.

(b) *Effect of breach of warranty.* In the event of a breach of warranty, the payor Reserve Bank may either return the item to the presenting bank or send to the presenting bank notice of the breach. If, upon receipt of the returned check or notice of breach, the presenting bank does not make prompt restitution, the Department may begin appropriate collection procedures.

§ 355.5 Notice and replacement—non-receipt, theft, loss or destruction; late presentment.

(a) *Notification.* If a fiscal agency check is not received by the payee within a reasonable time after a payment is due, or if the check is lost, stolen or destroyed, prompt notification thereof should be made to the payor Reserve Bank or directly to the Department, as appropriate. The notice may be given by telephone, but if it is given by telephone, such notice must be confirmed in writing before a replacement check is issued. The notification must contain sufficient information to enable the payor Reserve Bank or the Department to identify the account and/or the security to which the payment is related. Payment on a fiscal agency check will be stopped if the notice of non-receipt, loss, theft, or destruction is received at such time and in such manner as to afford the payor Reserve Bank a reasonable opportunity to act on it prior to final payment, as provided by applicable law.

(b) *Replacement action.* The payor Reserve Bank will issue a replacement fiscal agency check if:

(1) Written notice, as provided in paragraph (a) of this section, is submitted;

(2) The fiscal agency check is unpaid;

(3) It determines that recovery of the original check is unlikely; and

(4) The payee and endorsee, if any, of the check execute such indemnification agreement as may be required.

(c) *Recovery before replacement.* If prior to the issuance of a replacement fiscal agency check, the original check is recovered by the payee or any holder, and such recovery is confirmed in writing, the stop payment order against the check will be removed. If a replacement check was issued, the original check should be returned to the payor Reserve Bank.

(d) *Late presentment.* If a payor Reserve Bank refuses payment on a fiscal agency check solely as a result of § 355.3(b) of this part, a replacement check will be issued to a payee or holder upon surrender of the original check and execution of such indemnification agreement as may be required.

(e) *Improper endorsement.* Upon verification of the existence of a forged or unauthorized endorsement on a fiscal agency check which has been finally paid, the payor Reserve Bank shall issue a replacement check to the person entitled. In any event, the payee or endorsee of the check will be required to execute an affidavit asserting that there has been a forged or unauthorized endorsement, in addition to any required indemnification agreement.

(f) *Payment to two or more persons.* In the case of a fiscal agency check payable to the order of two or more persons, the requirements of this section apply to all designated payees.

[50 FR 42519, Oct. 21, 1985; 50 FR 46284, Nov. 7, 1985]

§ 355.6 Additional requirements.

In any case or any class of cases arising under these regulations, the Secretary of the Treasury (*Secretary*) may require such additional evidence of loss, improper endorsement or entitlement to a replacement as may in the judgment of the Secretary be necessary for the protection of the interests of the United States.

§ 355.7 Waiver of regulations.

The Secretary reserves the right, in the Secretary's discretion, to waive any provision(s) of these regulations in any case or class of cases for the convenience of the United States or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not impair any existing rights, and the Secretary is satisfied that such action will not subject the United States to any substantial expense or liability.

§ 355.8 Supplements, amendments or revisions.

The Secretary may, at any time, prescribe additional supplemental, amendatory or revised regulations with respect to fiscal agency checks.

PART 356—SALE AND ISSUE OF MARKETABLE BOOK-ENTRY TREASURY BILLS, NOTES, AND BONDS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 1–93)

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EXHIBIT C TO PART 356—MINIMUM PAR AMOUNTS FOR FIXED-PRINCIPAL STRIPS

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 3102, *et seq.*; 12 U.S.C. 391.

SOURCE: 58 FR 414, Jan. 5, 1993, unless otherwise noted.

Subpart A—General Information

§ 356.0 Authority for sale and issue.

The Secretary of the Treasury is authorized under chapter 31 of title 31, United States Code, to issue United States obligations and to offer them for sale under such terms and conditions as the Secretary may prescribe.

§ 356.1 Applicability.

Unless otherwise specified in an offering announcement, the provisions in this part, including the appendices, govern the sale and issuance of all marketable Treasury securities and any other obligations issued by the Secretary that, by the terms of the offering announcement, are made subject to this part.

§ 356.2 Definitions.

In this part, unless the context indicates otherwise:

Accrued interest means an amount payable to the Department for such part of the next semiannual interest payment that represents interest income attributed to the period prior to the date of issue. (See appendix B, section I, paragraph C.)

Adjusted value means, for an interest component stripped from an inflation-indexed security, an amount derived by multiplying the semiannual interest rate by the par amount and then multiplying this value by 100 divided by the Reference CPI of the original issue date (or dated date, when the dated date is different from the original issue date). (See Appendix B, Section IV to this part, for an example of how to calculate the adjusted value for interest components stripped from an inflation-indexed security.)

Auction means a bidding process by which the Department sells marketable Treasury securities to the public.

Autocharge agreement means a written agreement between a submitter and a depository institution or between a clearing corporation and a depository institution, acknowledged by a Federal Reserve Bank, which authorizes a Federal Reserve Bank to deliver securities awarded at auction to the book-entry account of the depository institution or, when authorized, to a TREASURY DIRECT account, and to charge a funds account of the depository institution for the settlement amount of the securities. (See exhibit B for a sample autocharge agreement between a submitter and a depository institution.)

Bid means an offer to purchase a stated par amount of securities, either competitively or noncompetitively, in an auction. An offer to purchase a stated par amount of securities submitted by a depository institution or dealer to fulfill a guarantee to sell a specified amount of securities at an agreed-upon price or a price fixed in terms of an agreed-upon standard is a bid of the depository institution or dealer and not a bid of a customer.

Bidder, as further defined in appendix A, means a person or an entity that bids either directly or through an entity authorized to submit bids for customers in an auction. In some cases, two or more persons or entities are considered to be one bidder based on their relationship or their actions in participating in an auction.

Book-entry security means a security the issuance and maintenance of which are represented by an accounting entry or electronic record and not by a certificate. Treasury book-entry securities may generally be held in either TRADES or in TREASURY DIRECT. (See § 356.3.)

Business day means any day other than a Saturday, Sunday, or other day on which the Federal Reserve Banks are not open for business.

Call means the redemption, pursuant to the terms specified in its offering announcement, of a security, in whole or in part, prior to maturity, at the option of the Secretary.

Clearing corporation means a clearing agency as defined in Section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(23)) that is registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934 and the rules thereunder.

Competitive bid means a bid to purchase a stated par amount of securities at a specified yield or discount rate.

Consumer Price Index (CPI) means the monthly non-seasonally adjusted *U.S. City Average All Items Consumer Price Index for All Urban Consumers,* published by the Bureau of Labor Statistics of the Department of Labor. (See appendix D.)

Corpus means the principal component of a stripped security and future callable semiannual interest payments, if any.

CUSIP means Committee on Uniform Securities Identification Procedures.

CUSIP number means the unique identifying number assigned to each separate security issue and each separate STRIPS component. CUSIP numbers are provided by the CUSIP Service Bureau of Standard & Poor's Corporation.

Customer means a bidder on whose behalf a depository institution or dealer has been directed to submit or forward a competitive or noncompetitive bid for a specified amount of securities in a specific auction. Only depository institutions and dealers may submit or forward bids for customers, whether directly to a Federal Reserve Bank or the Bureau of the Public Debt, or through an intermediary depository institution or dealer.

Daily interest decimal means, for a fixed-principal security, the interest factor attributable to one day of an interest payment period per $1,000 par amount.

Dated date means the date from which interest accrues. The dated date and issue date are the same except when the date from which interest accrues is prior to the issue date.

Dealer means an entity that is registered or has given notice of its status as a government securities broker or government securities dealer, pursuant to Section 15C(a)(1) of the Securities Exchange Act of 1934.

Delivery and payment agreement means a written agreement between a clearing corporation and a submitter, acknowledged by a Federal Reserve Bank, authorizing the Federal Reserve Bank, with respect to securities awarded to the submitter for its own account, to deliver such securities to, and accept payment from, a depository institution acting on behalf of the clearing corporation pursuant to an acknowledged autocharge agreement.

Department means the United States Department of the Treasury.

Depository institution means:

(1) An entity described in section 19(b)(1)(A), excluding subparagraph (vii), of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)). Under section 19(b)(1)(A) of the Federal Reserve Act, the term *depository institution* includes:

(i) Any insured bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(ii) Any mutual savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(iii) Any savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(iv) Any insured credit union as defined in 12 U.S.C. 1752 or any credit union which is eligible to make application to become an insured credit union under 12 U.S.C. 1781;

(v) Any member as defined in 12 U.S.C. 1422; and

(vi) Any savings association (as defined in 12 U.S.C. 1813) which is an insured depository institution (as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811, *et seq.*) or is eligible to apply to become an insured depository institution under such Act.

(2) Any agency or branch of a foreign bank as defined by the International Banking Act of 1978, as amended (12 U.S.C. 3101).

Discount means the difference between par and the price of the security, when the price is less than par.

Discount amount means the discount divided by 100 and multiplied by the par amount.

Discount rate, also referred to as ''bank discount rate,'' means an annualized rate of return to maturity on bills, expressed in percentage terms and based on a 360-day year. (See appendix B for formulas and examples.)

Federal Reserve Bank means a Federal Reserve Bank or a branch of a Federal Reserve Bank.

Funds account means a cash account maintained by a depository institution at a Federal Reserve Bank.

Index means the Consumer Price Index, which is used as the basis for making adjustments to principal amounts of inflation-indexed securities. (See appendix D.)

Index ratio means, for any particular date and any particular inflation-indexed security, the Reference CPI applicable to such date divided by the Reference CPI applicable to the original issue date (or dated date, when the dated date is different from the original issue date). (See appendix B, section I, paragraph B.)

Inflation-adjusted principal means, for an inflation-indexed security, the value of the security derived by multiplying the par amount by the applicable index ratio as described in appendix B, section I, paragraph B.

Interest rate means the annual percentage rate of interest paid on the par amount or the inflation-adjusted principal of a specific issue of notes or bonds. (See appendix B for methods and examples of interest calculations on notes and bonds.)

Intermediary means a depository institution or dealer that forwards bids for customers to another depository institution or dealer and not directly to a Federal Reserve Bank or the Bureau of the Public Debt.

Investment adviser means any person or entity that has investment discretion for the bids or positions of a person or entity not considered part of the investment adviser under the bidder definitions in Appendix A of this part. Investment discretion includes determining what, how many, and when securities shall be purchased or sold. A person or entity managing investments for itself is not considered an investment adviser for such investments. Where a person is employed or supervised by an entity in connection with his activities as an investment adviser, such person is considered to be part of that entity.

Issue date means the date specified in the offering announcement on which a security is issued as an obligation of the United States, and from which interest normally begins to accrue.

Marketable security means a security that is negotiable and transferable, i.e., may be bought and sold in the secondary market.

Maturity date means the date specified in the offering announcement on which a security becomes due and payable, and ceases to earn interest.

Minimum to hold means the smallest amount of a security that will be issued to a bidder and may be held in any book-entry account. Unless otherwise stated in the offering announcement, the minimum to hold is the same as the minimum bid amount given in the offering announcement.

Multiple-price auction means an auction in which each successful competitive bidder pays the price equivalent to the yield or rate that it bid.

Multiple to hold means the smallest additional amount of a security that will be issued to a bidder and may be held in any book-entry account above the minimum to hold. Unless otherwise stated in the offering announcement, the multiple to hold is the same as the multiple to bid amount given in the offering announcement.

Noncompetitive bid means a bid to purchase securities at the weighted average yield or discount rate of awards to competitive bidders.

Par means a price of 100. (See appendix B.)

Par amount means the stated value of a security at original issuance.

Person means a natural person.

Premium means the difference between par and the price of the security, when the price is greater than par.

Premium amount means the premium divided by 100 and multiplied by the par amount.

Price means the price of a security as calculated using the formulas in appendix B.

Public offering means the par amount of securities offered to the public for purchase in an auction. For all bills except cash management bills, the public

offering is the amount specified in the offering announcement, less securities awarded in the auction to the Federal Reserve Banks for the accounts of foreign and international monetary authorities (up to the amount of maturing securities held by such accounts). For notes, bonds, and cash management bills, the public offering is the same as the amount specified in the offering announcement.

Real yield means, for an inflation-indexed security, the yield based on the payment stream in constant dollars, i.e., before adjustment by the index ratio.

Reference CPI (Ref CPI) means, for an inflation-indexed security, the index number applicable to a given date. (See appendix B, section I, paragraph B.)

Reopening means the auction of an additional amount of an outstanding security.

Secretary means Secretary of the Treasury.

Security means a Treasury bill, note, or bond, each as described in this part, and any other obligation issued by the Secretary that, by the terms of the applicable offering announcement, is made subject to this part. Security includes an interest or principal component under the STRIPS program (see below).

Settlement means final and complete payment for securities awarded in an auction.

Settlement amount means the par amount of securities awarded less any discount amount and plus any premium amount and/or any accrued interest. For inflation-indexed securities, the settlement amount also includes any inflation adjustment when such securities are reopened or when the dated date is different from the issue date.

Single-price auction means an auction in which all successful bidders pay the same price regardless of the yields or rates they each bid.

STRIPS (Separate Trading of Registered Interest and Principal of Securities) means the Department's program under which eligible securities are authorized to be separated into principal and interest components, and transferred separately. These components are maintained in book-entry accounts, and transferred, in TRADES.

Submitter means the person or entity submitting bids directly to a Federal Reserve Bank or the Bureau of the Public Debt for its own account, for the account of others, or both. The only submitters that are permitted to submit bids for the account of others are depository institutions and dealers.

Tender means the document or computer transmission submitted to a Federal Reserve Bank or the Bureau of the Public Debt by which a bidder bids for securities.

TINT means an interest component from a stripped security.

TRADES means the Treasury/Reserve Automated Debt Entry System.

TREASURY DIRECT means the TREASURY DIRECT Book-Entry Securities System. (See 31 CFR part 357, subpart C.)

Weighted average means the average of the yields or discount rates at which securities are awarded to competitive bidders weighted by the par amount of securities allotted at each yield or discount rate.

Yield, also referred to as ''yield to maturity,'' means the annualized rate of return to maturity on a fixed-principal security expressed as a percentage. For an inflation-indexed security, yield means the real yield. (See appendix B.)

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28774, June 3, 1994; 60 FR 13907, Mar. 15, 1995; 61 FR 37010, July 16, 1996; 61 FR 43637, Aug. 23, 1996; 62 FR 850, Jan. 6, 1997; 62 FR 25114, May 8, 1997; 63 FR 35783, June 30, 1998]

EFFECTIVE DATE NOTE: At 63 FR 35783, June 30, 1998, § 356.2 was amended by adding the definition of ''Adjusted value'', effective Mar. 31, 1999.

§ 356.3 Book-entry securities and systems.

Securities issued subject to this part shall be held and transferred in either of the two book-entry securities systems—TRADES or TREASURY DIRECT—described in this section. Securities are maintained and transferred, to the extent authorized in 31 CFR part 357, in these two book-entry systems at their par amount, e.g., for inflation-indexed securities, adjustments for inflation will not be included in this amount. Securities may be transferred

from one system to the other in accordance with Treasury regulations governing book-entry Treasury bills, notes, and bonds. See Department of the Treasury Circular, Public Debt Series No. 2–86, as amended (31 CFR part 357).

(a) *Treasury/Reserve Automated Debt Entry System (TRADES).* TRADES is established, maintained and operated by the Federal Reserve Banks acting as fiscal agents of the United States, pursuant to 12 U.S.C. 391. The Federal Reserve Banks maintain book-entry accounts for themselves, depository institutions, and other authorized entities, such as government and international agencies and foreign central banks. In their accounts, depository institutions maintain securities held for their own account and for the accounts of others, including other depository institutions and dealers, which may, in turn, maintain accounts for others. For accounts maintained in TRADES, Treasury discharges its payment obligations when payment is credited to the applicable account maintained at a Federal Reserve Bank or payment is made in accordance with the instructions of the person or entity maintaining such account. Further, neither Treasury nor the Federal Reserve Banks have any obligations to, nor will they recognize any claims of, any person or entity that does not have an account at a Federal Reserve Bank. In addition, neither Treasury nor the Federal Reserve Banks will recognize the claims of any person or entity with respect to any accounts not maintained at a Federal Reserve Bank.

(b) *TREASURY DIRECT.* TREASURY DIRECT is a system in which the book-entry securities of account holders are identified and maintained directly on the records of the Bureau of the Public Debt, Department of the Treasury. In TREASURY DIRECT, Treasury discharges its payment obligations when payment is made to a depository institution for credit to the account specified by the owner of the security, or when payment is made in accordance with the instructions of the owner of the security.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 43637, Aug. 23, 1996; 62 FR 850, Jan. 6, 1997]

§ 356.4 Functions of Federal Reserve Banks.

Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform all activities necessary to carry out the provisions of this part, any offering announcements, and applicable regulations.

§ 356.5 Description of securities.

Securities offered pursuant to this part are offered exclusively in book-entry form and are direct obligations of the United States, issued under chapter 31 of title 31 of the United States Code. The securities are subject to the terms and conditions set forth in this part, including the appendices, as well as the regulations governing book-entry Treasury bills, notes, and bonds (31 CFR part 357), and the offering announcements, all to the extent applicable. When the Department issues additional securities with the same CUSIP number as outstanding securities, all securities with the same CUSIP number are considered the same security.

(a) *Treasury bills.* Treasury bills are issued at a discount, are redeemed at their par amount at maturity, and have maturities of not more than one year.

(b) *Treasury notes*—(1) *Treasury fixed-principal*[1] *notes.* Treasury fixed-principal notes are issued with a stated rate of interest to be applied to the par amount, have interest payable semiannually, and are redeemed at their par amount at maturity. They are sold at discount, par, or premium, depending upon the auction results. They have maturities of at least one year, but not more than ten years.

(2) *Treasury inflation-indexed notes.* Treasury inflation-indexed notes are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date, have interest payable semiannually, and are redeemed at maturity at

[1] The term ''fixed-principal'' is used in this part to distinguish such securities from ''inflation-indexed'' securities. Fixed-principal notes and fixed-principal bonds are referred to as ''notes'' and ''bonds'' in official Treasury publications, such as offering announcements and auction results press releases, as well as in auction systems.

their inflation-adjusted principal, or at their par amount, whichever is greater. They are sold at discount, par, or premium, depending upon the auction results. They have maturities of at least one year, but not more than ten years. (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.)

(c) *Treasury bonds*—(1) *Treasury fixed-principal bonds.* Treasury fixed-principal bonds are issued with a stated rate of interest to be applied to the par amount, have interest payable semiannually, and are redeemed at their par amount at maturity. They are sold at discount, par, or premium, depending upon the auction results. They typically have maturities of more than ten years.

(2) *Treasury inflation-indexed bonds.* Treasury inflation-indexed bonds are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date, have interest payable semiannually, and are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater. They are sold at discount, par, or premium, depending upon the auction results. They typically have maturities of more than ten years. (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.)

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 851, Jan. 6, 1997]

Subpart B—Bidding, Certifications, and Payment

§ 356.10 Offering announcement.

The Department provides public notice of the sale of bills, notes, and bonds by issuing an offering announcement. The offering announcement lists the specifics of each offering, e.g., offering amount, term and type of security, CUSIP number, and issue and maturity dates. The offering announcement and this part, including the Appendices, specify the terms and conditions of sale. To the extent that the provisions of an offering announcement are inconsistent with the provisions of this part, the provisions of the offering announcement will control. Accordingly, bidders should read the applicable offering announcement in conjunction with this part. (See Exhibit A for sample announcements.)

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 851, Jan. 6, 1997]

§ 356.11 Submission of bids.

(a) *General.* (1) Bids may be submitted directly to a Federal Reserve Bank that is authorized to accept tenders or to the Bureau of the Public Debt, Washington, DC, or through a depository institution or dealer that is authorized, pursuant to § 356.14, to submit bids on behalf of customers. Except as otherwise provided, tenders must be submitted in an approved format, including the use of preassigned identification numbers, where applicable. Competitive and noncompetitive bids must be received prior to the respective closing times specified in the offering announcement, except as provided in paragraph (b)(2) of this section. Bids not received timely will not be recognized in the auction. Bids for securities are binding on the bidder after the closing time specified in the offering announcement.

(2) If the awarded securities are to be issued in TRADES, a submitter must have on file at a Federal Reserve Bank a certificate listing those persons who are authorized to submit tenders on its behalf. The certificate must be duly executed by an authorized person on behalf of the submitter. A tender will not be recognized if the person submitting the tender is not listed on the certificate. The submitter is responsible for any tenders submitted for the submitter by persons who are designated on the certificate as authorized to submit tenders on its behalf.

(b) *Submission of paper tenders.* (1) Paper tenders should be on preprinted forms provided by the Federal Reserve Bank to which the tender is submitted or preprinted forms of the Bureau of the Public Debt, and should provide the information requested on the form. Paper tenders in any other form or incomplete tenders may be accepted or rejected at the option of the Department.

(2) For competitive bids, if securities are to be delivered to more than one account, a separate paper tender must

be submitted for each delivery instruction specified.

(3) The submitter is responsible for ensuring that the paper tender is received timely at the Federal Reserve Bank or the Bureau of the Public Debt, Washington, DC. A noncompetitive bid is considered timely if received prior to the deadline for the receipt of noncompetitive tenders. Further, a noncompetitive bid received after the deadline for the receipt of noncompetitive tenders is considered timely only if it was submitted by mail and only if the envelope containing the tender bears a U.S. Postal Service cancellation date prior to the auction date and the tender is received on or before the issue date.

(4) Neither the Federal Reserve Bank nor the Department shall be, in any way, responsible for any unauthorized paper tender submissions or for any delays, errors, or omissions in the submission of paper tenders.

(c) *Submission of tenders by computer.* Competitive and noncompetitive tenders may be submitted by computer transmission to a Federal Reserve Bank. Tenders may be submitted by computer only by those submitters that have previously arranged with a Federal Reserve Bank for such submission.

(1) For computer tenders, the submitter must comply with computer communications and electronic access standards and requirements for Treasury auctions. Incomplete tenders or transmissions that do not comply with such standards and requirements may be accepted or rejected at the option of the Department.

(2) All tenders submitted by computer are binding on the submitter to the same extent as if they had been paper tenders. No paper tender should be submitted that duplicates a tender submitted by computer.

(3) Tenders submitted by computer must be received by the applicable closing time; the Federal Reserve Bank's computer time stamp will establish the time of receipt.

(4) The submitter bears sole risk for any disruption or failure in the operation of its own computer, any electronic-based communications facilities, or any communications lines between the submitter and the Federal Reserve Bank.

(5) The submitter is responsible for tenders submitted using computer equipment on its premises, whether or not such tenders are authorized.

(6) Neither the Federal Reserve Bank nor the Department shall be, in any way, responsible for any delays, errors, or omissions in the submission of tenders.

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28774, June 3, 1994; 61 FR 37010, July 16, 1996; 61 FR 43637, Aug. 23, 1996]

§ 356.12 Noncompetitive and competitive bidding.

(a) *General.* All bids, including bids for reopenings, must state the par amount of securities bid for and must equal or exceed the minimum bid amount stated in the offering announcement. Bids that exceed the minimum bid amount must be in the multiple stated in the offering announcement.

(b) *Noncompetitive.* A bidder bidding competitively for its own account may not bid noncompetitively for its own account in the same auction. A request for reinvestment of securities maturing in TREASURY DIRECT is a noncompetitive bid.

(1) *Maximum bid.* A bidder may not bid noncompetitively for more than $1 million in a bill auction or more than $5 million in a note or bond auction. The maximum bid limitation does not apply to bidders who are bidding solely through TREASURY DIRECT reinvestment requests.

(2) *Additional restrictions.* Between the date of the offering announcement and the time of the official announcement by the Department of the auction results, a noncompetitive bidder may not hold, at any time, a position for its own account in when-issued trading or in futures or forward contracts in the security being auctioned or enter into any agreement to purchase or sell or otherwise dispose of the securities it is acquiring in the auction. For purposes of this paragraph, futures contracts include those:

(i) That require delivery of the specific security being auctioned;

(ii) For which the security being auctioned is one of several securities that may be delivered; or

(iii) That are cash-settled.

(c) *Competitive.* A bidder bidding noncompetitively for its own account may not bid competitively for its own account in the same auction.

(1) *Bid format*—(i) *Treasury bills.* For all bills except cash management bills, a competitive bid must show the discount rate bid, expressed with three decimals in .005 percent increments. The third decimal must be either a zero or a five, e.g., 5.320 or 5.325. Fractions may not be used. For cash management bills, a competitive bid must show the discount rate bid, expressed with two decimals in .01 percent increments, e.g., 5.14. Fractions may not be used.

(ii) *Treasury fixed-principal securities.* A competitive bid must show the yield bid, expressed with three decimals, e.g., 4.170. Fractions may not be used.

(iii) *Treasury inflation-indexed securities.* A competitive bid must show the real yield bid, expressed with three decimals, e.g., 3.070. Fractions may not be used.

(2) *Maximum recognized bid.* There is no limitation on the maximum dollar amount that a bidder may bid for competitively, either at one yield or discount rate, or at different yields or discount rates. However, a competitive bid by a bidder at a single yield or discount rate that exceeds 35% of the public offering amount will be reduced to that amount. For example, if the public offering is $10 billion, the maximum bid amount that will be recognized at any one yield or discount rate from any bidder is $3.5 billion. (See § 356.22 for award limitations.)

[58 FR 414, Jan. 5, 1993, as amended at 60 FR 13907, Mar. 15, 1995; 62 FR 851, Jan. 6, 1997; 62 FR 32033, June 12, 1997; 62 FR 43093, Aug. 12, 1997; 63 FR 4187, Jan. 28, 1998]

§ 356.13 Net long position.

(a) *Reporting net long positions.* When bidding competitively, a bidder must report the amount of its net long position when the total of all of its bids in an auction plus the bidder's net long position in the security being auctioned equals or exceeds the net long position reporting threshold amount. The net long position reporting threshold amount for any particular security will be as stated in the offering announcement for that security. (See § 356.10.) That amount will be $1 billion for bills, and $2 billion for notes and bonds, unless otherwise stated in the offering announcement. If the bidder either has no position or has a net short position and the total of all of its bids equals or exceeds the net long position reporting threshold amount, e.g., $1 billion for bills and $2 billion for notes and bonds, a net long position of zero must be reported. In cases where a bidder that is required to report the amount of its net long position has more than one bid, the bidder's total net long position should be reported in connection with only one bid. A bidder that is a customer must report its reportable net long position through only one depository institution or dealer. (See § 356.14(c).)

(b) *Determination of net long position.* The net long position must be determined as of the designated reporting time, which is one-half hour prior to the closing time for receipt of competitive bids. A net long position includes the par amount of:

(1) Holdings of outstanding securities with the same CUSIP number as the security being auctioned;

(2) Positions, in the security being auctioned, in

(i) When-issued trading,

(ii) Futures contracts that require delivery of the specific security being auctioned (but not futures contracts for which the security being auctioned is one of several securities that may be delivered, and not futures contracts that are cash-settled), and

(iii) Forward contracts; and

(3) Holdings of STRIPS principal components of the security being auctioned, including when-issued trading positions of such principal components.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 25115, May 8, 1997; 62 FR 43093, Aug. 12, 1997]

§ 356.14 Submitting bids for customers.

Depository institutions and dealers may submit bids for their own account, for their customers, or for customers of intermediaries, subject to the requirements set out in paragraphs (a), (b),

and (c) of this section. Others are permitted to submit bids only for their own account.

(a) *Payment.* By submitting a bid on behalf of its customer or a customer of any intermediary, a submitter agrees to remit payment for securities awarded as a result of such bid.

(b) *Customer lists.* A customer list must be submitted or be available, as provided in paragraphs (b) (1), (2) and (3), whenever bids for more than one customer are included on the same tender. The customer list must include direct customers of the submitter as well as customers of any intermediaries who are forwarding customer bids to the submitter.

(1) For competitive bids submitted by paper tender, the submitter must provide a separate tender for each yield or discount rate at which a bid is submitted. As a part of such tender, the submitter must provide a list that includes the full name of each customer and the amount bid by each customer. For competitive bids submitted by computer, the submitter may submit bids at multiple yields or discount rates on the same tender. On each such tender, the submitter must submit the full name of each customer and the amount bid at each yield or discount rate by each customer.

(2) For noncompetitive bids, a list must be provided that includes the full name of each customer and the amount bid by each customer. For mailed tenders, the customer list must be submitted with the tender. For other than mailed tenders, the customer list should accompany the tender. If the customer list is not submitted with the tender, information for the list must be complete and available for review by the deadline for submission of noncompetitive tenders, and must be received by the Federal Reserve Bank to which the tender was submitted by close of business on the auction day.

(3) Bids submitted on behalf of trusts or other fiduciary estates must identify on the customer list the full name or title of the trustee or fiduciary; a reference to the document creating the trust or fiduciary estate with date of execution; and the employer identification number of the trust or fiduciary estate.

(c) *Net long position of customers.* (1) A submitter or intermediary, when submitting or forwarding a competitive bid of $100 million or more for its customer, must inform that customer of the customer's net long position reporting obligation as described in § 356.13.

(2) A submitter or intermediary, when submitting or forwarding a competitive bid for a customer, must report the net long position amount if such amount is provided by the customer.

(3) If personnel of a submitter or intermediary who are directly involved in receiving or forwarding a customer's bid know that the position information provided by a customer is incorrect, the customer's bid shall not be submitted or forwarded by the submitter or intermediary.

(4) If the amount of a customer's net long position is to be reported by the submitter by paper tender, a separate tender must be submitted for that customer that includes the amount of the net long position.

§ 356.15 Bidding through investment advisers.

(a) *General.* Where bids or positions of a person or entity are controlled by an investment adviser, such bids or positions are considered to be a controlled account, separate from the bids and positions of any person or entity with which they would otherwise be associated under the bidder definitions in appendix A of this part. The investment adviser may bid for controlled accounts by including, in a bid in the adviser's name, amounts that it is investing for the controlled accounts. The investment adviser may also bid for controlled accounts in the names of such accounts. Where bids are in an investment adviser's name, the investment adviser is considered the bidder for such bids and, where bids are in the name of a controlled account, the named controlled account is considered the bidder, for all purposes of this part 356, except as specified in this § 356.15.

(b) *Noncompetitive and competitive bidding.* Regardless of whether the bid for a controlled account is in the name of the investment adviser or in the name of the controlled account, such account

may not be bid for both noncompetitively and competitively in the same auction. In addition, such account is subject to the noncompetitive bidding restrictions and award limitations contained in §§ 356.12(b) and 356.22(a).

(c) *Reporting net long positions.* In calculating the amount of its bids and positions for purposes of the net long position reporting requirement found in § 356.13(a), the investment adviser must include, in addition to what would otherwise be included for the investment adviser as a bidder under the bidder definitions, all other competitive bids and positions controlled by the investment adviser. The investment adviser may exclude any net long position less than $100 million of any nonproprietary controlled account unless the adviser is placing a competitive bid for that account either in the name of the investment adviser or in the name of the account. However, if any net long position less than $100 million of any nonproprietary account not being bid for is excluded, then all net short positions less than $100 million of nonproprietary accounts not being bid for must also be excluded. Regardless of whether the investment adviser bids in its own name or in the name of its controlled accounts, if the net long position is reportable, it must be reported as a total in connection with only one bid in accordance with § 356.13(a).

(d) *Submitting bids for controlled accounts.* Notwithstanding the definition of submitter found in § 356.2, and the restriction against submitting bids for others found in § 356.14, an investment adviser may submit bids, whether in the adviser's own name or in the names of its controlled accounts, directly to a Federal Reserve Bank or the Bureau of the Public Debt, in which case the investment adviser is considered a submitter. In the alternative, the investment adviser may forward such bids to a depository institution or dealer.

(e) *Certifications.* By bidding for a controlled account, an investment adviser is deemed to have certified that it is in compliance with this part and the offering announcement governing the sale and issue of the security. Further, the investment adviser is deemed to have certified that the information provided on the tender or provided to a submitter or intermediary with regard to bids for controlled accounts is accurate and complete.

(f) *Proration of awards.* In auctions where bids at the highest accepted yield or discount rate are prorated under § 356.20(a)(2) of this part, investment advisers that submit bids for controlled accounts in the names of such accounts are responsible for prorating awards for their controlled accounts at the same percentage as that announced by the Department. The same prorating rules apply to controlled accounts as apply to submitters. See § 356.21 of this part.

[61 FR 37010, July 16, 1996]

§ 356.16 Certifications.

(a) *Submitters.* By submitting a tender for a security, a submitter is deemed to have certified that it is in compliance with this part and the offering announcement governing the sale and issue of the security. Further, the submitter is deemed to have certified that the information provided on the tender with regard to bids for its own account is accurate and complete, and that the information provided on the tender with regard to bids for customers accurately and completely reflects information provided to it by its customers or intermediaries. Prior to submitting a computer tender, a submitter must have on file a written certification that the submitter is certifying, each time it submits a computer tender, that it is in compliance with this part and the applicable offering announcement. The certification must be signed and dated by an authorized person on behalf of the submitter, be filed with the Federal Reserve Bank to which the computer tender is submitted, and be renewed at least annually.

(b) *Intermediaries.* By forwarding a bid, an intermediary is deemed to have certified that it is in compliance with this part and the offering announcement governing the sale and issue of the security. Further, the intermediary is deemed to have certified that the information provided to a submitter or other intermediary with regard to bids for its own account is accurate and complete, and that the information

provided to a submitter or other intermediary with regard to bids for customers accurately and completely reflects information provided to it by its customers or intermediaries.

(c) *Customers.* By bidding for a security, a customer is deemed to have certified that it is in compliance with this part and the offering announcement governing the sale and issue of the security and that the information it provided to the submitter or intermediary in connection with the bid is accurate and complete.

[58 FR 414, Jan. 5, 1993. Redesignated at 61 FR 37010, July 16, 1996]

§ 356.17 Responsibility for payment.

A bidder agrees to pay the settlement amount for any securities awarded to it in the auction. (See § 356.25.) In addition, certain payments or provisions for payment are required at the time a tender is submitted. The specific requirements, outlined in this section, depend on whether awarded securities will be delivered in TREASURY DIRECT or TRADES.

(a) *TREASURY DIRECT.* For securities to be held in TREASURY DIRECT, payment of the par amount and announced accrued interest and/or inflation adjustment, if any, must be submitted with the tender unless other provisions have been made, such as payment by an authorized electronic means providing for immediately available funds or by charge to the funds account of a depository institution.

(1) *Payment with tender.* For bills, payment must be by cash, depository institution (cashier's or teller's) check, certified check, currently dated Treasury or fiscal agency check made payable to the bidder, or definitive Treasury securities maturing on or before the issue date of the securities being auctioned, but which are not overdue as defined in the general regulations governing United States securities (31 CFR 306.25). Also, maturing securities held in TREASURY DIRECT may be used as payment for new securities that are being offered, provided that the appropriate transaction request is received timely. For notes or bonds, payment must be in one of the forms described above for bills, or by personal check. Checks submitted to a Federal Reserve Bank must be made payable to that Bank and checks submitted to the Bureau of the Public Debt must be made payable to the Bureau of the Public Debt.

(2) *Payment by authorized electronic means.* Payment may be made by electronic means approved by the Department, provided the bidder, or the submitter on behalf of the bidder, has met the necessary conditions and has satisfactorily completed any required authorizations for such means of payment, in accordance with 31 CFR part 370.

(3) *Authorized charge to a funds account.* If a depository institution or dealer submits a tender for a TREASURY DIRECT bidder and payment is not submitted with the tender or made by an authorized electronic means, an authorization from a depository institution to charge the institution's funds account at a Federal Reserve Bank must be on file with the Bank to which the tender was submitted.

(b) *TRADES.* For securities to be held in TRADES, payment of the par amount and announced accrued interest and/or inflation adjustment, if any, must be submitted with the tender unless other provisions have been made, such as payment by an authorized electronic means providing for immediately available funds or by charge to the funds account of a depository institution.

(1) *Payment with tender.* Where payment is submitted with the tender, payment must be by one of the means specified under paragraph (a)(1) of this section.

(2) *Payment by authorized electronic means.* Payment may be made by electronic means approved by the Department, provided the bidder, or the submitter on behalf of the bidder, has met the necessary conditions, and has satisfactorily completed any required authorizations, for such means of payment.

(3) *Authorized charge to a funds account.* Where payment is not submitted with the tender or made by an authorized electronic means, an authorization to charge the funds account of a depository institution must be provided as follows:

(i) A depository institution with a funds account submitting tenders directly to a Federal Reserve Bank may authorize the Bank to charge its funds account upon delivery of the securities.

(ii) A submitter that chooses not to pay by charge to its funds account or a submitter that does not have a funds account must, prior to the submission of a tender, have an acknowledged autocharge agreement on file at the Federal Reserve Bank to which the tender is submitted. By submitting a tender for securities to be paid for under such autocharge agreement, the submitter authorizes the Federal Reserve Bank to provide, to the depository institution whose funds account will be charged under the agreement, notice of the total par amount of, and price to be charged for, securities awarded as a result of the submitter's tender.

(iii) In addition, a submitter that is a member of a clearing corporation may instruct that delivery and payment be made through the clearing corporation for securities awarded to the submitter for its own account, provided that the following requirements are met:

(A) The submitter must, prior to the submission of a tender for such securities, have a delivery and payment agreement with the clearing corporation acknowledged by, and on file at, the Federal Reserve Bank to which the tender is submitted. By entering into such an agreement, the submitter authorizes the Federal Reserve Bank to provide to the clearing corporation notice of the par amounts of, prices to be charged for, and total payment amounts for, securities awarded to the submitter for its own account.

(B) An autocharge agreement between the clearing corporation and the depository institution must, prior to the submission of a tender for such securities, be acknowledged by, and on file at, the Federal Reserve Bank servicing the depository institution. By entering into such an agreement, the clearing corporation authorizes the Federal Reserve Bank to which the tender is submitted to provide, to the depository institution whose funds account will be charged under the agreement, notice of the total aggregate par amount of, prices to be charged for, and total payment amounts for, securities to be delivered to the clearing corporation's designated account at the depository institution.

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28774, June 3, 1994. Redesignated at 61 FR 37010, July 16, 1996, as amended at 61 FR 54909, Oct. 22, 1996; 62 FR 852, Jan. 6, 1997; 62 FR 32032, June 12, 1997]

Subpart C—Determination of Auction Awards; Settlement

§ 356.20 Determination of auction awards.

(a) *Determining the range and amount of accepted competitive bids*—(1) *Accepting bids.* Determinations of awards in auctions are made at the Bureau of the Public Debt after the closing time for receipt of bids. In determining auction awards, the Bureau of the Public Debt first accepts in full all noncompetitive bids received by the closing time specified in the offering announcement. Then competitive bids are accepted, starting with those at the lowest yields or discount rates through successively higher yields or discount rates, up to the amount required to meet the public offering. Bids at the highest accepted yield or discount rate will be prorated (as described in paragraph (a)(2) of this section), if necessary. If the amount of noncompetitive bids would absorb most or all of the public offering, competitive bids will be accepted in an amount determined by the Department to be sufficient to provide a fair determination of the yield or discount rate for the securities being auctioned.

(2) *Accepting bids at the high yield or discount rate.* When the total amount of bids at the highest accepted yield or discount rate exceeds the amount of the public offering remaining after acceptance of noncompetitive bids and competitive bids at the lower yields or discount rates, a percentage of the bids received at the highest accepted yield or discount rate will be awarded. This proration is performed for the purpose of awarding a par amount of securities close to the public offering amount. The percentage is derived by dividing the remaining par amount needed to fill the public offering by the par amount of the bids recognized at the

high yield or rate and rounding up to the next whole percentage point.

(b) *Determining the interest rate for new note and bond issues.* The interest rate established as a result of the auction will generally be set at the ⅛ of one percent increment that produces the price closest to, but not above, par when evaluated at the weighted average yield of awards to competitive bidders.

(c) *Determining purchase prices for awarded securities.* Price calculations will be rounded to three decimal places on the basis of price per hundred, e.g., 99.954. (See appendix B.)

(1) *Multiple-price auctions*—(i) *Competitive bids.* The price of securities awarded to competitive bidders is the price equivalent to each yield or discount rate at which their bids were accepted.

(ii) *Noncompetitive bids.* The price of securities awarded to noncompetitive bidders is the price equivalent to the weighted average yield or discount rate of accepted competitive bids.

(2) *Single-price auctions.* The price of securities awarded to both competitive and noncompetitive bidders is the price equivalent to the highest yield or discount rate at which bids were accepted. For inflation-indexed securities, the price of such securities will be the price equivalent to the highest real yield at which bids were accepted.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 852, Jan. 6, 1997]

§ 356.21 Proration of awards.

(a) *Awards to submitters.* In auctions where bids at the highest accepted yield or discount rate are prorated under § 356.20(a)(2) of this part, the Federal Reserve Banks are responsible for prorating awards for submitters at the percentage announced by the Department. For example, if 80% is the announced percentage at the highest yield or discount rate, then each bid at that rate or yield shall be awarded 80% of the amount bid. Hence, a bid for $100,000 at the highest accepted yield or discount rate would be awarded $80,000. In all cases, awards will be for, at least, the minimum to hold, and awards must be in an appropriate multiple to hold. Awards at the highest accepted yield or rate are adjusted upwards, if necessary, to an appropriate multiple to hold. For example, Treasury bills may be issued with a minimum to hold of $10,000 and multiples of $1,000. Where an $18,000 bid is accepted at the high discount rate, and the percent awarded at the high discount rate was 88%, the award to that bidder would be $16,000, representing an upward adjustment from $15,840 ($18,000 × .88) to an appropriate multiple to hold. If tenders at the highest accepted rate were prorated at, for example, a rate of 4%, the award for a $100,000 bid would be $10,000, instead of $4,000, in order to meet the minimum to hold for a bill issue.

(b) *Awards to customers.* In auctions where bids at the highest accepted yield or discount rate are prorated under § 356.20(a)(2), depository institutions and dealers, whether submitters or intermediaries, are responsible for prorating awards for their customers at the same percentage as that announced by the Department. For example, if 80% is the announced percentage at the highest yield or discount rate, then each customer bid at that rate or yield shall be awarded 80%. The same prorating rules apply to customers as apply to submitters.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 37011, July 16, 1996]

§ 356.22 Limitation on auction awards.

(a) *Awards to noncompetitive bidders.* The maximum award that will be made to any bidder is $1 million for bills and $5 million for notes and bonds. This does not apply to bidders bidding solely through TREASURY DIRECT reinvestment requests.

(b) *Awards to competitive bidders.* The maximum award that will be made to any bidder is 35% of the public offering less the bidder's net long position as reportable under § 356.13. For example, in a note auction with a $10 billion public offering, a bidder with a reported net long position of $1 billion could receive a maximum auction award of $2.5 billion. When the bids and net long positions of more than one person or entity must be combined as required by § 356.15(c), such combined amount will be used for the purpose of this award limitation.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 37011, July 16, 1996]

§ 356.23 Announcing auction results.

After the conclusion of the auction, the Department will make an official announcement of the auction results through a press release. The press release will include such information as the amounts of bids recognized and accepted, the range of yields or discount rates at which securities were awarded, noncompetitive yield or discount rate, proration percentage, the interest rate for a note or bond, a breakdown of the amounts of noncompetitive and competitive bids recognized and accepted from the public, the amounts recognized and accepted from the Federal Reserve Banks for their own accounts and for foreign and international monetary authorities, and the minimum par amount required to strip a STRIPS-eligible note or bond.

§ 356.24 Notice of awards; confirmations.

(a) *Notice of awards*—(1) *Notice to submitters.* Notice of awards will be provided by a Federal Reserve Bank or the Department to submitters of successful competitive bids. Submitters of noncompetitive bids will be notified only when the price to be paid by noncompetitive bidders is over par or if noncompetitive bids are not accepted in full.

(2) *Notice to clearing corporation.* If awarded securities are to be delivered pursuant to a delivery and payment agreement, notice of the awards also will be provided by a Federal Reserve Bank or the Department to the clearing corporation that is a party to such agreement.

(b) *Confirmation of award to customer.* A submitter submitting a bid for customers is responsible for notifying its customers and intermediaries that forwarded bids to it of the awards. Similarly, an intermediary is responsible for notifying its customers and any intermediaries that forwarded bids to it of the awards.

(c) *Confirmation of award and settlement amount to a depository institution having an autocharge agreement with a submitter or a clearing corporation.* Not later than the day after each auction, the appropriate Federal Reserve Bank will notify each depository institution that has entered into an autocharge agreement with either a submitter or a clearing corporation as to the amount to be charged to the institution's funds account at the Federal Reserve Bank on the issue date.

(d) *Customer confirmation.* Any customer awarded a par amount of $500 million or more in an auction must furnish a confirmation including the information in paragraphs (d) (1) and (2) of this section to the Federal Reserve Bank to which the bid was submitted, no later than 10:00 a.m. on the day following the auction. The confirmation must be signed by the customer or authorized representative and must include the capacity in which such representative is acting. A submitter or intermediary submitting or forwarding a customer bid is responsible for notifying its customer of this requirement if the customer is awarded a par amount of $500 million or more as a result of bids submitted by the submitter or forwarded by the intermediary.

(1) A written confirmation of its bid, and

(2) A written statement indicating whether it had a reportable net long position as defined in § 356.13, and, if a position had to be reported, the amount of any such position and the name of the depository institution or dealer through which the customer requested that the position be reported.

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28775, June 3, 1994]

§ 356.25 Payment for awarded securities.

Payment for securities is to be accomplished by the issue date. Payment will be accomplished as follows:

(a) *Payment with tender.* When payment is made with the tender as provided for in § 356.17 (a)(1) and (b)(1), settlement is accomplished as follows:

(1) *When an amount is due the submitter.* When the payment previously remitted by the submitter exceeds the settlement amount, the balance will be refunded to the submitter following the auction.

(2) *When the submitter must remit an additional amount.* When the settlement amount exceeds the payment previously remitted by the submitter, the submitter will be notified of the additional amount due and is responsible

for remitting it immediately. Such additional amount may be due if the auction calculations result in a premium or if accrued interest and/or inflation adjustment is due.

(b) *Payment by authorized electronic means.* Where the method of payment is by an authorized electronic means as provided for in § 356.17 (a)(2) or (b)(2), the settlement amount will be charged to the specified account on the issue date.

(c) *Payment by authorized charge to a funds account.* Where the submitter's method of payment is an authorized charge to the funds account of a depository institution as provided for in § 356.17 (a)(3) or (b)(3), the settlement amount will be charged to the specified funds account on the issue date.

(d) *Amount of payment for awarded securities.* The payment amount for awarded securities will be the settlement amount as defined in § 356.2. (See formulas in appendix B.)

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 54910, Oct. 22, 1996; 62 FR 852, Jan. 6, 1997]

Subpart D—Miscellaneous Provisions

§ 356.30 Payment of principal and interest on notes and bonds.

(a) *General.* Principal on notes and bonds will be paid on the maturity date as specified in the offering announcement unless the security is called pursuant to its terms and in accordance with appropriate public notice. Interest on notes and bonds accrues from the dated date. Interest is payable on a semiannual basis on the interest payment dates specified in the offering announcement through the date that the principal becomes payable. In the event any principal or interest payment date is not a business day, the amount is payable (without additional interest) on the next business day.

(b) *Treasury inflation-indexed securities.* At maturity, the inflation-adjusted principal will be paid, unless the inflation-adjusted principal is less than the par amount of the security, in which case an additional amount will be paid at maturity so that the additional amount plus the inflation-adjusted principal equals the par amount. If a security has been stripped, any such additional amount will be paid at maturity to holders of principal components only. Regardless of whether or not an additional amount is paid, the final interest payment will be based on the inflation-adjusted principal at maturity.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 852, Jan. 6, 1997]

§ 356.31 STRIPS.

(a) *General.* A note or bond may be designated in the offering announcement as eligible for the STRIPS program. At the option of the holder, and generally at any time from its issue date until its call or maturity, any such security may be ''stripped,'' i.e., divided into separate principal and interest components. A short or long first interest payment and all interest payments within a callable period are not eligible to be stripped from the principal component. The CUSIP numbers and payment dates for the principal and interest components are provided in the offering announcement if not previously announced.

(b) *Treasury fixed-principal securities*—(1) *Minimum par amounts required for STRIPS.* For a fixed-principal security to be stripped into the components described above, the par amount of the security must be in an amount that, based on its interest rate, will produce a semiannual interest payment in a multiple of $1,000. Exhibit C to this part provides the minimum par amounts required to strip a fixed-principal security at various interest rates, as well as the corresponding interest payments. Amounts greater than the minimum par amount must be in multiples of that amount. The minimum par amount required to strip a particular security will be provided in the press release announcing the auction results.

(2) *Principal components.* Principal components stripped from fixed-principal securities are maintained in accounts, and transferred, at their par amount. The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(3) *Interest components.* Interest components stripped from fixed-principal securities are maintained in accounts,

and transferred, at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component.

(c) *Treasury inflation-indexed securities*—(1) *Minimum par amounts required for STRIPS.* The minimum par amount of an inflation-indexed security that may be stripped into the components described in paragraph (a) of this section is $1,000. Any par amount to be stripped above $1,000 must be in a multiple of $1,000.

(2) *Principal components.* Principal components stripped from inflation-indexed securities are maintained in accounts, and transferred, at their par amount. At maturity, the holder will receive the inflation-adjusted principal value or the par amount, whichever is greater. (See § 356.30.) The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(3) *Interest components.* Interest components stripped from inflation-indexed securities are maintained in accounts, and transferred, at their adjusted value, which is derived by multiplying the semiannual interest rate by the par amount and then multiplying this value by 100 divided by the Reference CPI of the original issue date (or dated date, when the dated date is different from the original issue date). See Appendix B, Section IV to this part, for an example of how to calculate an adjusted value. The payment value of any interest component created prior to March 31, 1999, will be converted to its adjusted value. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. The CUSIP number of any interest component created prior to March 31, 1999, will be converted to the fungible CUSIP number for the same maturity date. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component. At maturity, the payment to the holder will be derived by multiplying the adjusted value of the interest component by the Reference CPI of the maturity date, divided by 100. See Appendix B, Section IV to this part, for an example of how to calculate an actual payment amount from an adjusted value.

(4) *Rebasing of the CPI.* In the event that the CPI is rebased, the adjusted values of all outstanding inflation-indexed interest components will be converted to adjusted values based on the new base reference period. At such time, Treasury will publish information specifying the manner in which this conversion will be accomplished. Subsequent to rebasing, any TINTS created from a security that was issued during a prior base reference period will be issued with adjusted values calculated using reference CPIs under the most-recent base reference period.

(d) *Reconstituting a security.* Stripped interest and principal components may be reconstituted, i.e., restored to their fully-constituted form. A principal component and all related unmatured interest components, in the appropriate minimum or multiple amounts or adjusted values, must be submitted together for reconstitution. Interest components stripped from inflation-indexed securities are different from interest components stripped from fixed-principal securities and, accordingly, are not interchangeable for reconstitution purposes.

(e) *Applicable regulations.* Unless otherwise provided in this part, notes and bonds stripped into their STRIPS components are governed by subparts A, B, and D of part 357 of this chapter.

[63 FR 35783, June 30, 1998]

EFFECTIVE DATE NOTE: At 63 FR 35783, June 30, 1998, § 356.31 was revised, effective Mar. 31, 1999. For the convenience of the user, the superseded text is set forth as follows:

§ 356.31 STRIPS.

(a) *General.* A note or bond may be designated in the offering announcement as eligible for the STRIPS program. At the option of the holder, and generally at any time from its issue date until its call or maturity, any such security may be ''stripped,'' i.e., divided into separate principal and interest components. A short or long first interest payment and all interest payments within a callable period are not eligible to be stripped from the principal component. The CUSIP numbers and payment dates for the principal and interest components are provided in the offering announcement if not previously announced.

(b) *Minimum par amounts required for STRIPS.* For a note or bond to be stripped into the components described above, the par amount of the note or bond must be in an amount that, based on its interest rate, would produce a semiannual interest payment, before adjustment for inflation, in a multiple of $1,000. Exhibit C to this part provides the minimum par amounts required to strip a note or bond at various interest rates, as well as the corresponding interest payments. Amounts greater than the minimum par amount must be in multiples of that amount. The minimum par amount required to strip a particular security will be provided in the press release announcing the auction results.

(c) *Principal components stripped from fixed-principal securities.* Principal components stripped from fixed-principal securities are maintained in accounts, and transferred, in TRADES at their par amount. The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(d) *Interest components stripped from fixed-principal securities.* Interest components stripped from fixed-principal securities are maintained in accounts, and transferred, in TRADES at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component.

(e) *Principal components stripped from inflation-indexed securities.* Principal components stripped from inflation-indexed securities are maintained in accounts, and transferred, in TRADES at their par amount. At maturity, the holder will receive the inflation-adjusted principal value or the par amount, whichever is greater. (See § 356.30.) Principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted security.

(f) *Interest components stripped from inflation-indexed securities.* Interest components stripped from inflation-indexed securities are maintained in accounts, and transferred, in TRADES at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. Each such component has a unique CUSIP number that is different from the CUSIP number of any interest components stripped from different securities, even if the components have the same maturity date. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component. At maturity, the payment to the holder will be derived by applying the semiannual interest rate to the inflation-adjusted principal of the underlying security.

(g) *Reconstituting a security.* Stripped interest and principal components may be reconstituted, i.e. restored to their fully constituted form, and maintained in TRADES. A principal component and all related unmatured interest components, in the appropriate minimum or multiple amounts, must be submitted together for reconstitution. Interest components stripped from inflation-indexed securities are different from interest components stripped from fixed-principal securities and, accordingly, are not interchangeable for reconstitution purposes. Interest components stripped from one inflation-indexed security are not interchangeable for reconstitution purposes with interest components stripped from another inflation-indexed security.

(h) *Applicable regulations.* Unless otherwise provided in this part, notes and bonds stripped into their STRIPS components are governed by subparts A, B and D of part 357 of this title.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 43637, Aug. 23, 1996; 62 FR 852, Jan. 6, 1997]

§ 356.32 Taxation.

(a) *General.* Securities issued under this part are subject to all applicable taxes imposed under the Internal Revenue Code of 1986, or successor. Under section 3124 of title 31, United States Code, the securities are exempt from taxation by a State or political subdivision of a State, except for State estate or inheritance taxes and other exceptions as provided in that section.

(b) *Treasury inflation-indexed securities.* Special federal income tax rules for inflation-indexed securities, and

principal and interest components stripped from such securities, are set forth in Internal Revenue Service regulations.

[62 FR 853, Jan. 6, 1997]

§ 356.33 Reservation of rights.

The Secretary reserves the right to accept or reject or refuse to recognize any or all bids or tenders submitted under this part. The Secretary also reserves the right to award more or less securities than the amount of securities specified in the offering announcement. The Secretary further reserves the right to waive any provision or provisions of this part for any or all bidders or submitters. Decisions of the Secretary under this section shall be final.

§ 356.34 Remedies.

(a) *General.* When a person or an entity fails to comply with the requirements of this part, the Secretary will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person or entity from participating in future auctions for its own account, for the account of others, or both. The Secretary may refer such occurrences to the appropriate regulatory agency for enforcement action.

(b) *Liquidated damages.* A bidder agrees to pay liquidated damages of 1% of the par amount of securities awarded the bidder in an auction if the bidder fails to pay for the awarded securities in a timely manner. The Secretary may waive, in whole or in part, the payment of liquidated damages. This liquidated damages provision shall not preclude the use of any other available remedy.

§ 356.35 Reservations as to terms of offerings.

The Secretary reserves the right to supplement or amend provisions of this part. The Secretary further reserves the right to modify the terms and conditions of new securities and to depart from the customary pattern of securities offerings at any time. Public notice of any such changes will be provided.

§ 356.36 Paperwork Reduction Act approval.

The collections of information contained in §§ 356.11, 356.12, 356.13, 356.14, and 356.15 and in appendix A of this part have been approved by the Office of Management and Budget under control number 1535–0112.

[61 FR 37011, July 16, 1996]

APPENDIX A TO PART 356—BIDDER DEFINITIONS

For the purpose of this part, the definitions set forth in this appendix describe all of the categories of bidders eligible to bid in Treasury auctions. These definitions are to be used by persons and entities in determining whether they are considered one bidder or more than one bidder for the purpose of bidding in auctions and for the purpose of complying with the requirements of this part. Notwithstanding these definitions, any persons or entities that intentionally act together with respect to bidding in a Treasury auction are considered, collectively, to be one bidder.

The following definitions will be used by the Department in applying competitive and noncompetitive award limitations and related requirements, as described in this part.

(a) *Corporation*—A corporation and all affiliates, whether persons, partnerships, or other entities, hereinafter referred to as a corporate structure, are considered, collectively, to be one bidder.

An affiliate is any: entity that is more than 50% owned, directly or indirectly, by the corporation; entity that is more than 50% owned, directly or indirectly, by any other affiliate of the corporation; person or entity that owns, directly or indirectly, more than 50% of the corporation; person or entity that owns, directly or indirectly, more than 50% of any other affiliate of the corporation; or entity, a majority of whose board of directors or a majority of whose general partners are directors or officers of the corporation or of any affiliate of the corporation.

For the purpose of this part, a business trust, such as a Massachusetts business trust or a Delaware business trust, is considered to be a corporation.

Under certain circumstances, one or more major organizational components (e.g., the parent or a subsidiary) in a corporate structure, either separately or together with one or more other organizational components in the corporate structure, may be recognized as a bidder separate from the larger corporate structure. All of the following criteria must be met for such component or components to qualify for recognition as a separate bidder:

(1) Such component or components must be prohibited by law or regulation from exchanging, or must have established written internal procedures (i.e., Chinese walls) designed to prevent the exchange of, information related to bidding in Treasury auctions with any other component in the corporate structure;

(2) Such component or components must not be created for the purpose of circumventing the Department's bidding and award limitations;

(3) Decisions related to purchasing Treasury securities at auction and participation in specific auctions must be made by employees of such component or components. Employees of such component or components that make decisions to purchase or dispose of Treasury securities must not perform the same function for other components within the corporate structure; and

(4) The records of such component or components related to the bidding for, acquisition of, and disposition of Treasury securities must be maintained by such component or components. Those records must be identifiable—separate and apart from similar records for other components within the corporate structure.

To obtain recognition as a separate bidder, each component or group of components must request such recognition from the Department, provide a description of the component or group and its position within the corporate structure, and provide the following certification:

[Name of the bidder] hereby certifies that to the best of its knowledge and belief it meets the criteria for a separate bidder as described in appendix A to 31 CFR part 356. The above-named bidder also certifies that it has established written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the component or group of components from:

(1) Exchanging any of the following information with any other part of the corporate structure: (a) Yields or rates at which it plans to bid; (b) amounts of securities for which it plans to bid; (c) positions that it holds or plans to acquire in a security being auctioned; and (d) investment strategies that it plans to follow regarding the security being auctioned, or

(2) In any way intentionally acting together with any other part of the corporate structure with respect to formulating or entering bids in a Treasury auction.

The above-named bidder agrees that it will promptly notify the Department in writing when any of the information provided to obtain separate bidder status changes or when this certification is no longer valid.

(b) *Partnership*—A partnership for which the Internal Revenue Service has assigned a tax-identification number; general partners acting on behalf of the partnership; and all affiliates, whether persons, corporations, or other entities; hereinafter referred to as a partnership structure, are considered, collectively, to be one bidder. A partnership structure that contains one or more corporations is considered one bidder under either this ''partnership'' category or the ''corporation'' category, but not both.

An affiliate is any: Entity that is more than 50% owned, directly or indirectly, by the partnership; entity that is more than 50% owned, directly or indirectly, by any other affiliate of the partnership; person or entity that owns, directly or indirectly, more than 50% of the partnership; person or entity that owns, directly or indirectly, more than 50% of any other affiliate of the partnership; or entity, a majority of whose general partners or a majority of whose board of directors are general partners or directors of the partnership or of any affiliate of the partnership.

Under certain circumstances, one or more major organizational components (e.g., the partnership or a subsidiary) in a partnership structure, either separately or together with one or more other organizational components in the partnership structure, may be recognized as a bidder separate from the larger partnership structure. All of the following criteria must be met for such component or components to qualify for recognition as a separate bidder:

(1) Such component or components must be prohibited by law or regulation from exchanging, or must have established written internal procedures (i.e., Chinese walls) designed to prevent the exchange of, information related to bidding in Treasury auctions with any other component in the partnership structure;

(2) Such component or components must not be created for the purpose of circumventing the Department's bidding and award limitations;

(3) Decisions related to purchasing Treasury securities at auction and participation in specific auctions must be made by employees of such component or components. Employees of such component or components that make decisions to purchase or dispose of Treasury securities must not perform the same function for other components within the partnership structure; and

(4) The records of such component or components related to the bidding for, acquisition of, and disposition of Treasury securities must be maintained by such component or components. Those records must be identifiable—separate and apart from similar records for other components within the partnership structure.

To obtain recognition as a separate bidder, each component or group of components

must request such recognition from the Department, provide a description of the component or group and its position within the partnership structure, and provide the following certification:

[Name of the bidder] hereby certifies that to the best of its knowledge and belief it meets the criteria for a separate bidder as described in appendix A to 31 CFR part 356. The above-named bidder also certifies that it has established written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the component or group of components from:

(1) Exchanging any of the following information with any other part of the partnership structure: (a) Yields or rates at which it plans to bid; (b) amounts of securities for which it plans to bid; (c) positions that it holds or plans to acquire in a security being auctioned; and (d) investment strategies that it plans to follow regarding the security being auctioned, or

(2) In any way intentionally acting together with any other part of the partnership structure with respect to formulating or entering bids in a Treasury auction.

The above-named bidder agrees that it will promptly notify the Department in writing when any of the information provided to obtain separate bidder status changes or when this certification is no longer valid.

(c) *Government-related entity*—(1) The government of each of the 50 states and of the District of Columbia is considered to be one bidder.

(2) A unit of local government, including any county, city, municipality, or township, or other unit of general government, as defined by the Bureau of the Census for statistical purposes, is considered to be one bidder.

(3) The government of a commonwealth, territory, or possession of the United States is considered to be one bidder.

(4) A governmental entity, body, or corporation established under Federal, State, or local law is considered to be one bidder.

(5) A foreign central bank, the government of a foreign state, or an international organization in which the United States holds membership is considered to be one bidder.

An investment, reserve, or other fund of one of the above government-related entities, not otherwise meeting the definition of the ''trust or other fiduciary estate'' category, is considered part of that entity and not a separate bidder unless applicable law requires that the investments of such fund be made separately.

(d) *Trust or other fiduciary estate*— A legal entity created under a valid trust instrument, court order, or other legal authority that designates a trustee or fiduciary to act for the benefit of a named beneficiary may be considered a bidder. To be considered a bidder, such legal entity must be able to be identified by the name or title of the trustee or fiduciary; specific reference to the trust instrument, court order, or legal authority under which the trustee or fiduciary is acting; and the unique IRS-assigned employer identification number (not social security number) for the entity. Further, it must be the trustee or fiduciary who makes the decisions related to participation in auctions on behalf of the trust or fiduciary estate.

(e) *Individual*— A person, whether acting in his or her individual capacity, as a sole proprietor, for any entity not otherwise defined as a bidder, or in more than one such capacity, is considered to be one bidder. When a person meets the definition of an affiliate within a corporate or partnership structure as defined above, such person may only be considered a bidder in this ''individual'' category when the bidder of which they are a part is not bidding in the same auction. A person acting in an official capacity as an employee or other representative of a bidder defined in any other category is not considered an ''individual'' bidder when acting in such capacity. A person, his or her spouse, and any children under the age of 21 having a common household are considered, collectively, to be one ''individual'' bidder.

(f) *Other bidder*— A bidder defined by any of the above categories is not considered a bidder in this category. A bidder not defined by any of the above categories may possibly be considered a bidder in this category. For purposes of this definition, ''other bidder'' means an institution or organization with a unique IRS-assigned employer identification number. This definition of other bidder includes such entities as an association, church, university, union, or club. This category does not include any person or entity acting in a fiduciary or investment management capacity, a sole proprietorship, an investment account, an investment fund, a form of registration, or investment ownership designation.

Notwithstanding the definitions in this appendix, it is the intent of the Department that no auction participant receive a larger auction award by acquiring securities through others than it could have received had it been considered a bidder under these definitions.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 37011, July 16, 1996]

APPENDIX B TO PART 356—FORMULAS AND TABLES

I. Computation of Interest on Treasury Bonds and Notes.

II. Formulas for Conversion of Fixed-Principal Security Yields to Equivalent Prices.

III. Formulas for Conversion of Inflation-Indexed Security Yields to Equivalent Prices.

IV. Computation of Adjusted Values and Payment Amounts for Stripped Inflation-Indexed Interest Components.

V. Computation of Purchase Price, Discount Rate, and Investment Rate (Coupon-Equivalent Yield) for Treasury Bills.

The numbers in this appendix are examples given for illustrative purposes only and are in no way a prediction of interest rates on any bills, notes, or bonds issued under this part.

In some of the following examples, intermediate rounding is used to allow the reader to follow the calculations. In actual practice, the Department generally does not round prior to determining the final result.

I. Computation of Interest on Treasury Bonds and Notes

A. Treasury Fixed-Principal Securities

1. Regular Half-Year Payment Period

Interest on marketable fixed-principal securities is payable on a semiannual basis. The regular interest payment period is a full half-year of six calendar months. Examples of half-year periods are: (1) February 15 to August 15, (2) May 31 to November 30, and (3) February 29 to August 31 (in a leap year). Calculation of an interest payment for a fixed-principal security with a par amount of $1,000 and an interest rate of 8% is made in this manner:

($1,000 × .08)/2 = $40. Specifically, a semiannual interest payment represents one-half of one year's interest, and is computed on this basis regardless of the actual number of days in the half-year.

2. Daily Interest Decimal

In cases where an interest payment period for a fixed-principal security is shorter or longer than six months or where accrued interest is payable by an investor, a daily interest decimal, based on the actual number of days in the half-year or half-years involved, must be computed. The number of days in any half-year period is shown in Table 1.

TABLE 1

Interest period	Beginning and ending days are 1st or 15th of the months listed under interest period (number of days)		Beginning and ending days are the last days of the months listed under interest period (number of days)	
	Regular year	Leap year	Regular year	Leap year
January to July	181	182	181	182
February to August	181	182	184	184
March to September	184	184	183	183
April to October	183	183	184	184
May to November	184	184	183	183
June to December	183	183	184	184
July to January	184	184	184	184
August to February	184	184	181	182
September to March	181	182	182	183
October to April	182	183	181	182
November to May	181	182	182	183
December to June	182	183	181	182

Table 2 below sets forth the daily interest decimals covering interest from ⅛% to 20% on $1,000 for one day in increments of ⅛ of one percent. These decimals represent $1/181$, $1/182$, $1/183$, or $1/184$ of a full semiannual interest payment, depending on which half-year is applicable.

TABLE 2—DECIMAL FOR ONE DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE TABLE 1)

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
⅛	0.003396739	0.003415301	0.003434066	0.003453039
¼	0.006793478	0.006830601	0.006868132	0.006906077
⅜	0.010190217	0.010245902	0.010302198	0.010359116
½	0.013586957	0.013661202	0.013736264	0.013812155
⅝	0.016983696	0.017076503	0.017170330	0.017265193
¾	0.020380435	0.020491803	0.020604396	0.020718232
⅞	0.023777174	0.023907104	0.024038462	0.024171271
1	0.027173913	0.027322404	0.027472527	0.027624309
1⅛	0.030570652	0.030737705	0.030906593	0.031077348
1¼	0.033967391	0.034153005	0.034340659	0.034530387
1⅜	0.037364130	0.037568306	0.037774725	0.037983425

TABLE 2—DECIMAL FOR ONE DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE TABLE 1)—Continued

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
1½	0.040760870	0.040983607	0.041208791	0.041436464
1⅝	0.044157609	0.044398907	0.044642857	0.044889503
1¾	0.047554348	0.047814208	0.048076923	0.048342541
1⅞	0.050951087	0.051229508	0.051510989	0.051795580
2	0.054347826	0.054644809	0.054945055	0.055248619
2⅛	0.057744565	0.058060109	0.058379121	0.058701657
2¼	0.061141304	0.061475410	0.061813187	0.062154696
2⅜	0.064538043	0.064890710	0.065247253	0.065607735
2½	0.067934783	0.068306011	0.068681319	0.069060773
2⅝	0.071331522	0.071721311	0.072115385	0.072513812
2¾	0.074728261	0.075136612	0.075549451	0.075966851
2⅞	0.078125000	0.078551913	0.078983516	0.079419890
3	0.081521739	0.081967213	0.082417582	0.082872928
3⅛	0.084918478	0.085382514	0.085851648	0.086325967
3¼	0.088315217	0.088797814	0.089285714	0.089779006
3⅜	0.091711957	0.092213115	0.092719780	0.093232044
3½	0.095108696	0.095628415	0.096153846	0.096685083
3⅝	0.098505435	0.099043716	0.099587912	0.100138122
3¾	0.101902174	0.102459016	0.103021978	0.103591160
3⅞	0.105298913	0.105874317	0.106456044	0.107044199
4	0.108695652	0.109289617	0.109890110	0.110497238
4⅛	0.112092391	0.112704918	0.113324176	0.113950276
4¼	0.115489130	0.116120219	0.116758242	0.117403315
4⅜	0.118885870	0.119535519	0.120192308	0.120856354
4½	0.122282609	0.122950820	0.123626374	0.124309392
4⅝	0.125679348	0.126366120	0.127060440	0.127762431
4¾	0.129076087	0.129781421	0.130494505	0.131215470
4⅞	0.132472826	0.133196721	0.133928571	0.134668508
5	0.135869565	0.136612022	0.137362637	0.138121547
5⅛	0.139266304	0.140027322	0.140796703	0.141574586
5¼	0.142663043	0.143442623	0.144230769	0.145027624
5⅜	0.146059783	0.146857923	0.147664835	0.148480663
5½	0.149456522	0.150273224	0.151098901	0.151933702
5⅝	0.152853261	0.153688525	0.154532967	0.155386740
5¾	0.156250000	0.157103825	0.157967033	0.158839779
5⅞	0.159646739	0.160519126	0.161401099	0.162292818
6	0.163043478	0.163934426	0.164835165	0.165745856
6⅛	0.166440217	0.167349727	0.168269231	0.169198895
6¼	0.169836957	0.170765027	0.171703297	0.172651934
6⅜	0.173233696	0.174180328	0.175137363	0.176104972
6½	0.176630435	0.177595628	0.178571429	0.179558011
6⅝	0.180027174	0.181010929	0.182005495	0.183011050
6¾	0.183423913	0.184426230	0.185439560	0.186464088
6⅞	0.186820652	0.187841530	0.188873626	0.189917127
7	0.190217391	0.191256831	0.192307692	0.193370166
7⅛	0.193614130	0.194672131	0.195741758	0.196823204
7¼	0.197010870	0.198087432	0.199175824	0.200276243
7⅜	0.200407609	0.201502732	0.202609890	0.203729282
7½	0.203804348	0.204918033	0.206043956	0.207182320
7⅝	0.207201087	0.208333333	0.209478022	0.210635359
7¾	0.210597826	0.211748634	0.212912088	0.214088398
7⅞	0.213994565	0.215163934	0.216346154	0.217541436
8	0.217391304	0.218579235	0.219780220	0.220994475
8⅛	0.220788043	0.221994536	0.223214286	0.224447514
8¼	0.224184783	0.225409836	0.226648352	0.227900552
8⅜	0.227581522	0.228825137	0.230082418	0.231353591
8½	0.230978261	0.232240437	0.233516484	0.234806630
8⅝	0.234375000	0.235655738	0.236950549	0.238259669
8¾	0.237771739	0.239071038	0.240384615	0.241712707
8⅞	0.241168478	0.242486339	0.243818681	0.245165746
9	0.244565217	0.245901639	0.247252747	0.248618785
9⅛	0.247961957	0.249316940	0.250686813	0.252071823
9¼	0.251358696	0.252732240	0.254120879	0.255524862
9⅜	0.254755435	0.256147541	0.257554945	0.258977901
9½	0.258152174	0.259562842	0.260989011	0.262430939
9⅝	0.261548913	0.262978142	0.264423077	0.265883978
9¾	0.264945652	0.266393443	0.267857143	0.269337017
9⅞	0.268342391	0.269808743	0.271291209	0.272790055
10	0.271739130	0.273224044	0.274725275	0.276243094

TABLE 2—DECIMAL FOR ONE DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE TABLE 1)—Continued

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
10⅛	0.275135870	0.276639344	0.278159341	0.279696133
10¼	0.278532609	0.280054645	0.281593407	0.283149171
10⅜	0.281929348	0.283469945	0.285027473	0.286602210
10½	0.285326087	0.286885246	0.288461538	0.290055249
10⅝	0.288722826	0.290300546	0.291895604	0.293508287
10¾	0.292119565	0.293715847	0.295329670	0.296961326
10⅞	0.295516304	0.297131148	0.298763736	0.300414365
11	0.298913043	0.300546448	0.302197802	0.303867403
11⅛	0.302309783	0.303961749	0.305631868	0.307320442
11¼	0.305706522	0.307377049	0.309065934	0.310773481
11⅜	0.309103261	0.310792350	0.312500000	0.314226519
11½	0.312500000	0.314207650	0.315934066	0.317679558
11⅝	0.315896739	0.317622951	0.319368132	0.321132597
11¾	0.319293478	0.321038251	0.322802198	0.324585635
11⅞	0.322690217	0.324453552	0.326236264	0.328038674
12	0.326086957	0.327868852	0.329670330	0.331491713
12⅛	0.329483696	0.331284153	0.333104396	0.334944751
12¼	0.332880435	0.334699454	0.336538462	0.338397790
12⅜	0.336277174	0.338114754	0.339972527	0.341850829
12½	0.339673913	0.341530055	0.343406593	0.345303867
12⅝	0.343070652	0.344945355	0.346840659	0.348756906
12¾	0.346467391	0.348360656	0.350274725	0.352209945
12⅞	0.349864130	0.351775956	0.353708791	0.355662983
13	0.353260870	0.355191257	0.357142857	0.359116022
13⅛	0.356657609	0.358606557	0.360576923	0.362569061
13¼	0.360054348	0.362021858	0.364010989	0.366022099
13⅜	0.363451087	0.365437158	0.367445055	0.369475138
13½	0.366847826	0.368852459	0.370879121	0.372928177
13⅝	0.370244565	0.372267760	0.374313187	0.376381215
13¾	0.373641304	0.375683060	0.377747253	0.379834254
13⅞	0.377038043	0.379098361	0.381181319	0.383287293
14	0.380434783	0.382513661	0.384615385	0.386740331
14⅛	0.383831522	0.385928962	0.388049451	0.390193370
14¼	0.387228261	0.389344262	0.391483516	0.393646409
14⅜	0.390625000	0.392759563	0.394917582	0.397099448
14½	0.394021739	0.396174863	0.398351648	0.400552486
14⅝	0.397418478	0.399590164	0.401785714	0.404005525
14¾	0.400815217	0.403005464	0.405219780	0.407458564
14⅞	0.404211957	0.406420765	0.408653846	0.410911602
15	0.407608696	0.409836066	0.412087912	0.414364641
15⅛	0.411005435	0.413251366	0.415521978	0.417817680
15¼	0.414402174	0.416666667	0.418956044	0.421270718
15⅜	0.417798913	0.420081967	0.422390110	0.424723757
15½	0.421195652	0.423497268	0.425824176	0.428176796
15⅝	0.424592391	0.426912568	0.429258242	0.431629834
15¾	0.427989130	0.430327869	0.432692308	0.435082873
15⅞	0.431385870	0.433743169	0.436126374	0.438535912
16	0.434782609	0.437158470	0.439560440	0.441988950
16⅛	0.438179348	0.440573770	0.442994505	0.445441989
16¼	0.441576087	0.443989071	0.446428571	0.448895028
16⅜	0.444972826	0.447404372	0.449862637	0.452348066
16½	0.448369565	0.450819672	0.453296703	0.455801105
16⅝	0.451766304	0.454234973	0.456730769	0.459254144
16¾	0.455163043	0.457650273	0.460164835	0.462707182
16⅞	0.458559783	0.461065574	0.463598901	0.466160221
17	0.461956522	0.464480874	0.467032967	0.469613260
17⅛	0.465353261	0.467896175	0.470467033	0.473066298
17¼	0.468750000	0.471311475	0.473901099	0.476519337
17⅜	0.472146739	0.474726776	0.477335165	0.479972376
17½	0.475543478	0.478142077	0.480769231	0.483425414
17⅝	0.478940217	0.481557377	0.484203297	0.486878453
17¾	0.482336957	0.484972678	0.487637363	0.490331492
17⅞	0.485733696	0.488387978	0.491071429	0.493784530
18	0.489130435	0.491803279	0.494505495	0.497237569
18⅛	0.492527174	0.495218579	0.497939560	0.500690608
18¼	0.495923913	0.498633880	0.501373626	0.504143646
18⅜	0.499320652	0.502049180	0.504807692	0.507596685
18½	0.502717391	0.505464481	0.508241758	0.511049724
18⅝	0.506114130	0.508879781	0.511675824	0.514502762

TABLE 2—DECIMAL FOR ONE DAY'S INTEREST ON $1,000 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE TABLE 1)—Continued

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
18¾	0.509510870	0.512295082	0.515109890	0.517955801
18⅞	0.512907609	0.515710383	0.518543956	0.521408840
19	0.516304348	0.519125683	0.521978022	0.524861878
19⅛	0.519701087	0.522540984	0.525412088	0.528314917
19¼	0.523097826	0.525956284	0.528846154	0.531767956
19⅜	0.526494565	0.529371585	0.532280220	0.535220994
19½	0.529891304	0.532786885	0.535714286	0.538674033
19⅝	0.533288043	0.536202186	0.539148352	0.542127072
19¾	0.536684783	0.539617486	0.542582418	0.545580110
19⅞	0.540081522	0.543032787	0.546016484	0.549033149
20	0.543478261	0.546448087	0.549450549	0.552486188

3. Short First Payment Period

In cases where the first interest payment period for a fixed-principal security covers less than a full half-year period (a ''short coupon''), the daily interest decimal is multiplied by the number of days from, but not including, the issue date to, and including, the first interest payment date, resulting in the amount of the interest payable per $1,000 par amount. In cases where the par amount of securities is greater than $1,000, the appropriate multiple should be multiplied by the unrounded interest payment amount for $1,000 par amount.

Example. A 2-year fixed-principal note paying 8⅜% interest was issued on July 2, 1990, with the first interest payment on December 31, 1990. The number of days in the full half-year period of June 30 to December 31, 1990, was 184 (see Table 1). The number of days for which interest actually accrued was 182 (not including July 2, but including December 31). The daily interest decimal, $0.227581522 (see Table 2, line for 8⅜%, under the column for half-year of 184 days), was multiplied by 182, resulting in a payment of $41.419837004 per $1,000. Because the note was issued in a minimum denomination of $5,000, $41.419837004 was multiplied by 5, resulting in a payment of $207.099185020, or $207.10, for a $5,000 note. For $20,000 of these notes, $41.419837004 would be multiplied by 20, resulting in a payment of $828.39674008 ($828.40).

4. Long First Payment Period

In cases where the first interest payment period for a fixed-principal security covers more than a full half-year period (a ''long coupon''), the daily interest decimal is multiplied by the number of days from, but not including, the issue date to, and including, the last day of the fractional period that ends one full half-year before the interest payment date. That amount is added to the regular interest amount for the full half-year ending on the first interest payment date, resulting in the amount of interest payable for $1,000 par amount. In cases where the par amount of securities is greater than $1,000, the appropriate multiple should be applied to the unrounded interest payment amount for $1,000 par amount.

Example. A 5-year 2-month fixed-principal note paying 7⅞% interest was issued on December 3, 1990, with the first interest payment due on August 15, 1991. Interest for the regular half-year portion of the payment was computed to be $39.375 per $1,000 par amount. The fractional portion of the payment, from December 3 to February 15, fell in a 184-day half-year (August 15, 1990, to February 15, 1991). Accordingly, the daily interest decimal for 7⅞% was $0.213994565. This decimal, multiplied by 74 (the number of days from but not including December 3, 1990, to and including February 15), resulted in interest for the fractional portion of $15.835597810. When added to $39.375 (the normal interest payment portion ending on August 15, 1991), this produced a first interest payment of $55.210597810, or $55.21 per $1,000 par amount. For $7,000 par amount of these notes, $55.210597810 would be multiplied by 7, resulting in an interest payment of $386.474184670 ($386.47).

B. Treasury Inflation-Indexed Securities

1. Indexing Process

Interest on marketable Treasury inflation-indexed securities is payable on a semiannual basis. The inflation-indexed securities are issued with a stated rate of interest which remains constant for the term of the particular security. Interest payments are based on the security's inflation-adjusted principal at the time interest is paid. This adjustment is made by multiplying the par amount of the security by the applicable Index Ratio.

2. Index Ratio

The numerator of the Index Ratio, the Ref CPI_{Date}, is the index number applicable for a specific day, and the denominator of the Index Ratio is the Ref CPI applicable for the original issue date. However, when the dated date is different from the original issue date, the denominator is the Ref CPI applicable for the dated date. The formula for calculating the Index Ratio is:

$$\text{Index Ratio}_{\text{Date}} = \frac{\text{Ref CPI}_{\text{Date}}}{\text{Ref CPI}_{\text{Issue Date}}}$$

Where Date = valuation date

3. Reference CPI

The Ref CPI for the first day of any calendar month is the CPI for the third preceding calendar month. For example, the Ref CPI applicable to April 1 in any year is the CPI for January, which is reported in February. The Ref CPI for any other day of a month is determined by a linear interpolation between the Ref CPI applicable to the first day of the month in which such day falls (in the example, January) and the Ref CPI applicable to the first day of the next month (in the example, February). For purposes of interpolation, calculations with regard to the Ref CPI and the Index Ratio for a specific date will be truncated to six decimal places and rounded to five decimal places such that the Ref CPI and the Index Ratio for that date will be expressed to five decimal places. The formula for the Ref CPI for a specific date is:

$$\text{Ref CPI}_{\text{Date}} = \text{Ref CPI}_{M} + \frac{t-1}{D}\left[\text{Ref CPI}_{M+1} - \text{Ref CPI}_{M}\right]$$

Where Date = valuation date

D = the number of days in the month in which Date falls

t = the calendar day corresponding to Date

CPI_M = CPI reported for the calendar month M by the Bureau of Labor Statistics

Ref CPI_M = Ref CPI for the first day of the calendar month in which Date falls, e.g., Ref CPI_{April1} is the $CPI_{January}$

Ref CPI_{M+1} = Ref CPI for the first day of the calendar month immediately following Date

For example, the Ref CPI for April 15, 1996 is calculated as follows:

$$\text{Ref CPI}_{\text{April 15, 1996}} = \text{Ref CPI}_{\text{April 1, 1996}} + \frac{14}{30}\left[\text{Ref CPI}_{\text{May 1, 1996}} - \text{Ref CPI}_{\text{April 1, 1996}}\right]$$

where D = 30, t = 15

Ref $CPI_{April1,1996}$ = 154.40, the non-seasonally adjusted CPI–U for January 1996.

Ref $CPI_{May\ 1,\ 1996}$ = 154.90, the non-seasonally adjusted CPI–U for February 1996.

Putting these values in the equation above:

$$\text{Ref CPI}_{\text{April 15, 1996}} = 154.40 + \frac{14}{30}[154.90 - 154.40] \quad \text{Ref CPI}_{\text{April 15, 1996}} = 154.633333333$$

This value truncated to six decimals is 154.633333; rounded to five decimals it is 154.63333.

To calculate the Index Ratio for April 16, 1996, for an inflation-indexed security issued on April 15, 1996, the Ref $CPI_{April16,1996}$ must first be calculated. Using the same values in the equation above except that t=16, the Ref $CPI_{April16,1996}$ is 154.65000.

The Index Ratio for April 16, 1996 is:

Index $Ratio_{April16,1996}$ = 154.65000/154.63333 = 1.000107803.

This value truncated to six decimals is 1.000107; rounded to five decimals it is 1.00011.

4. Index Contingencies

If a previously reported CPI is revised, Treasury will continue to use the previously

reported CPI in calculating the principal value and interest payments.

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 security was first issued, as long as that CPI continues to be published.

If, while an inflation-indexed security is outstanding, the applicable CPI is: (1) discontinued, (2) in the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the security, or (3) 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, 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.

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 twelve-month change in the CPI available. Any calculations of the Treasury's payment obligations on the inflation-indexed security that rely on that month's CPI will be based on the index number that the Treasury has announced. For example, if the CPI for month M is not reported timely, the formula for calculating the index number to be used is:

$$CPI_M = CPI_{M-1} \times \left[\frac{CPI_{M-1}}{CPI_{M-13}} \right]^{\frac{1}{12}}$$

Generalizing for the last reported CPI issued N months prior to month M:

$$CPI_M = CPI_{M-N} \times \left[\frac{CPI_{M-N}}{CPI_{M-N-12}} \right]^{\frac{N}{12}}$$

If it is necessary to use these formulas to calculate an index number, it will be used for all subsequent calculations that rely on that month's index number and will not be replaced by the actual CPI when it is reported, except for use in the above formulas. When it becomes necessary to use the above formulas to derive an index number, the last CPI that has been reported will be used to calculate CPI numbers for months for which the CPI has not been reported timely.

5. Computation of Interest for a Regular Half-Year Payment Period

Interest on marketable Treasury inflation-indexed securities is payable on a semiannual basis. The regular interest payment period is a full half-year or six calendar months. Examples of half-year periods are January 15 to July 15, and April 15 to October 15. An interest payment will be a fixed percentage of the value of the inflation-adjusted principal, in current dollars, for the date on which it is paid. Interest payments will be calculated by multiplying one-half of the specified annual interest rate for the inflation-indexed securities by the inflation-adjusted principal for the interest payment date. Specifically, a semiannual interest payment is computed on the basis of one-half of one year's interest regardless of the actual number of days in the half-year.

Example. A 10-year inflation-indexed note paying 3% interest was issued on July 15, 1996, with the first interest payment on January 15, 1997. The Ref CPI on July 15, 1996 (Ref $CPI_{IssueDate}$) was 120, and the Ref CPI on January 15, 1997 (Ref CPI_{Date}) was 132. For a par amount of $100,000, the inflation-adjusted principal on January 15, 1997, was (132/120) × $100,000, or $110,000. This amount was then multiplied by .03/2, or .015, resulting in a payment of $1,650.00.

C. Accrued Interest

Accrued interest will be payable by the purchaser of a Treasury bond or note when interest accrues prior to the issue date of the security. Because the purchaser receives a full interest payment despite having held the security for only a portion of the interest payment period, the Department is compensated through the payment of accrued interest at settlement.

For a fixed-principal security, if accrued interest covers a fractional portion of a full half-year period, the number of days in the full half-year period and the stated interest rate will determine the daily interest decimal to be used in computing the accrued interest. The decimal is multiplied by the number of days for which interest has accrued. If a reopened fixed-principal security has a long first interest payment period (a ''long coupon''), and the dated date for the reopened issue is less than six full months before the first interest payment, the accrued interest will fall into two separate half-year periods, and a separate daily interest decimal must be multiplied by the respective number of days in each half-year period during which interest has accrued. All accrued interest computations are rounded to five decimal places for a $1,000 inflation-adjusted principal, using normal rounding procedures. Accrued interest for a par amount of securities greater than $1,000 is calculated by applying the appropriate multiple to accrued interest payable for $1,000 par amount, rounded to five decimal places.

For an inflation-indexed security, accrued interest will be calculated as shown in section III, paragraphs A and B of this appendix.

Examples. (1) *Fixed-Principal Securities*—(i) *Involving One Half-Year:* A bond paying interest at a rate of 8¾%, originally issued on August 15, 1990, as a 30-year bond with a first interest payment date of February 15, 1991, was reopened as a 29-year 9-month bond on November 15, 1990. Interest had accrued for 92 days, from August 15 to November 15. The regular interest period from August 15 to February 15, 1991, covered 184 days. Accordingly, the daily interest decimal, $0.237771739, multiplied by 92, resulted in accrued interest payable of $21.874999988, or $21.87500, for each $1,000 bond purchased. If the bonds have a par amount of $150,000, then 150 is multiplied by $21.87500, resulting in an amount payable of $3,281.25.

(ii) *Involving Two Half-Years:* A 10¾% bond, originally issued on July 2, 1985, as a 20-year 1-month bond, with a first interest payment date of February 15, 1986, was reopened as a 19-year 10-month bond on November 4, 1985. Interest had accrued for 44 days, from July 2 to August 15, 1985, during a 181-day half-year (February 15 to August 15); and for 81 days, from August 15 to November 4, during a 184-day half-year (August 15, 1985, to February 15, 1986). Accordingly, $0.296961326 was multiplied by 44, and $0.292119565 was multiplied by 81, resulting in products of $13.066298344 and $23.661684765 which, added together, resulted in accrued interest payable of $36.727983109, or $36.72798, for each $1,000 bond purchased. If the bonds have a par amount of $11,000, then 11 is multiplied by $36.72798, resulting in an amount payable of $404.00778 ($404.01).

II. Formulas for Conversion of Fixed-Principal Security Yields to Equivalent Prices

Definitions

P=price per 100 (dollars), rounded to three places, using normal rounding procedures

C=the regular annual interest per $100, payable semiannually, e.g., 10.125 (the dollar equivalent of a 10⅛% interest rate)

i=nominal annual rate of return or yield to maturity, based on semiannual interest payments and expressed in decimals, e.g., .0719

n=number of full semiannual periods from the issue date to maturity, except that, if the issue date is a coupon frequency date, n will be one less than the number of full semiannual periods remaining to maturity. Coupon frequency dates are the two semiannual dates based on the maturity date of each note or bond issue. For example, a security maturing on November 15, 1995, would have coupon frequency dates of May 15 and November 15.

r=(1) number of days from the issue date to the first interest payment (regular or short first payment period), or (2) number of days in fractional portion (or ''initial short period'') of long first payment period

s=(1) number of days in the full semiannual period ending on the first interest payment date (regular or short first payment period), or (2) number of days in the full semiannual period in which the fractional portion of a long first payment period falls, ending at the onset of the regular portion of the first interest payment

$v^n=1/[1+(i/2)]^n$=present value of 1 due at the end of n periods

$a_n=(1-v^n)/(i/2)=v+v^2+v^3+ \quad . . . \quad +v^n$=present value of 1 per period for n periods

A=accrued interest

A. *For fixed-principal securities with a regular first interest payment period:*

Formula:

$P[1+(r/s)(i/2)]=(C/2)(r/s)+(C/2)a_n+100\ v^n$

Example:

For an 8¾% 30-year bond, issued May 15, 1990, due May 15, 2020, with interest payments on November 15 and May 15, solve for the price per 100 (P) at a yield of 8.84%.

Definitions:

C=8.75
i=.0884
r=184 (May 15 to November 15, 1990)
s=184 (May 15 to November 15, 1990)
n=59 (There are 60 full semiannual periods, but n is reduced by 1 because the issue date is a coupon frequency date.)
$v^n=1/[(1+.0884/2)]^{59}$, or .077940
$a_n=(1-.077940)/.0442$, or 20.861086

Resolution:

$P[1+(r/s)(i/2)]=(C/2)(r/s)+(C/2)a^n+100\ v^n$ or
$P[1+(184/184)(.0884/2)]=(8.75/2)(184/184)+(8.75/2)(20.861086)+100(.077940)$
(1) $P[1+.0442]=4.375+91.267251+7.7940$
(2) $P[1.0442]=103.436251$
(3) $P=103.436251+1.0442$
(4) $P=99.057892$
(5) $P=99.058$

B. *For fixed-principal securities with a short first interest payment period:*

Formula:

$P[1+(r/s)(i/2)]=(C/2)(r/s)+(C/2)a_n+100\ v^n$

Example:

For an 8½% 2-year note, issued April 2, 1990, due March 31, 1992, with interest payments on September 30 and March 31, solve for the price per 100 (P) at a yield of 8.59%.

Definitions:

C=8.50
i=.0859
n=3
r=181 (April 2 to September 30, 1990)
s=183 (March 31 to September 30, 1990)
$v^n=1/[(1+.0859/2)]^3$, or .881474
$a_n=(1-.881474)/.04295$, or 2.759627

Resolution:

$P[1+(r/s)(i/2)]=(C/2)(r/s)+(C/2)a_n+100\ v^n$ or
$P[1+(181/183)(.0859/2)]=(8.50/2)(181/183)+(8.50/2)(2.759627)+100(.881474)$
(1) $P[1+.042481]=4.203552+ 11.728415+88.1474$
(2) $P[1.042481]=104.079367$
(3) $P=104.079367\div1.042481$
(4) $P=99.838143$
(5) $P=99.838$

C. *For fixed-principal securities with a long first interest payment period:*

Formula:

$P[1+(r/s)(i/2)]=[(C/2)(r/s)]v+(C/2)a_n+100\ v^n$

Example:

For an 8½% 5-year 2-month note, issued March 1, 1990, due May 15, 1995, with interest payments on November 15 and May 15 (first payment on November 15, 1990), solve for the price per 100 (P) at a yield of 8.53%.

Definitions:

$C=8.50$
$i=.0853$
$n=10$
$r=75$ (March 1 to May 15, 1990, which is the fractional portion of the first interest payment)
$s=181$ (November 15, 1989, to May 15, 1990)
$v=1/(1+.0853/2)$, or .959095
$v^n=1/(1+.0853/2)^{10}$, or .658589
$a_n=(1-.658589)/.04265$, or 8.004947

Resolution:

$P[1+(r/s)(i/2)]=[(C/2)(r/s)]v+(C/2)a_n+100\ v^n$ or
$P[1+(75/181)(.0853/2)]=[(8.50/2)(75/181)].959095+(8.50/2)(8.004947)+100(.658589)$
(1) $P[1+.017673]=1.689014+ 34.021025+65.8589$
(2) $P[1.017673]=101.568939$
(3) $P=101.568939\div1.017673$
(4) $P=99.805084$
(5) $P=99.805$

D. (1) *For fixed-principal securities reopened during a regular interest period where the purchase price includes predetermined accrued interest.*

(2) *For new fixed-principal securities accruing interest from the coupon frequency date immediately preceding the issue date, with the interest rate established in the auction being used to determine the accrued interest payable on the issue date.*

Formula:

$(P+A)[1+(r/s)(i/2)]=C/2+(C/2)a_n+100\ v^n$

Where: $A=[(s-r)/s](C/2)$

Example:

For a 9½% 10-year note, interest accruing from November 15, 1985, issued November 29, 1985, due November 15, 1995, with interest payments on May 15 and November 15, solve for the price per 100 (P) at a yield of 9.54%. Accrued interest is from November 15 to November 29 (14 days).

Definitions:

$C=9.50$
$i=.0954$
$n=19$
$r=167$ (November 29, 1985, to May 15, 1986)
$s=181$ (November 15, 1985, to May 15, 1986)
$v^n=1/[(1+.0954/2)]^{19}$, or .412570400
$a_n=(1-.412570)/.0477$, or 12.315094
$A=[181-167)/181](9.50/2)$, or .367403

Resolution:

$(P+A)[1+(r/s)(i/2)]=C/2+(C/2)a_n+100\ v^n$ or
$(P+.367403)[1+(167/181)(.0954/2)]=(9.50/2)+(9.50/2)(12.315094)+100(.412570)$
(1) $(P+.367403)[1+.044011]=4.75+58.496697+41.2570$
(2) $(P+.367403)[1.044011]=104.503697$
(3) $(P+.367403)=104.503697\div1.044011$
(4) $(P+.367403)=100.098272$
(5) $P=100.098272-.367403$
(6) $P=99.730869$
(7) $P=99.731$

E. *For fixed-principal securities reopened during the regular portion of a long first payment period:*

Formula:

$(P+A)[1+(r/s)(i/2)]=(r'/s'')(C/2)+C/2+(C/2)a_n+100\ v^n$

Where:

$A=AI'+AI$
$AI'=(r'/s'')(C/2)$
$AI=[(s-r)/s](C/2)$

and

r=number of days from the reopening date to the first interest payment date
s=number of days in the semiannual period for the regular portion of the first interest payment period
r'=number of days in the fractional portion (or ''initial short period'') of the first interest payment period
s''=number of days in the semiannual period ending with the commencement date of the regular portion of the first interest payment period

Example:

A 10¾% 19-year 9-month bond due August 15, 2005, is issued on July 2, 1985, and reopened on November 4, 1985, with interest payments on February 15 and August 15 (first payment on February 15, 1986), solve for the price per 100 (P) at a yield of 10.47%. Accrued interest is calculated from July 2 to November 4.

Definitions:

$C=10.75$
$i=.1047$
$n=39$
$r=103$ (November 4, 1985, to February 15, 1986)
$s=184$ (August 15, 1985, to February 15, 1986)
$r'=44$ (July 2 to August 15, 1985)
$s''=181$ (February 15 to August 15, 1985)
$v^n=1/[(1+.1047/2)]^{39}$, or .136695
$a_n=(1-.136695)/.05235$, or 16.491022
$AI'=(44/181)(10.75/2)$, or 1.306630
$AI'=[(184-103)/184](10.75/2)$, or 2.366168
$A=AI'+AI$, or 3.672798

Resolution:

$(P+A)[1+(r/s)(i/2)]=(r'/s'')(C/2)+C/2+(C/2)a_n+100v^n$ or

$(P+3.672798)[1+(103/184)(.1047/2)]=(44/181)(10.75/2)+10.75/2+(10.75/2)(16.491022)+100(.136695)$

(1) $(P+3.672798)[1+.029305]=1.306630+5.375+88.639243+13.6695$

(2) $(P+3.672798)[1.029305]=108.990373$

(3) $(P+3.672798)=108.990373\div1.029305$

(4) $(P+3.672798)=105.887344$

(5) $P=105.887344-3.672798$

(6) $P=102.214546$

(7) $P=102.215$

F. *For fixed-principal securities reopened during a short first payment period:*

Formula:

$(P+A)[1+(r/s)(i/2)]=(r'/s)(C/2)+(C/2)a_n+100\ v_n$

Where:

$A=[(r'-r)/s](C/2)$

and

r'=number of days from the original issue date to the first interest payment date

Example:

For a 10½% 8-year note due May 15, 1991, originally issued on May 16, 1983, and reopened on August 15, 1983, with interest payments on November 15 and May 15 (first payment on November 15, 1983), solve for the price per 100 (P) at a yield of 10.53%. Accrued interest is calculated from May 16 to August 15.

Definitions:

$C=10.50$

$i=.1053$

$n=15$

$r=92$ (August 15, 1983, to November 15, 1983)

$s=184$ (May 15, 1983, to November 15, 1983)

$r'=183$ (May 16, 1983, to November 15, 1983)

$v_n=1/[(1+.1053/2)]^{15}$, or .463170

$a_n=(1-.463170)/.05265$, or 10.196201

$A=[(183-92)/184](10.50/2)$, or 2.596467

Resolution:

$(P+A)[1+(r/s)(i/2)]=(r'/s)(C/2)+(C/2)a_n+100\ v_n$ or

$(P+2.596467)[1+(92/184)(.1053/2)]=(183/184)(10.50/2)+(10.50/2)(10.196201)+100(.463170)$

(1) $(P+2.596467)[1+.026325]=5.221467+53.530055+46.3170$

(2) $(P+2.596467)[1.026325]=105.068522$

(3) $(P+2.596467)+105.068522\div1.026325$

(4) $(P+2.596467)=102.373539$

(5) $P=102.373539-2.596467$

(6) $P=99.777072$

(7) $P=99.777$

G. *For fixed-principal securities reopened during the fractional portion (initial short period) of a long first payment period:*

Formula:

$(P+A)[1+(r/s)(i/2)]=[(r'/s)(C/2)]v+(C/2)a_n+100\ v^n$

Where:

$A=[(r'-r)/s](C/2)$

and

r=number of days from the reopening date to the end of the short period

r'=number of days in the short period

s=number of days in the semiannual period ending with the end of the short period

Example:

For a 9¾% 6-year 2-month note due December 15, 1994, originally issued on October 15, 1988, and reopened on November 15, 1988, with interest payments on June 15 and December 15 (first payment on June 15, 1989), solve for the price per 100 (P) at a yield of 9.79%. Accrued interest is calculated from October 15 to November 15.

Definitions:

$C=9.75$

$i=.0979$

$n=12$

$r=30$ (November 15, 1988, to December 15, 1988)

$s=183$ (June 15, 1988, to December 15, 1988)

$r'=61$ (October 15, 1988, to December 15, 1988)

$v=1/(1+.0979/2)$, or .953334

$v^n=[1/(1+.0979/2)]^{12}$, or .563563

$a_n=(1-.563563)/.04895$, or 8.915975

$A=[(61-30)/183](9.75/2)$, or .825820

Resolution:

$(P+A)[1+(r/s)(i/2)]=[(r'/s)(C/2)]v+(C/2)a_n+100\ v^n$ or

$(P+.825820)[1+(30/183)(.0979/2)]=[(61/183)(9.75/2)](.953334)+(9.75/2)(8.915975)+100(.563563)$

(1) $(P+.825820)[1+.008025]=1.549168+43.465378+56.3563$

(2) $(P+.825820)[1.008025]=101.370846$

(3) $(P+.825820)=101.370846\div1.008025$

(4) $(P+.825820)=100.563821$

(5) $P=100.563821-.825820$

(6) $P=99.738001$

(7) $P=99.738$

III. FORMULAS FOR CONVERSION OF INFLATION-INDEXED SECURITY YIELDS TO EQUIVALENT PRICES

Definitions

P = unadjusted or real price per 100 (dollars)

P_{adj} = inflation adjusted price; P × Index $Ratio_{Date}$

A = unadjusted accrued interest per $100 original principal

A_{adj} = inflation adjusted accrued interest; A × Index $Ratio_{Date}$

SA = settlement amount including accrued interest in current dollars per $100 original principal; $P_{adj}+A_{adj}$

r = days from settlement date to next coupon date

s = days in current semiannual period

i = real yield, expressed in decimals (e.g., 0.0325)

C = real annual coupon, payable semiannually, in terms of real dollars paid on $100 initial, or real, principal of the security

n = number of full semiannual periods from issue date to maturity date, except that, if the issue date is a coupon frequency

date, n will be one less than the number of full semiannual periods remaining until maturity. Coupon frequency dates are the two semiannual dates based on the maturity date of each note or bond issue. For example, a security maturing on July 15, 2026 would have coupon frequency dates of January 15 and July 15.

$v^n = 1/(1 + i/2)^n$ = present value of 1 due at the end of n periods

$$a_{n\rceil} = (1 - v^n)/(i/2) = v + v^2 + v^3 + \cdots + v^n$$
= present value of 1 per period for n periods

Date = valuation date

D = the number of days in the month in which Date falls

t = calendar day corresponding to Date

CPI = Consumer Price Index number

CPI_M = CPI reported for the calendar month M by the Bureau of Labor Statistics

Ref CPI_M = reference CPI for the first day of the calendar month in which Date falls, e.g., Ref CPI_{April1} is the $CPI_{January}$

Ref CPI_{M+1} = reference CPI for the first day of the calendar month immediately following Date

Ref CPI_{Date} = Ref CPI_M + [(t − 1)/D][Ref CPI_{M+1} − Ref CPI_M]

Index $Ratio_{Date}$ = Ref CPI_{Date}/Ref $CPI_{IssueDate}$

A. *For inflation-indexed securities with a regular first interest payment period:*

Formulas:

$$P = \frac{(C/2) + (C/2)a_{n\rceil} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$P_{adj} = P \times$ Index $Ratio_{Date}$

$A = [(s - r)/s] \times (C/2)$

$A_{adj} = A \times$ Index $Ratio_{Date}$

$SA = P_{adj} + A_{adj}$

Index $Ratio_{Date}$ = Ref CPI_{Date}/Ref $CPI_{IssueDate}$

Example. The Treasury issues a 10-year inflation-indexed note on July 15, 1996. The note is issued at a discount to yield 3.1% (real). The note bears a 3% real coupon, payable on January 15 and July 15 of each year. The base CPI index applicable to this note is 120.[1] Calculate the settlement amount.

Definitions:

C = 3.00

i = 0.0310

n = 19 (There are 20 full semiannual periods but n is reduced by 1 because the issue date is a coupon frequency date.)

r = 184 (July 15, 1996 to January 15, 1997)

s = 184 (July 15, 1996 to January 15, 1997)

Ref CPI_{Date} = 120

Ref $CPI_{IssueDate}$ = 120

Resolution:

Index $Ratio_{Date}$ = Ref CPI_{Date}/Ref $CPI_{IssueDate}$ = 120/120 = 1

$A = [(184 - 184)/184] \times 3/2 = 0$

$A_{adj} = 0 \times 1 = 0$

$v^n = 1/(1 + i/2)^n = 1/(1 + .031/2)^{19} = 0.74658863$

$$a_{n\rceil} = (1 - v^n)/(i/2) = (1 - 0.74658863)/(.031/2) = 16.34912065$$

$$P = \frac{(C/2) + (C/2)a_{n\rceil} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$$P = \frac{(3/2) + (3/2)(16.34912065) + 100(0.74658863)}{1 + (184/184)(0.031/2)} - [(184 - 184)/184](3/2)$$

$$P = \frac{1.5 + 24.52368098 + 74.658863}{1.01550000} - 0$$

$$P = \frac{100.68254398}{1.01550000}$$

P = 99.145784

P = 99.146

[1] This number is normally derived using the interpolative process described in appendix B, section I, paragraph B.

$P_{adj} = P \times \text{Index Ratio}_{Date}$
$P_{adj} = 99.146 \times 1 = 99.146$
$SA = P_{adj} + A_{adj}$;
$SA = 99.146 + 0 = 99.146$

NOTE: For the real price (P), Treasury has rounded to three places. These amounts are based on 100 par value.

B. *For inflation-indexed securities reopened during a regular interest period where the purchase price includes predetermined accrued interest:*

Bidding:

The dollar amount of each bid is in terms of the par amount. For example, if the Ref CPI applicable to the issue date of the note is 120, and the reference CPI applicable to the reopening issue date is 132, a bid of $10,000 will in effect be a bid of $10,000 × (132/120), or $11,000.

Formulas:

$$P = \frac{(C/2) + (C/2)a_{\overline{n}|} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$P_{adj} = P \times \text{Index Ratio}_{Date}$
$A = [(s - r)/s] \times (C/2)$
$A_{adj} = A \times \text{Index Ratio}_{Date}$
$SA = P_{adj} + A_{adj}$
$\text{Index Ratio}_{Date} = \text{Ref CPI}_{Date}/\text{Ref CPI}_{IssueDate}$

Example. A 3% 10-year inflation-indexed note was issued July 15, 1996, due July 15, 2006, with interest payments on January 15 and July 15. For a reopening on April 15, 1997, with inflation compensation accruing from July 15, 1996 to April 15, 1997, and accrued interest accruing from January 15, 1997 to April 15, 1997 (90 days), solve for the price per 100 (P) at a real yield, as determined in the reopening auction, of 3.40%. The base index applicable to the issue date of this note is 120 and the reference CPI applicable to April 15, 1997, is 132.

Definitions:

$C = 3.00$
$i = 0.0340$
$n = 18$
$r = 91$ (April 15, 1997 to July 15, 1997)
$s = 181$ (January 15, 1997 to July 15, 1997)
$\text{Ref CPI}_{Date} = 132$
$\text{Ref CPI}_{IssueDate} = 120$

Resolution:

$\text{Index Ratio}_{Date} = \text{Ref CPI}_{Date}/\text{Ref CPI}_{IssueDate} = 132/120 = 1.100$
$v^n = 1/(1 + i/2)^n = 1/(1 + .0340/2)^{18} = 0.73828296$

$$a_{\overline{n}|} = (1 - v^n)/(i/2) = (1 - 0.73828296)/(.0340/2) = 15.39512000$$

$$P = \frac{(C/2) + (C/2)a_{\overline{n}|} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$$P = \frac{(3/2) + (3/2)(15.39512000) + 100(0.73828296)}{1 + (91/181)(0.0340/2)} - [(181 - 91)/181](3/2)$$

$$P = \frac{1.5 + 23.09268 + 73.828296}{1.00854696} - (90/181)(1.5)$$

$$P = \frac{98.420976}{1.00854696} - 0.745856$$

$P = 97.586905 - 0.745856$
$P = 96.841049$
$P = 96.841$
$P_{adj} = P \times \text{Index Ratio}_{Date}$
$P_{adj} = 96.841 \times 1.100 = 106.5251$
$P_{adj} = 106.525$
$A = [(181 - 91)/181] \times 3/2 = 0.745856$
$A_{adj} = A \times \text{Index Ratio}_{Date}$
$A_{adj} = 0.745856 \times 1.100 = 0.820442$
$SA = P_{adj} + A_{adj} = 106.525 + 0.820442$
$SA = 107.345442$

NOTE: For the real price (P), and the inflation-adjusted price (P_{adj}), Treasury has rounded to three places. For accrued interest (A) and adjusted accrued interest (A_{adj}),

Treasury has rounded to six places. These amounts are based on 100 par value.

IV. COMPUTATION OF ADJUSTED VALUES AND PAYMENT AMOUNTS FOR STRIPPED INFLATION-INDEXED INTEREST COMPONENTS

NOTE: Valuing an interest component stripped from an inflation-indexed security at its adjusted value enables this interest component to be interchangeable (fungible) with other interest components that have the same maturity date, regardless of the underlying inflation-indexed security from which the interest components were stripped. The adjusted value provides for fungibility of these various interest components when buying, selling, or transferring them, or when reconstituting an inflation-indexed security.

DEFINITIONS

C=the regular annual interest rate, payable semiannually, e.g., .03625 (the decimal equivalent of a 3–5/8% interest rate)

Par=par amount of the security to be stripped

Ref $CPI_{Issue\ Date}$=reference CPI for the original issue date (or dated date, when the dated date is different from the original issue date) of the underlying (unstripped) security

Ref CPI_{Date}=reference CPI for the maturity date of the interest component

AV=adjusted value of the interest component

PA=payment amount at maturity by Treasury

FORMULAS

AV=Par (C/2)(100/Ref $CPI_{Issue\ Date}$) (rounded to 2 decimals with no intermediate rounding)

PA=AV (Ref CPI_{Date}/100) (rounded to 2 decimals with no intermediate rounding)

Example. A 10-year inflation-indexed note paying 3½% interest is issued on January 15, 1999, with the second interest payment on January 15, 2000. The Ref CPI on January 15, 1999 (Ref $CPI_{Issue\ Date}$) is 174.62783, and the Ref CPI on January 15, 2000 (Ref CPI_{Date}) is 179.86159. Calculate the adjusted value and the payment amount at maturity of the interest component.

DEFINITIONS

C=.035
Par=$1,000,000
Ref $CPI_{Issue\ Date}$=174.62783
Ref CPI_{Date}=179.86159

RESOLUTION

For a par amount of $1 million, the adjusted value of each stripped interest component is $1,000,000 (.035/2)(100/174.62783), or $10,021.31 (no intermediate rounding).

For an interest component maturing on January 15, 2000, the payment amount is $10,021.31 (179.86159/100), or $18,024.49 (no intermediate rounding).

V. COMPUTATION OF PURCHASE PRICE, DISCOUNT RATE, AND INVESTMENT RATE (COUPON-EQUIVALENT YIELD) FOR TREASURY BILLS

A. *Conversion of the discount rate to a purchase price for Treasury bills of all maturities:*

Formula:

P=100 [(1−dr)/360]

Where:

d=discount rate, in decimals
r=number of days remaining to maturity
P=price per 100 (dollars)

Example:

For a bill issued November 24, 1989, due February 22, 1990, at a discount rate of 7.61%, solve for price per 100 (P).

Definitions:

d=.0761
r=90 (November 24, 1989 to February 22, 1990)

Resolution:

P=100 (1−dr/360)
(1) P=100 [1−(.0761)(90)/360]
(2) P=100 (1−.019025)
(3) P=100 (.980975)
(4) P=98.0975
(5) P=98.098

NOTE: Purchase prices per $100 are rounded to three decimal places, using normal rounding procedures.

B. *Computation of purchase prices and discount amounts based on price per $100, for Treasury bills of all maturities:*

1. To determine the purchase price of any bill, divide the par amount by 100 and multiply the resulting quotient by the price per $100.

Example. To compute the purchase price of a $10,000 13-week bill sold at a price of $98.098 per $100, divide the par amount ($10,000) by 100 to obtain the multiple (100). That multiple times 98.098 results in a purchase price of $9,809.80.

2. To determine the discount amount for any bill, subtract the purchase price from the par amount of the bill.

Example. For a $10,000 bill with a purchase price of $9,809.80, the discount amount would be $190.20, or $10,000−$9,809.80.

C. *Conversion of prices to discount rates for Treasury bills of all maturities:*

Formula:

$$d = \left[\frac{100 - P}{100} \times \frac{360}{r}\right]$$

Where:

P=price per 100 (dollars)

d=discount rate
r=number of days remaining to maturity

Example:

For a 26-week bill issued December 30, 1982, due June 30, 1983, with a price of $95.930, solve for the discount rate (d).

Definitions:

P=95.930
r=182 (December 30, 1982, to June 30, 1983)

Resolution:

$$d = \left[\frac{100 - P}{100} \times \frac{360}{r}\right]$$

$$d = \left[\frac{100 - 95.930}{100} \times \frac{360}{182}\right] \quad (1)$$

(2) d=[.0407×1.978022]
(3) d=.080506
(4) d=8.051%

NOTE: Prior to April 18, 1983, all bills were sold in price-basis auctions, in which discount rates calculated from prices were rounded to three places, using normal rounding procedures. Since that time, all bills have been sold only on a discount rate basis. For regular Treasury bills—13-, 26-, and 52-week bills—discount rates bid were submitted with two decimals in increments of .01 percent, e.g., 5.32, until 1997, when Treasury instituted a change to three decimal bidding in increments of .005 percent, e.g., 5.320 or 5.325.

D. *Calculation of investment rate (coupon-equivalent yield) for Treasury bills:*

1. For bills of not more than one half-year to maturity:

Formula:

$$i = \left[\frac{100 - P}{P} \times \frac{y}{r}\right]$$

Where:

i=investment rate, in decimals
P=price per 100 (dollars)
r=number of days remaining to maturity
y=number of days in year following the issue date; normally 365 but, if the year following the issue date includes February 29, then y is 366.

Example:

For a cash management bill issued June 1, 1990, due June 21, 1990, with a price of $99.559 (computed from a discount rate of 7.93%), solve for the investment rate (i).

Definitions:

P=99.559
r=20 (June 1, 1990, to June 21, 1990)
y=365

Resolution:

$$i = \left[\frac{100 - P}{P} \times \frac{y}{r}\right]$$

$$(1) \quad i = \left[\frac{100 - 99.559}{99.559} \times \frac{365}{20}\right]$$

$$(2) \quad i = [.004430 \times 18.25]$$

$$(3) \quad i = .080848$$

$$(4) \quad i = 8.08\%$$

(2) i=[.004430×18.25]
(3) i=.080848
(4) i=8.08%

2. For bills of more than one half-year to maturity:

Formula: P[1+(r − y/2)(i/y)](1+i/2) = 100

This formula must be solved by using the quadratic equation, which is:

$ax^2+bx+c=0$

Therefore, rewriting the bill formula in the quadratic equation form gives:

$$\left[\frac{r}{2y} - .25\right] i^2 + \left(\frac{r}{y}\right) i + \left(\frac{P - 100}{P}\right) = 0$$

and solving for ''i'' produces:

$$i = \frac{-b + \sqrt{b^2 - 4ac}}{2a}$$

Where:

i=investment rate in decimals
b=r/y
a=(r/2y) − .25
c=(P − 100)/P
P=price per 100 (dollars)
r=number of days remaining to maturity
y=number of days in year following the issue date; normally 365, but if the year following the issue date includes February 29, then y is 366.

Example:

For a 52-week bill issued June 7, 1990, due June 6, 1991, with a price of $92.265 (computed from a discount rate of 7.65%), solve for the investment rate (i).

Definitions:

r=364 (June 7, 1990, to June 6, 1991)
y=365
P=92.265
b=364/365, or .997260
a=(364/730) − .25, or .24863
c=(92.265 − 100)/92.265, or − .083835

Resolution:

$$i = \frac{-b + \sqrt{b^2 - 4ac}}{2a}$$

$$(1)\ \ i = \frac{-.997260 + \sqrt{(.997260)^2 - 4[(.24863)(-.083835)]}}{2(.248630)}$$

$$(2)\ \ i = \frac{-.997260 + \sqrt{.994528 + .083376}}{.497260}$$

(3)i=(−.997260 + 1.038222)/.497260
(4)i=.040962/.497260
(5)i=.082375 or
(6)i=8.24%

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 854, 855, 864, 866, Jan. 6, 1997; 62 FR 43094, Aug. 12, 1997; 63 FR 35784, June 30, 1998]

EFFECTIVE DATE NOTE: At 63 FR 35784, June 30, 1998, Appendix B to Part 356 was amended by revising the list of section headings at the beginning of the appendix and by redesignating Section IV as Section V and adding a new Section IV, effective Mar. 31, 1999. For the convenience of the user, the superseded text is set forth as follows:

APPENDIX B TO PART 356—FORMULAS AND TABLES

I. Computation of Interest on Treasury Bonds and Notes
II. Formulas for Conversion of Fixed-Principal Security Yields to Equivalent Prices
III. Formulas for Conversion of Inflation-Indexed Security Yields to Equivalent Prices
IV. Computation of Purchase Price, Discount Rate, and Investment Rate (Coupon-Equivalent Yield) for Treasury Bills

* * * * *

APPENDIX C TO PART 356—INVESTMENT CONSIDERATIONS

I. INFLATION-INDEXED SECURITIES

A. Principal and Interest Variability

An investment in securities with principal or interest determined by reference to an inflation index involves factors not associated with an investment in a fixed-principal security. Such factors may include, without limitation, the possibility that the inflation index may be subject to significant changes, that changes in the index may or may not correlate to changes in interest rates generally or with changes in other indices, that the resulting interest may be greater or less than that payable on other securities of similar maturities, and that, in the event of sustained deflation, the amount of the semi-annual interest payments, the inflation-adjusted principal of the security, and the value of stripped components, will decrease. However, if at maturity the inflation-adjusted principal is less than a security's par amount, an additional amount will be paid at maturity so that the additional amount plus the inflation-adjusted principal equals the par amount. Regardless of whether or not such an additional amount is paid, interest payments will always be based on the inflation-adjusted principal as of the interest payment date. If a security has been stripped, any such additional amount will be paid at maturity to holders of principal components only. (See §356.30.)

B. Trading in the Secondary Market

The Treasury securities market is the largest and most liquid securities market in the world. While Treasury expects that there will be an active secondary market for inflation-indexed securities, that market initially may not be as active or liquid as the secondary market for Treasury fixed-principal securities. In addition, as a new product, inflation-indexed securities may not be as widely traded or as well understood as Treasury fixed-principal securities. Lesser liquidity and fewer market participants may result in larger spreads between bid and asked prices for inflation-indexed securities than the bid-asked spreads for fixed-principal securities with the same time to maturity. Larger bid-asked spreads normally result in higher transaction costs and/or lower overall returns. The liquidity of an inflation-indexed security may be enhanced over time as Treasury issues additional amounts or more entities participate in the market.

C. Tax Considerations

Treasury inflation-indexed securities and the stripped interest and principal components of these securities are subject to specific tax rules provided by Treasury regulations issued under sections 1275(d) and 1286 of the Internal Revenue Code of 1986, as amended.

D. Indexing Issues

While the CPI measures changes in prices for goods and services, movements in the CPI that have occurred in the past are not necessarily indicative of changes that may occur in the future.

The calculation of the index ratio incorporates an approximate three-month lag, which may have an impact on the trading price of the securities, particularly during periods of significant, rapid changes in the index.

The CPI is reported by the Bureau of Labor Statistics, a bureau within the Department of Labor. The Bureau of Labor Statistics operates independently of the Treasury and, therefore, Treasury has no control over the determination, calculation, or publication of the index. For a discussion of how the CPI will be applied in various situations, see appendix B, section I, paragraph B. In addition, for a discussion of actions that Treasury would take in the event the CPI 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, see appendix B, section I, paragraph B.4.

[62 FR 873, Jan. 6, 1997]

APPENDIX D TO PART 356—DESCRIPTION OF THE CONSUMER PRICE INDEX

The Consumer Price Index (''CPI'') for purposes of inflation-indexed securities is the non-seasonally adjusted *U.S. City Average All Items Consumer Price Index for All Urban Consumers,* published monthly by the Bureau of Labor Statistics of the Department of Labor. The CPI is a measure of the average change in consumer prices over time in a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors' and dentists' services, and drugs.

In calculating the index, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically to take into account changes in consumer expenditure patterns.

The CPI is expressed in relative terms in relation to a time base reference period for which the level is set at 100. For example, if the CPI for the 1982–84 reference period is 100.0, an increase of 16.5 percent from that period would be shown as 116.5. The CPI for a particular month is released and published during the following month. From time to time, the CPI is rebased to a more recent base reference period. The base reference period for a particular inflation-indexed security will be provided on the offering announcement for that security.

Further details about the CPI may be obtained by contacting the Bureau of Labor Statistics.

[62 FR 873, Jan. 6, 1997]

EXHIBIT A TO PART 356—SAMPLE ANNOUNCEMENTS OF TREASURY OFFERINGS TO THE PUBLIC

I. Treasury Quarterly Financing Announcement.
II. Treasury Weekly Bill Announcement.
III. Treasury Cash Management Bill Announcement.
IV. Treasury Inflation-Indexed Note Announcement.

I. TREASURY QUARTERLY FINANCING ANNOUNCEMENT

For Release When authorized at Press Conference
February 5, 20XX
Contact: Office of Financing 202/XXX-XXXX

Treasury February Quarterly Financing

The Treasury will auction $17,750 million of 3-year notes, $12,000 million of 10-year notes, and $10,000 million of 30-year bonds to refund $18,037 million of publicly-held securities maturing February 15, 20XX, and to raise about $21,725 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,795 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $1,654 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The 10-year note and the 30-year bond being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the notes and bonds are given in the attached offering highlights.

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC—FEBRUARY 20XX QUARTERLY FINANCING

February 5, 20XX

Offering Amount:	$17,750 million	$12,000 million	$10,000 million
Description of Offering:			
Term and type of security.	3-year note	10-year notes	30-year bonds
Series	U–20XX	B–20XX	Bonds of February 20XX
CUSIP number	912827 XX X	912827 XX X	912810 XX X
Auction date	February 11, 20XX	February 12, 20XX	February 13, 20XX
Issue date	February 18, 20XX	February 18, 20XX	February 18, 20XX
Dated date	February 18, 20XX	February 15, 20XX	February 15, 20XX
Maturity date	February 15, 20XX	February 15, 20XX	February 15, 20XX
Interest rate	Determined based on the average of accepted competitive bids.	Determined based on the average of accepted competitive bids.	Determined based on the average of accepted competitive bids
Yield	Determined at auction.	Determined at auction.	Determined at auction
Interest payment dates.	August 15 and February 15.	August 15 and February 15.	August 15 and February 15
Minimum bid amount.	$5,000	$1,000	$1,000
Multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor.	None	Determined at auction.	Determined at auction
Premium or discount.	Determined at auction.	Determined at auction.	Determined at auction
STRIPS Information:			
Minimum amount required.	Not applicable	Determined at auction.	Determined at auction
Corpus CUSIP number.	Not applicable	912820 XX X	912803 XX X
Due dates and CUSIP numbers for additional TINTs.	Not applicable	Not applicable	February 15, 20XX—912833 XX X

The following rules apply to all securities mentioned above:

Submission of bids:

Noncompetitive bids.

Accepted in full up to $5,000,000 at the average yield of accepted competitive bids.

Competitive bids.

(1) Must be expressed as a yield with three decimals in increments of .001%, e.g., 7.123%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield:.

35% of public offering.

Maximum Award:.

35% of public offering.

Receipt of Tenders:

Noncompetitive tenders.

Prior to 12:00 noon Eastern Standard time on auction day.

Competitive tenders.

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC—FEBRUARY 20XX QUARTERLY FINANCING—Continued

February 5, 20XX

Prior to 1:00 p.m. Eastern Standard time on auction day.

Payment Terms.

Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date.

II. TREASURY WEEKLY BILL ANNOUNCEMENT

Embargoed until 2:30 P.M., April 15, 20XX
Contact: Office of Financing, 202/XXX–XXXX

Treasury's Weekly Bill Offering

The Treasury will auction two series of Treasury bills totaling approximately $12,000 million, to be issued April 24, 20XX. This offering will result in a paydown for the Treasury of about $6,225 million, as the maturing publicly-held weekly bills are outstanding in the amount of $18,220 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $6,558 million of the maturing bills, which may be refunded at the weighted average discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

Federal Reserve Banks hold $3,007 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR part 356, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED APRIL 24, 20XX

April 15, 20XX

Offering Amount:	$6,000 million	$6,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 XX X	912794 XX X
Auction date	April 21, 20XX	April 21, 20XX
Issue date	April 24, 20XX	April 24, 20XX
Maturity date	July 24, 20XX	October 23, 20XX
Original issue date	July 25, 20XX	April 24, 20XX
Currently outstanding	$31,725 million	
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids.

Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids.

Competitive bids

(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield:

35% of public offering.

Maximum Award:

35% of public offering.

Receipt of Tenders:

Noncompetitive tenders

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED APRIL 24, 20XX—Continued

April 15, 20XX

Prior to 12:00 noon Eastern Daylight Saving time on auction day.
Competitive tenders
Prior to 1:00 p.m. Eastern Daylight Saving time on auction day.

Payment Terms:

Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date.

III. TREASURY CASH MANAGEMENT BILL ANNOUNCEMENT

Embargoed until 2:30 p.m., February 25, 20XX
Contact: Office of Financing 202/XXX-XXXX

Treasury to Auction Cash Management Bills

The Treasury will auction approximately $23,000 million of 45-day Treasury cash management bills to be issued March 3, 20XX.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will *not* be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will *not* be received at the Bureau of the Public Debt, Washington, DC.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR part 356, as amended) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

Attachment

HIGHLIGHTS OF TREASURY OFFERING OF 45-DAY CASH MANAGEMENT BILL

February 25, 20XX

Offering Amount	$23,000 million.
Description of Offering:	
Term and type of security	45-day Cash Management Bill.
CUSIP number	912794 XX X.
Auction date	February 27, 20XX.
Issue date	March 3, 20XX.
Maturity date	April 17, 20XX.
Original issue date	October 17, 20XX.
Currently outstanding	$24,724 million.
Minimum bid amount	$10,000.
Multiples	$1,000.
Minimum to hold amount	$10,000.
Multiples to hold	$1,000.
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids.
Competitive bids	(1) Must be expressed as a discount rate with two decimals in increments of .01%, e.g., 7.12%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield	35% of public offering.
Maximum Award	35% of public offering.
Receipt of Tenders:	
Noncompetitive tenders	Prior to 11:00 a.m. Eastern Standard time on auction day.
Competitive tenders	Prior to 11:30 a.m. Eastern Standard time on auction day.

HIGHLIGHTS OF TREASURY OFFERING OF 45-DAY CASH MANAGEMENT BILL—Continued

February 25, 20XX

Payment Terms ..... Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date.

IV. TREASURY INFLATION-INDEXED NOTE ANNOUNCEMENT

Embargoed Until 2:30 P.M., October 2, 20XX
CONTACT: Office of Financing, 202/219–3350

Treasury to Auction $5,500 Million of 10-Year Inflation-Indexed Notes

The Treasury will auction $5,500 million of 10-year inflation-indexed notes to raise cash. In addition, there is $7,906 million of publicly-held securities maturing October 15, 20XX.

In addition to the public holdings, Federal Reserve Banks hold $327 million of the maturing securities for their own accounts, which may be exchanged for additional amounts of the new securities.

The maturing securities held by the public include $584 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

Highlights of Treasury Offering to the Public of 10-Year Inflation-Indexed Notes to be Issued October 15, 20XX

October 2, 20XX

Offering Amount: $5,500 million.

Description of Offering:

Term and type of security: 10-year inflation-indexed notes
Series—D–20XX
CUSIP number—912XXX XX X
Auction date—October 9, 20XX
Issue date—October 15, 20XX
Dated date—October 15, 20XX
Maturity date—October 15, 20XX
Interest Rate—Determined based on the highest accepted bid
Real yield—Determined at auction

Interest payment dates: April 15 and October 15.

Minimum bid amount—$1,000
Multiples—$1,000

Accrued interest payable by investor: None.

Premium or discount: Determined at auction.

STRIPS Information:

Minimum amount required—Determined at auction
Corpus CUSIP number—912XXX XX X

STRIPS Information:

Due dates and CUSIP numbers for additional TINTs: 912XXX.

April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X
April 15, 20XX—XX X
October 15, 20XX—XX X

Submission of Bids:

Noncompetitive bids:—Will be accepted in full up to $5,000,000 at the highest accepted yield.

Competitive bids:

(1) Must be expressed as a real yield with three decimals, e.g., 3.120%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $_____ billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield—35% of public offering.

Maximum Award—35% of public offering.

Receipt of Tenders:

Noncompetitive tenders: Prior to 12:00 noon Eastern Daylight Saving time on auction day.

Competitive tenders: Prior to 1:00 p.m. Eastern Daylight Saving time on auction day.

Payment Terms: Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date.

Indexing Information:

CPI Base Reference Period:—19XX–XX

Ref CPI 10/15/20XX:—XXX.XXXXX

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 873, Jan. 6, 1997; 62 FR 43094, Aug. 12, 1997]

EXHIBIT B TO PART 356—SAMPLE AUTOCHARGE AGREEMENT TO DELIVER AND CHARGE FOR SECURITIES AWARDED IN DEPARTMENT OF THE TREASURY AUCTIONS (SUBMITTER AND DEPOSITORY INSTITUTION)

Federal Reserve Bank of _____

Attention: (Name of Fiscal Officer)

(Address)

(Address)

To Whom It May Concern:

I. The depository institution (''DI'') and the submitting entity (''Submitter''), as identified below, agree that

(a) The Submitter is authorized to submit tenders to the Federal Reserve Bank of _____ (''Bank'');

(b) The Bank is authorized to deliver, as provided herein, Treasury securities awarded to the Submitter through the auction process;

(c) The Bank, or other Federal Reserve Bank identified in Section II below, is authorized to charge the DI's funds account for payment of awarded securities that are delivered by the Bank hereunder. Such charge is to be made at the same time the securities are delivered;

(d) The Submitter [ ] is, [ ] is not authorized to submit TREASURY DIRECT tenders. Where such tenders are authorized, the Bank is instructed to deliver awarded securities to the TREASURY DIRECT Book-Entry System and charge the DI's funds account for the securities delivered; and

(e) The Bank [ ] is, [ ] is not authorized to deliver the awarded securities to the DI's securities account at a Federal Reserve Bank other than the Bank.

The above authorizations apply to:

[ ] bills

[ ] notes

[ ] bonds

II. For securities to be delivered to a Federal Reserve Bank other than the Bank receiving the tender, the Submitter must complete the following:

Awarded securities are to be delivered hereunder by the Bank to the DI's securities account at the Federal Reserve Bank of _____.

III. The following wire instructions are to be used by the Bank to deliver securities to the DI:

Wire Instructions: _____.

IV. General Provisions.

This agreement is effective on the date it is received by the Bank, although the Bank normally will not act under the agreement until it has acknowledged receipt of such.

The Submitter hereunder is the entity submitting bids to a Bank for its own account or for the account of others. The Submitter is responsible to the Treasury for full payment of all securities awarded, including any securities awarded under customer bids submitted by the Submitter.

Any Federal Reserve Bank identified herein is authorized to act on information in any tender in the name of the Submitter that reasonably appears to be valid and genuine. The DI, by executing this agreement, guarantees the authority and signature of the person signing this agreement on behalf of the Submitter.

This agreement will remain in effect until written notice is received by the Bank from either the DI or the Submitter that the agreement has been terminated, provided that if securities are scheduled to be delivered hereunder, such notice must be received in accordance with the termination procedures hereafter described.

As to termination action by the DI, notice of termination will not be effective unless received in writing by a Fiscal/Securities Department officer by the later of (i) 5 p.m. (the Bank's time) on the business day prior to the issue date of the securities scheduled to be delivered hereunder or (ii) if the submitter has authorized the Bank to advise the DI of securities to be delivered, two hours after such advice is sent by the Bank. Such termination action by the DI shall not affect the Submitter's responsibility to make full payment for the securities awarded. A DI may, at any time, waive in writing its right to terminate hereunder.

As to termination action by the Submitter after an auction but prior to delivery of awarded securities, the written notice of termination will not be effective, and this agreement shall remain in full force and effect, unless the Submitter has provided to the Bank, and the latter has acknowledged, a new autocharge agreement executed by a DI having a funds account at a Federal Reserve Bank.

Written notices to be sent hereunder in connection with the termination of this autocharge agreement shall be sent by either the Submitter or the DI to the Bank authorized to receive tenders hereunder.

In the event that this autocharge agreement is terminated, it is the sole responsibility of the party terminating the agreement to notify the other party hereto.

AGREED TO BY _____
(Full DI Name and ABA #)
Signature: _____
Name: _____
Title: _____
Date: _____

AGREED TO BY _____
(Full name of Submitter)
Signature: _____
Name: _____
Title: _____
Date: _____

ACKNOWLEDGED BY: Federal Reserve Bank of _____ (''Bank''):

Signature: _____
Name: _____
Title: _____
Date: _____

DI'S SIGNATURE AND WIRE INSTRUCTIONS VERIFIED BY:

(For use only by Federal Reserve Bank named in Section II above)

Signature: _____
Name: _____
Title: _____
Date: _____
Federal Reserve Bank of _____

Instructions for Completing the Autocharge Agreement

1. DEPOSITORY INSTITUTION: This is the DI whose funds account at a Federal Reserve Bank will be debited, under this autocharge agreement, for the price of Treasury securities awarded at auction to the Submitter. Also, this DI must have a book-entry securities account at the Federal Reserve Bank to which securities will be delivered against payment on settlement day pursuant to the autocharge agreement and the Submitter's tender submission.

2. SUBMITTER: The Submitter must identify the full name of the entity that is submitting bids under this autocharge agreement. The name shown on the autocharge agreement should be the same as that appearing on related tender forms.

3. BANK: This is the Federal Reserve Bank to which the Submitter will be submitting tenders in Treasury auctions.

4. SIGNATURE FOR DI: This is the signature of an officer of the DI having authority to enter into or terminate this autocharge agreement, and whose signature is on file at the Federal Reserve Bank where the DI has a funds account.

5. SIGNATURE FOR SUBMITTER: This is the signature of an officer of the Submitter having authority to enter into or terminate the autocharge agreement.

6. SIGNATURE FOR BANK: This is the signature of an officer of the Bank having authority to acknowledge this autocharge agreement.

EXHIBIT C TO PART 356—MINIMUM PAR AMOUNTS FOR FIXED-PRINCIPAL STRIPS

Minimum face amounts which are multiples of $1000 required in order to produce interest payments that are multiples of $1000.

Coupon (%)	Minimum face ($)	Interest payment ($)
0.125	1600000.00	1000.00
0.250	800000.00	1000.00
0.375	1600000.00	3000.00
0.500	400000.00	1000.00
0.625	320000.00	1000.00
0.750	800000.00	3000.00
0.875	1600000.00	7000.00
1.000	200000.00	1000.00
1.125	1600000.00	9000.00
1.250	160000.00	1000.00
1.375	1600000.00	11000.00
1.500	400000.00	3000.00
1.625	1600000.00	13000.00
1.750	800000.00	7000.00
1.875	320000.00	3000.00
2.000	100000.00	1000.00
2.125	1600000.00	17000.00
2.250	800000.00	9000.00
2.375	1600000.00	19000.00
2.500	80000.00	1000.00
2.625	1600000.00	21000.00
2.750	800000.00	11000.00
2.875	1600000.00	23000.00
3.000	200000.00	3000.00
3.125	64000.00	1000.00
3.250	800000.00	13000.00
3.375	1600000.00	27000.00
3.500	400000.00	7000.00
3.625	1600000.00	29000.00
3.750	160000.00	3000.00
3.875	1600000.00	31000.00
4.000	50000.00	1000.00
4.125	1600000.00	33000.00
4.250	800000.00	17000.00
4.375	320000.00	7000.00
4.500	400000.00	9000.00
4.625	1600000.00	37000.00
4.750	800000.00	19000.00
4.875	1600000.00	39000.00
5.000	40000.00	1000.00
5.125	1600000.00	41000.00
5.250	800000.00	21000.00
5.375	1600000.00	43000.00
5.500	400000.00	11000.00
5.625	320000.00	9000.00
5.750	800000.00	23000.00
5.875	1600000.00	47000.00
6.000	100000.00	3000.00
6.125	1600000.00	49000.00
6.250	32000.00	1000.00
6.375	1600000.00	51000.00
6.500	400000.00	13000.00
6.625	1600000.00	53000.00
6.750	800000.00	27000.00
6.875	320000.00	11000.00
7.000	200000.00	7000.00
7.125	1600000.00	57000.00
7.250	800000.00	29000.00
7.375	1600000.00	59000.00
7.500	80000.00	3000.00
7.625	1600000.00	61000.00
7.750	800000.00	31000.00
7.875	1600000.00	63000.00
8.000	25000.00	1000.00
8.125	320000.00	13000.00

Coupon (%)	Minimum face ($)	Interest payment ($)
8.250	800000.00	33000.00
8.375	1600000.00	67000.00
8.500	400000.00	17000.00
8.625	1600000.00	69000.00
8.750	160000.00	7000.00
8.875	1600000.00	71000.00
9.000	200000.00	9000.00
9.125	1600000.00	73000.00
9.250	800000.00	37000.00
9.375	64000.00	3000.00
9.500	400000.00	19000.00
9.625	1600000.00	77000.00
9.750	800000.00	39000.00
9.875	1600000.00	79000.00
10.000	20000.00	1000.00
10.125	1600000.00	81000.00
10.250	800000.00	41000.00
10.375	1600000.00	83000.00
10.500	400000.00	21000.00
10.625	320000.00	17000.00
10.750	800000.00	43000.00
10.875	1600000.00	87000.00
11.000	200000.00	11000.00
11.125	1600000.00	89000.00
11.250	160000.00	9000.00
11.375	1600000.00	91000.00
11.500	400000.00	23000.00
11.625	1600000.00	93000.00
11.750	800000.00	47000.00
11.875	320000.00	19000.00
12.000	50000.00	3000.00
12.125	1600000.00	97000.00
12.250	800000.00	49000.00
12.375	1600000.00	99000.00
12.500	16000.00	1000.00
12.625	1600000.00	101000.00
12.750	800000.00	51000.00
12.875	1600000.00	103000.00
13.000	200000.00	13000.00
13.125	320000.00	21000.00
13.250	800000.00	53000.00
13.375	1600000.00	107000.00
13.500	400000.00	27000.00
13.625	1600000.00	109000.00
13.750	160000.00	11000.00
13.875	1600000.00	111000.00
14.000	100000.00	7000.00
14.125	1600000.00	113000.00
14.250	800000.00	57000.00
14.375	320000.00	23000.00
14.500	400000.00	29000.00
14.625	1600000.00	117000.00
14.750	800000.00	59000.00
14.875	1600000.00	119000.00
15.000	40000.00	3000.00
15.125	1600000.00	121000.00
15.250	800000.00	61000.00
15.375	1600000.00	123000.00
15.500	400000.00	31000.00
15.625	64000.00	5000.00
15.750	800000.00	63000.00
15.875	1600000.00	127000.00
16.000	25000.00	2000.00
16.125	1600000.00	129000.00
16.250	160000.00	13000.00
16.375	1600000.00	131000.00
16.500	400000.00	33000.00
16.625	1600000.00	133000.00
16.750	800000.00	67000.00
16.875	320000.00	27000.00
17.000	200000.00	17000.00
17.125	1600000.00	137000.00
17.250	800000.00	69000.00
17.375	1600000.00	139000.00
17.500	80000.00	7000.00
17.625	1600000.00	141000.00
17.750	800000.00	71000.00
17.875	1600000.00	143000.00
18.000	100000.00	9000.00
18.125	320000.00	29000.00
18.250	800000.00	73000.00
18.375	1600000.00	147000.00
18.500	400000.00	37000.00
18.625	1600000.00	149000.00
18.750	32000.00	3000.00
18.875	1600000.00	151000.00
19.000	200000.00	19000.00
19.125	1600000.00	153000.00
19.250	800000.00	77000.00
19.375	320000.00	31000.00
19.500	400000.00	39000.00
19.625	1600000.00	157000.00
19.750	800000.00	79000.00
19.875	1600000.00	159000.00
20.000	10000.00	1000.00

PART 357—REGULATIONS GOVERNING BOOK-ENTRY TREASURY BONDS, NOTES AND BILLS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 2–86)

Subpart A—General Information

Sec.
357.0 Dual book-entry systems.
357.1 Effective date.
357.2 Definitions.

Subpart B—Treasury/Reserve Automated Debt Entry System (TRADES)

357.10 Law governing rights and obligations of United States and Federal Reserve Banks; rights of any Person against United States and Federal Reserve Banks.
357.11 Law governing other interests.
357.12 Creation of Participant's Security Entitlement; security interests.
357.13 Obligations of United States; no Adverse Claims.
357.14 Authority of Federal Reserve Banks.

Subpart C—TREASURY DIRECT Book-Entry Securities System (TREASURY DIRECT)

357.20 Securities account in TREASURY DIRECT.
357.21 Registration.
357.22 Transfers.
357.23 Judicial proceedings—sovereign immunity.
357.24 Availability and disclosure of TREASURY DIRECT records.
357.25 Security interests.
357.26 Payments.

357.27 Reinvestment.
357.28 Transaction requests.
357.29 Time required for processing transaction request.
357.30 Cases of delay or suspension of payment.
357.31 Certifying individuals.
357.32 Submission of transaction requests; further information.

Subpart D—Additional Provisions

357.40 Additional requirements.
357.41 Waiver of regulations.
357.42 Liability of Department and Federal Reserve Banks.
357.43 Liability for transfers to and from TREASURY DIRECT.
357.44 Notice of attachment for securities in TRADES.
357.45 Supplements, amendments, or revisions.
APPENDIX A TO PART 357—DISCUSSION OF FINAL RULE
APPENDIX B TO PART 357—TRADES COMMENTARY

AUTHORITY: 31 U.S.C. chapter 31; 5 U.S.C. 301; 12 U.S.C. 391.

SOURCE: 51 FR 18265, May 16, 1986, unless otherwise noted.

Subpart A—General Information

§ 357.0 Dual book-entry systems.

(a) Treasury securities shall be maintained in either of the following two book-entry systems:

(1) *Treasury/Reserve Automated Debt Entry System (TRADES).* A Treasury security is maintained in TRADES if it is credited by a Federal Reserve Bank to a Participant's Securities Account. See subpart B of this part for rules pertaining to TRADES.

(2) *TREASURY DIRECT Book-entry Securities System (TREASURY DIRECT).* A Treasury security is maintained in TREASURY DIRECT if it is credited to a TREASURY DIRECT account as described in § 357.20. Such accounts may be accessed by investors in accordance with subpart C of this part through any Federal Reserve Bank or the Bureau of the Public Debt. See subpart C of this part for rules pertaining to TREASURY DIRECT.

(b) A Treasury security eligible to be maintained in TREASURY DIRECT under the terms of its offering circular or pursuant to notice published by the Secretary may be transferred to or from an account in TRADES from or to an account in TREASURY DIRECT in accordance with § 357.22(a).

[61 FR 43628, Aug. 23, 1996]

§ 357.1 Effective date.

Subpart B of this part, the definitions of *Adverse Claim, Book-entry Security, Entitlement Holder, Federal Reserve Bank Operating Circular, Funds Account, Issue, Participant, Participant's Securities Account, Person, Revised Article 8, Securities Intermediary, Security Entitlement, State,* and *Transfer Message* and revisions to the definitions of *Security* and *TRADES,* and §§ 357.42 and 357.44 and the revisions to § 357.41 are effective January 1, 1997. All other provisions in effect prior to January 1, 1997, remain in effect.

[61 FR 43628, Aug. 23, 1996]

§ 357.2 Definitions.

In this part, unless the context indicates otherwise:

Adverse Claim means a claim that a claimant has a property interest in a Security and that it is a violation of the rights of the claimant for another Person to hold, transfer, or deal with the Security.

Bill means an obligation of the United States, with a term of not more than one year, issued at a discount, under chapter 31 of title 31 of the United States Code, in book-entry form.

Bond means an obligation of the United States, with a term of more than ten years, issued under chapter 31 of title 31 of the United States Code, in book-entry form.

Book-entry Security means, in subpart B of this part, a Treasury Security maintained in TRADES and, in subpart C of this part, a Treasury Security maintained in TREASURY DIRECT.

Business day means any day other than a Saturday, Sunday, or other day on which the Federal Reserve Banks are not open for business.

Department means the United States Department of the Treasury, and, where appropriate, the Federal Reserve Banks acting as fiscal agents of the United States.

Depository institution means an entity described in section 19(b)(1)(A)(i)–(vi) of

the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)–(vi). Under section 19(b) of the Federal Reserve Act, the term *depository institution* includes:

(1) Any insured bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(2) Any mutual savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(3) Any savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(4) Any insured credit union as defined in 12 U.S.C. 1752 or any credit union which is eligible to make application to become an insured credit union under 12 U.S.C. 1781;

(5) Any member as defined in 12 U.S.C. 1422; and

(6) Any savings association (as defined in 12 U.S.C. 1813) which is an insured depository institution, as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811, *et seq.*, or is eligible to apply to become an insured depository institution under such Act.

Entitlement Holder means a Person to whose account an interest in a Book-entry Security is credited on the records of a Securities Intermediary.

Federal Reserve Bank or *Reserve Bank* means a Federal Reserve Bank or Branch.

Federal Reserve Bank Operating Circular means the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Reserve Bank maintains Book-entry Securities accounts and transfers Book-entry Securities.

Financial institution means, for purposes of direct deposit, an institution which has agreed to receive credit payments under 31 CFR part 210, as amended from time to time, and has not withdrawn its participation in a direct deposit program under part 210, or an institution which is willing to agree to receive credit payments under 31 CFR part 210 and has enrolled with its Federal Reserve Bank.

Funds Account means a reserve and/or clearing account at a Federal Reserve Bank to which debits or credits are posted for transfers against payment, book-entry securities transaction fees, or principal and interest payments.

Incompetent means an individual who is legally, medically or mentally incapable of handling his or her business affairs, except that a minor is not an incompetent solely because of age.

Issue means a group of securities, as defined in this section, that is identified by the same CUSIP (Committee on Uniform Securities Identification Practices) number.

Maturity value is the amount that the Department is obligated to pay when a security matures.

Minor means an individual who is under the age of majority, as determined by applicable state law.

Note means an obligation of the United States, with a term of at least one year, but of not more than ten years, issued under chapter 31 of title 31 of the United States Code, in book-entry form.

Original issue means the offering by the Department of the Treasury of a marketable Treasury security to the public and its issuance in book-entry accounts maintained either directly by the Treasury or held through a Federal Reserve Bank.

Owner, as used in subpart C, means the individual(s) or entity in whose name a security is registered. If a security is registered in more than one name, the term *owner* incudes all those whose names appear on the registration and are authorized by this Part to make a transaction request on a security held in TREASURY DIRECT.

Participant means a Person that maintains a Participant's Securities Account with a Federal Reserve Bank.

Participant's Securities Account means an account in the name of a Participant at a Federal Reserve Bank to which Book-entry Securities held for a Participant are or may be credited.

Person means and includes an individual, corporation, company, governmental entity, association, firm, partnership, trust, estate, representative and any other similar organization, but does not mean or include the United States or a Federal Reserve Bank.

Redemption means payment of a security at maturity, or pursuant to a call

for redumption in accordance with the terms of a security.

Representative includes an executor, administrator, legal guardian, committee, conservator, and any similar person or entity appointed by a court to represent the estate of a decedent, minor, or incompetent, as well as a trustee, whether appointed by a court or otherwise.

Revised Article 8 means Uniform Commercial Code, Revised Article 8, Investment Securities (with Conforming and Miscellaneous Amendments to Articles 1, 3, 4, 5, 9, and 10) 1994 Official Text. Revised Article 8 of the Uniform Commercial Code is incorporated by reference in this part pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Article 8 was adopted by the American Law Institute and the National Conference of Commissioners On Uniform State Laws and approved by the American Bar Association on February 14, 1995. Copies of this publication are available from the Executive Office of the American Law Institute, 4025 Chestnut Street, Philadelphia, PA 19104, and the National Conference of Commissioners on Uniform State Laws, 676 North St. Clair Street, Suite 1700, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington DC 20220, and at the Office of the Federal Register, 800 North Capitol Street, NW., Suite 700, Washington DC.

Securities Intermediary means:

(1) A Person that is registered as a ''clearing agency'' under the federal securities laws; a Federal Reserve Bank; any other person that provides clearance or settlement services with respect to a Book-entry Security that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority; or

(2) A Person (other than an individual, unless such individual is registered as a broker or dealer under the federal securities laws) including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

Security means a bill, note, or bond, each as defined in this section. It also means any other obligation issued by the Department that, by the terms of the applicable offering circular or announcement, is made subject to this part. Solely for purposes of this part, it also means:

(1) The interest and principal components of a security eligible for Separate Trading of Registered Interest and Principal of Securities (''STRIPS''), if such security has been divided into such components as authorized by the express terms of the offering circular under which the security was issued and the components are maintained separately on the books of one or more Federal Reserve Banks; and

(2) The interest coupons that have been converted to book-entry form under the Treasury's Coupons Under Book-Entry Safekeeping Program (''CUBES''), pursuant to agreement and the regulations in 31 CFR part 358.

Security Entitlement means the rights and property interest of an Entitlement Holder with respect to a Book-entry Security.

Signature guarantee program means a signature guarantee program established in response to Rule 17 Ad–15 (17 CFR 240.17Ad–15), issued under authority of the Securities Exchange Act of 1934. For the purpose of the regulations in this part, the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP), and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) are recognized by Treasury as such signature guarantee programs.

State means any State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other territory or possession of the United States.

Taxpayer identifying number or *TIN* means a social security account number or an employer identification number, as appropriate.

TRADES is the Treasury/Reserve Automated Debt Entry System, also referred to as the commercial book-entry system.

Transaction request means a request to effect a change in an account master record or securities portfolio maintained in TREASURY DIRECT.

Transaction request form means a form or series of forms prescribed for use by the Department to request a transaction in TREASURY DIRECT. (This term includes a document that the Department has determined contains all of the elements required by the transaction request form.)

Transfer Message means an instruction of a Participant to a Federal Reserve Bank to effect a transfer of a Book-entry Security maintained in TRADES, as set forth in Federal Reserve Bank Operating Circulars.

TREASURY DIRECT is the TREASURY DIRECT Book-Entry Securities System.

[51 FR 18265, May 16, 1986, as amended at 59 FR 59038, Nov. 15, 1994. Redesignated and amended at 61 FR 43628, Aug. 23, 1996; 62 FR 18694, Apr. 16, 1997; 62 FR 33548, June 20, 1997]

Subpart B—Treasury/Reserve Automated Debt Entry System (TRADES)

SOURCE: 61 FR 43629, Aug. 23, 1996, unless otherwise noted.

§ 357.10 Law governing rights and obligations of United States and Federal Reserve Banks; rights of any Person against United States and Federal Reserve Banks.

(a) Except as provided in paragraph (b) of this section, the rights and obligations of the United States and the Federal Reserve Banks with respect to: A Book-entry Security or Security Entitlement and the operation of the Treasury book-entry system; and the rights of any Person, including a Participant, against the United States and the Federal Reserve Banks with respect to: A Book-entry Security or Security Entitlement and the operation of the Treasury book-entry system; are governed solely by Treasury regulations, including the regulations of this part, the applicable offering circular (which is 31 CFR part 356, in the case of securities issued on and after March 1, 1993), the announcement of the offering, and Federal Reserve Bank Operating Circulars.

(b) A security interest in a Security Entitlement that is in favor of Federal Reserve Bank from a Participant and that is not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(c)(1), is governed by the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the Participant's Securities Account is located. A security interest in a Security Entitlement that is in favor of a Federal Reserve Bank from a Person that is not a Participant, and that is not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(c)(1), is governed by the law determined in the manner specified in § 357.11.

(c) If the jurisdiction specified in the first sentence of paragraph (b) of this section is a State that has not adopted Revised Article 8 (incorporated by reference, see § 357.2) then the law specified in paragraph (b) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State.

§ 357.11 Law governing other interests.

(a) To the extent not inconsistent with these regulations, the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction governs:

(1) The acquisition of a Security Entitlement from the Securities Intermediary;

(2) The rights and duties of the Securities Intermediary and Entitlement Holder arising out of a Security Entitlement;

(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;

(4) Whether an Adverse Claim can be asserted against a Person who acquires a Security Entitlement from the Securities Intermediary or a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and

(5) Except as otherwise provided in paragraph (c) of this section, the perfection, effect of perfection or non-perfection and priority of a security interest in a Security Entitlement.

(b) The following rules determine a ''Securities Intermediary's jurisdiction'' for purposes of this section:

(1) If an agreement between the Securities Intermediary and its Entitlement Holder specifies that it is governed by the law of a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(2) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify the governing law as provided in paragraph (b)(1) of this section, but expressly specifies that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(3) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the office identified in an account statement as the office serving the Entitlement Holder's account.

(4) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section and an account statement does not identify an office serving the Entitlement Holder's account as provided in paragraph (b)(3) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the chief executive office of the Securities Intermediary.

(c) Notwithstanding the general rule in paragraph (a)(5) of this section, the law (but not the conflict-of-law rules) of the jurisdiction in which the Person creating a security interest is located governs whether and how the security interest may be perfected automatically or by filing a financing statement.

(d) If the jurisdiction specified in paragraph (b) of this section is a State that has not adopted Revised Article 8 (incorporated by reference, see § 357.2), then the law for the matters specified in paragraph (a) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State. For purposes of the application of the matters specified in paragraph (a) of this section, the Federal Reserve Bank maintaining the Securities Account is a clearing corporation, and the Participant's interest in a Book-entry Security is a Security Entitlement.

§ 357.12 Creation of Participant's Security Entitlement; security interests.

(a) A Participant's Security Entitlement is created when a Federal Reserve Bank indicates by book entry that a Book-entry Security has been credited to a Participant's Securities Account.

(b) A security interest in a Security Entitlement of a Participant in favor of the United States to secure deposits of public money, including without limitation deposits to the Treasury tax and loan accounts, or other security interest in favor of the United States that is required by Federal statute, regulation, or agreement, and that is marked on the books of a Federal Reserve Bank is thereby effected and perfected, and has priority over any other interest in the securities. Where a security interest in favor of the United States in a Security Entitlement of a Participant is marked on the books of a Federal Reserve Bank, such Reserve Bank may rely, and is protected in relying, exclusively on the order of an authorized representative of the United States directing the transfer of the security. For purposes of this paragraph, an ''authorized representative of the United States'' is the official designated in the applicable regulations or agreement to which a Federal Reserve Bank is a party, governing the security interest.

(c) (1) The United States and the Federal Reserve Banks have no obligation to agree to act on behalf of any Person or to recognize the interest of any transferee of a security interest or other limited interest in favor of any Person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the Participant is recorded. To the extent required by such law or regulation or set forth in an agreement with a Federal Reserve Bank, or the

Federal Reserve Bank Operating Circular, a security interest in a Security Entitlement that is in favor of a Federal Reserve Bank or a Person may be created and perfected by a Federal Reserve Bank marking its books to record the security interest. Except as provided in paragraph (b) of this section, a security interest in a Security Entitlement marked on the books of a Federal Reserve Bank shall have priority over any other interest in the securities.

(2) In addition to the method provided in paragraph (c)(1) of this section, a security interest, including a security interest in favor of a Federal Reserve Bank, may be perfected by any method by which a security interest may be perfected under applicable law as described in § 357.10(b) or § 357.11. The perfection, effect of perfection or nonperfection and priority of a security interest are governed by that applicable law. A security interest in favor of a Federal Reserve Bank shall be treated as a security interest in favor of a clearing corporation in all respects under that law, including with respect to the effect of perfection and priority of the security interest. A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for such purposes.

§ 357.13 Obligations of the United States; no Adverse Claims.

(a) Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in § 357.12(c)(1), for the purposes of this subpart B, the United States and the Federal Reserve Banks shall treat the Participant to whose Securities Account an interest in a Book-entry Security has been credited as the person exclusively entitled to issue a Transfer Message, to receive interest and other payments with respect thereof and otherwise to exercise all the rights and powers with respect to the Security, notwithstanding any information or notice to the contrary. Neither the Federal Reserve Banks nor Treasury is liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to a Book-entry Security in a Participant's Securities Account, including any such claim arising as a result of the transfer or disposition of a Book-entry Security by a Federal Reserve Bank pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(b) The obligation of the United States to make payments of interest and principal with respect to Book-entry Securities is discharged at the time payment in the appropriate amount is made as follows:

(1) Interest on Book-entry Securities is either credited by a Federal Reserve Bank to a Funds Account maintained at the Bank or otherwise paid as directed by the Participant.

(2) Book-entry Securities are redeemed in accordance with their terms by a Federal Reserve Bank withdrawing the securities from the Participant's Securities Account in which they are maintained and by either crediting the amount of the redemption proceeds, including both principal and interest, where applicable, to a Funds Account at the Bank or otherwise paying such principal and interest as directed by the Participant. No action by the Participant is required in connection with the redemption of a Book-entry Security.

§ 357.14 Authority of Federal Reserve Banks.

(a) Each Federal Reserve Bank is hereby authorized as fiscal agent of the United States to perform functions with respect to the issuance of Book-entry Securities offered and sold by the Department to which this subpart applies, in accordance with the terms of the applicable offering circular and with procedures established by the Department; to service and maintain Book-entry Securities in accounts established for such purposes; to make payments of principal and interest, as directed by the Department; to effect transfer of Book-entry Securities between Participants' Securities Accounts as directed by the Participants; and to perform such other duties as fiscal agent as may be requested by the Department.

(b) Each Federal Reserve Bank may issue Operating Circulars not inconsistent with this part, governing the details of its handling of Book-entry Securities, Security Entitlements, and

the operation of the book-entry system under this part.

Subpart C—Treasury Direct Book-Entry Securities System (TREASURY DIRECT)

§ 357.20 Securities account in TREASURY DIRECT.

(a) *Account.* A securities account consists of:

(1) An account master record, and

(2) A securities portfolio.

(b) *Security.* A security in TREASURY DIRECT is evidenced by the account master record and a description of the security as set out in the securities portfolio associated with an account master record.

(c) *Account master record.* An owner must establish an account master record before the owner may deposit a security in TREASURY DIRECT. If the security is being purchased on original issue, the request that an account master record be established may be made on the form used for purchase of the security. If the security is being acquired other than on original issue, the request that an account master record be established should be made on the appropriate form that is provided by the Department. The account master record includes, but is not limited to, the following data:

(1) The exact form of registration in which the securities are held;

(2) The TREASURY DIRECT account number;

(3) The correspondence address for the account;

(4) The TIN of the owner, or in the case of ownership by two individuals, of the first-named owner; and

(5) Payment instructions. (See § 357.26.)

(d) *Securities portfolio.* The securities portfolio contains a description of each security and is the aggregate of all securities in the securities account.

(e) *Statement of account.* The Department shall send a statement of account (statement):

(1) Upon the establishment of an account master record;

(2) Upon a change in the securities portfolio;

(3) At an owner's request; or

(4) Upon the determination on December 31 that an owner has not received a statement of account for that current calendar year.

The statement shall contain information regarding the account as of the date of such statement. The price associated with each security in the securities portfolio will also appear on the statement.[1] The statement may be sent

[1] IRS regulations require reporting of income information on a security.

(1) If the security is a bill, the price information will be used to comply with this requirement. The earnings reported to IRS for the year of a bill's maturity will be the difference between the par value of the bill and its price.

(a) If a bill is deposited in TREASURY DIRECT at original issue, the price shown will be the issue price.

(b) If a bill is transferred to TREASURY DIRECT from TRADES, the price shown will be that included in the transfer wire or supplied subsequently by the bill owner. If a price is not furnished, the price shown will be the weighted average price of the bill of the longest maturity having the identical CUSIP number.

(c) If a bill is transferred from one TREASURY DIRECT account to another, the price shown in the receiving (transferee's) account will be that shown on the transfer instructions or supplied subsequently by the transferee. If a price is not furnished, the price shown will be the weighted average price at original issue of the bill of the longest maturity having the identical CUSIP number, unless the term of the bill can be determined from the account record in which case the price shown will be the weighted average price at original issue of the bill with that term.

(2) If the security is a note or bond, the earnings reported to IRS for a year will be the periodic interest payments made during that year. If a note or bond is transferred to a TREASURY DIRECT account between interest payment dates, the earnings reported to IRS for the transferee will show the interest for the entire interest payment period. The price for notes and bonds will be shown on the statement of account for the account owner's information. The price shown will be determined following the procedures described above for bills.

(3) The security owner should report directly to the IRS (a) adjustments to annual earnings amounts arising from acquisition of notes and bonds between interest payment periods and (b) price corrections for bills reported after preparation of the reports to the IRS.

to the correspondence address designated in the account master record, or may be sent by electronic means. When the statement is issued as a result of a change in ownership of a security, statements will be sent, where appropriate, to both the former and current owners. Other information regarding the account may be obtained in accordance with § 357.24.

(f) *Confirmation notice.* The Department shall send a confirmation notice (notice):

(1) Upon a change in an account master record;

(2) Upon scheduling or canceling a reinvestment; or

(3) To confirm the interest earned on a Treasury Inflation Indexed Security. The notice shall contain information regarding the account as of the date of such confirmation. The notice may be sent to the correspondence address designated in the account master record, or may be sent by electronic means. All changes reflected in paragraph (f)(1) and (2) of this section will be included in the next regularly scheduled statement of account. See paragraph (e) of this section for the statement schedule.

(g) *Account maintenance fees.* An annual maintenance fee shall be charged for each TREASURY DIRECT securities account holding securities that in the aggregate exceed a stipulated par amount. The amount of the fee will be published by notice in the FEDERAL REGISTER.

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986, as amended at 60 FR 4377, Jan. 23, 1995; 62 FR 18004, Apr. 11, 1997; 62 FR 32033, June 12, 1997]

§ 357.21 Registration.

(a) *General.* (1) Registration of a security conclusively establishes ownership, except in the case of partnership nominees, in which case the Department reserves the right to treat the registration as conclusive of ownership. The registration may not, except as provided in this Subpart, include any restriction on the authority of an owner to change the data in the account master record, transfer the security, or effect any other change in the securities portfolio.

(2) The registration of all securities held by an owner should be uniform with respect to the owner's name. An owner must be identified by the name by which the owner is ordinarily known, preferably including at least one full given name. A suffix, such as *Sr.* or *Jr.*, must be included when ordinarily used, or when necessary to distinguish members of the same family.

(3) If an additional security is deposited in an existing account, the security will be registered in the same name and form of registration that appears in the designated account master record. One who holds a security as *John Allen Doe* should use that name when depositing another security rather than *J. Allen Doe*, or *John A. Doe'. Minor variations in names used in acquiring a security to be deposited in an established account may be resolved by the Department.*

(b) *Natural persons.* A security may be registered in the names of one or two individuals, but only in one of the following forms:

(1) *Single ownership.* In the name of one individual.

Example: Robert W. Woods

An individual who is sole proprietor of a business conducted under a trade name may include a reference to the trade name.

Example: John A. Doe, doing business as Doe's Home Appliance Store.

(2) *Ownership by two individuals*—(i) *''And'' form—Joint Ownership*—(A) *Without right of survivorship.* In the names of two individuals, joined by the word ''and'', and followed by the words ''without right of survivorship''. A security so registered shall conclusively confer on each owner an undivided interest in the security.

Example: Elizabeth Black and Jane Brown, without right of survivorship.

Any request for registration which purports, by its terms, to preclude the right of survivorship, or which requests registration in the names of two persons without indicating whether survivorship rights attach (other than a registration under paragraph (b)(2)(ii) of

this section), will be presumed to be a request for registration without right of survivorship. If a security is registered in this form, a transaction request, other than a request by one owner to transfer the security to the other owner, and other than a request for reinvestment, must be executed by both owners.

(B) *With right of survivorship.* In the names of two individuals, joined by the word ''and'', and followed by the words ''with right of survivorship''. A security so registered shall confer on each owner an undivided interest in the security and shall create a conclusive right of survivorship.

Example: Mark A. Doe and Mary B. Doe, with right of survivorship.

If a security is registered in this form, a transaction request, other than a request by one owner to transfer the security to the other owner, and other than a request for reinvestment, must be executed by both owners.

(ii) *''Or'' form—''Coownership''.* In the names of two individuals, joined by the word ''or''. A security so registered shall confer on each owner an undivided interest in the security and shall create a conclusive right of survivorship.

Example: Robert Woods or Laura Woods.

If a security is registered in this form, either coowner may make a transaction request, but if the Department receives conflicting requests at or about the same time, it may refuse to process them.

(iii) *Beneficiary.* In the name of one individual followed by the words ''Payable on death to'' (or ''P.O.D.'') another individual.

Example: Jack S. Jones, payable on death to Marie Jones.

If a minor or an incompetent is named as a beneficiary, the status of the beneficiary must be identified in the registration. A minor or an incompetent may not be designated as an owner. See paragraphs (b)(3) and (4) of this section.

Example: John Perry, P.O.D. John Perry, Jr., a minor.

Registration in this form shall create ownership rights in the beneficiary only if the beneficiary survives the owner. During an owner's lifetime, a transaction request may be executed by the owner without the consent of the beneficiary. If the beneficiary dies before the owner, the security will be deemed to be registered in the owner's name alone.

(3) *Minors*—(i) *General.* A security may not be registered in the name of a minor in his or her own right as an owner. If a security is so registered and the Department thereafter receives evidence or information of that fact, the Department may suspend processing of any transaction request with respect to the security until either a legal guardian has been appointed or a natural guardian, as provided in paragraph (b)(3)(ii) of this section, has been recognized. Where a legal guardian is appointed, the Department will require a certified copy of the court order making such appointment. See § 357.28(c).

(ii) *Natural guardians of minors.* A security may be registered in the name of a natural guardian of a minor for whose estate no legal representative has been appointed. The parent with whom the minor resides will be recognized as the natural guardian. If the minor resides with both parents, either or both may be recognized as natural guardian(s). If the minor does not reside with either parent, the Department may recognize the person who furnishes the minor's chief support as the natural guardian.

Examples: Michael Jones, as natural guardian of Alice Jones, a minor.

Michael Jones and Evelyn Jones, as natural guardians of Alice Jones, a minor.

The security may also be registered in one of the forms authorized under paragraph (b)(2) of this section.

Examples: James Green, as natural guardian of William Green, a minor, and Anne Green, without right of survivorship.

James Green, as natural guardian of William Green, a minor, POD Lynne Green.

(iii) *Custodian under statute authorizing gifts to minors.* A security may be registered as provided under an applicable gift to minors statute.

Example: Virginia McDonald, as custodian for Lynne Gorman, under the New York Uniform Gifts to Minors Act.

Any request to alter the rights of ownership of the security must be made as provided in the applicable statute.

(4) *Incompetents*—(i) *General.* A security may not be registered in the name of an individual in his or her own right as an owner if that individual is incompetent. If a security is so registered, or if the owner subsequently becomes incompetent after the security is purchased, and the Department receives evidence or information of that fact, the Department may suspend any transaction with respect to the security until a legal guardian, conservator, or other representative of the incompetent's estate has been appointed, or a voluntary guardian, as provided in paragraph (b)(3)(ii) of this section, has been recognized. Where a legal guardian, conservator, or other representative is appointed, the Department will require a certified copy of the court order making such appointment. See § 357.28(c).

(ii) *Voluntary guardian of incompetent.* If a legal guardian has not been appointed, and the face amount of the securities held in one or more accounts in TREASURY DIRECT by an owner who had become incompetent does not exceed, in the aggregate, $20,000 (par amount), upon submission to, and approval by, the Department of an appropriate form, a relative or other person responsible for an incompetent's care and support will be recognized as voluntary guardian for purpose of making a transaction request under § 357.28(b)(4). All persons known by the Department to have an interest in the incompetent's estate, as required by the application form, must agree to the designation of the voluntary guardian. The security may be re-registered in the name of the voluntary guardian.

Example: Richard Melrose, as voluntary guardian for James W. Brundige.

(c) *Representatives.* A security may be registered in the name of a representative of an estate. If there is more than one representative, the names of some representatives may be omitted if followed by language that indicates the existence of other representatives. In such cases, those named in the registration shall be conclusively presumed by the Department to have authority to make a transaction request on behalf of all the representatives. The form of registration must identify the specific capacity of the representative(s) and the estate represented.

Examples: ABC National Bank of Chicago, Illinois and Harold Smith, co-executors of the will (or administrators of the estate) of Charles Johnson, deceased.

William Brown, guardian of the estate of Henry Jones, a minor.

Robert Smith, Richard Smith, *et al.*, executors of the will of Lorraine Smith, deceased.

If the representative is a trustee, the form of registration must identify specifically the authority or document creating the trust.

Examples: Sarah Jones and XYZ Trust Co., trustees under the will of Matthew Smith, deceased.

Cynthia Doe and Margaret Jones, trustees under agreement with Martha Roe, dated April 13, 1979.

Cynthia Doe, trustee under declaration of trust, dated April 13, 1979.

Richard Smith, James Jones, and Frank Brown, trustees under the will of Henry K. James, deceased.

ABC Corporation, Myrna Banker, *et al.*, trustees of Profit-Sharing Plan of Ace Manufacturing Co., under B/D resolution, dated May 18, 1975.

If there are several trustees designated as a board or authorized to act as a unit, their names should be omitted and the words, ''Board of Trustees'' substituted.

Example: Board of Trustees of Super Co. Retirement Fund, under collective bargaining agreement, dated March 18, 1969.

An organization (other than a bank) or individual seeking to act as trustee or custodian of an Individual Retirement Account (''IRA''), must be authorized to so act by the Internal Revenue Service. As appropriate, registration of the security should be in the form shown below:

Examples: ABC Bank, trustee for John Doe IRA, under agreement dated December 21, 1990.

EFG Broker, Inc., custodian for Mary Smith IRA, under agreement dated September 4, 1991.

(d) *Private organizations (corporations, unincorporated associations and partnerships).* A security may be registered in

the name of a private corporation, unincorporated association, or partnership. The full legal name of the organization, as set forth in its charter, articles of incorporation, constitution, partnership agreement, or other documents from which its powers are derived, must be included in the registration. The name may be followed by a reference to a particular account or fund, other than a trust fund, such as an escrow account.

(1) *A corporation*. The legal name of a business, fraternal, religious, or other private corporation must be followed by descriptive words indicating the corporate status unless the term *corporation* or the abbreviation *Inc.* is part of the name or the name is that of a corporation or association organized under Federal law, such as a national bank or Federal savings and loan association.

Examples: Brown Manufacturing Co., a corporation (Education Fund).

The Apex Manufacturing Corporation.

XYZ National Bank of El Paso, TX.

Goodworks, Unlimited, a not-for-profit corporation.

(2) *An unincorporated association*. Unless the name of a lodge, club, labor union, veterans or religious organization, or similar organization which is not incorporated (whether or not it is chartered by or affiliated with a parent organization which is incorporated) includes the words *an unincorporated association*, the registration must include descriptive words indicating the organization's unincorporated status. A security may not be registered in the name of an unincorporated association if the legal title to its property or the legal title to the funds with which the security is to be purchased is held by trustees. In such a case, the security should be registered in the name of the trustees in accordance with paragraph (c) of this section. The term *unincorporated association* should not be used to describe a trust fund, a partnership or a business conducted under a trade name.

Examples: Local Union No. 13, Brotherhood of Operating Engineers, an unincorporated association.

The Simpson Society, an unincorporated association.

(3) *Partnership*. Unless the name of a partnership includes the word *partnership*, the registration must include descriptive words indicating partnership status.

Examples: Red & Blue, a partnership.

Abco and Co., a nominee partnership.

(e) *Governmental entities and officers*. A security may be registered in the name of a State, county, city, town, village, school district, or other governmental entity, body, or corporation established by law. If a governmental officer is authorized to act as a trustee or custodian, a security may be registered in the title, or name and title, of the governmental officer. The form of registration should reflect the capacity in which the governmental entity or officer is authorized to hold property (*e.g.*, it may be authorized to hold property in its own name or as trustee or custodian).

Examples: Laura Woods, Treasurer, City of Twin Falls, Mo.

State of Michigan.

Village of Gaithersburg, Md.

Pennsylvania State Highway Administration (Highway Road Repair Fund).

Insurance Commissioner of Florida, trustee for benefit of policy holders of Sunshine Insurance Co. under F.S.A. Sec. 629.104.

Commonwealth of Virginia, in trust for Virginia Surplus Property Agency.

Gleason County Cemetery Commission, trustee under Md. Code Ann. Sec. 310.29.

(f) *The United States Treasury*. A security may be registered in the name of an individual, with the United States Treasury as beneficiary, provided a reference to the statute which authorizes gifts to be made to the United States to reduce the public debt, is included.

Example: John S. Green, payable on death [or P.O.D.] to U.S. Treasury to reduce the public debt (31 U.S.C. 3113).

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[51 FR 18265, May 16, 1986, as amended at 57 FR 38774, Aug. 27, 1992]

§ 357.22 Transfers.

(a) *General*. A security may be transferred only as authorized by this part. A security may be transferred from an account in TREASURY DIRECT to an

account in TRADES. A security may be transferred between accounts in TREASURY DIRECT, or from an account in TRADES to an account in TREASURY DIRECT, provided that prior to, or coincidental with, the transfer, an account master record has been established in accordance with the requirements of § 357.20(c). Notwithstanding the above, for Treasury bonds and notes purchased on original issue or on the additional issue of an outstanding issue, the Department may defer transfer from, or within, TREASURY DIRECT for a period not to exceed fourteen (14) calendar days from the date of issue to assure that payment therefor has been received and credited to the Treasury's account.

(1) *Identification of securities to be transferred.* The owner must identify the securities to be transferred within TREASURY DIRECT, or from TREASURY DIRECT to TRADES, in the manner required by the transaction request form. If such identification is not provided, the request will not be processed and will be returned.

(2) *Denominational amounts.* A security may be transferred from an account only in a denominational amount authorized by the offering under which the security was issued. Any security remaining in the securities portfolio after the transfer must also be in an authorized denominational amount.

(3) *When transfer effective.* A transfer of a security within TREASURY DIRECT, or from TRADES to TREASURY DIRECT, is effective when an appropriate entry is made in the name of the transferee on the TREASURY DIRECT records. A transfer from TREASURY DIRECT to TRADES is effective as provided in Subpart B. If a transfer of a security from a transferor in TREASURY DIRECT to a transferee in TRADES cannot be completed, and the security is sent back to TREASURY DIRECT, the Department will redeposit the security in the transferor's account and treat the transferor as the owner.

(b) *Transfer to Federal Reserve Bank for sale of securities in the secondary market.* (1) Upon authorization by the investor, an unmatured security may be transferred to a Federal Reserve Bank acting as the designated fiscal agent of the United States, to be sold on behalf of the investor.

(2) *Definitions.* In this section, unless the context indicates otherwise:

Dealer means an entity that is registered or has given notice of its status as a government securities broker or government securities dealer, pursuant to Section 15C(a)(1) of the Securities Exchange Act of 1934.

Par amount means the stated value of a security at original issuance.

Price means the dollar amount to be paid for a security expressed as a percent of its current par amount.

Security means any amount held in a TREASURY DIRECT account which is represented by a separate CUSIP number.

Settlement amount, also referred to as net amount, is the amount deposited by the Federal Reserve Bank to the account of the investor at the financial institution designated by the investor to receive TREASURY DIRECT payments. This amount is equal to the par amount of the securities multiplied by the price, plus any accrued interest, and less the transaction fee. For inflation indexed securities, the settlement amount also includes any applicable inflation adjustment, as provided in 31 CFR Part 356. The settlement amount may be less than the par amount of the security.

Settlement date is the date the settlement amount is released to the account at the financial institution designated by the investor for receipt of TREASURY DIRECT payments.

Trade date means the date on which the Federal Reserve Bank enters into an agreement with a dealer for the sale of the security.

Yield, also referred to as yield to maturity, means the annualized rate of return to maturity on a fixed principal security expressed as a percentage. For an inflation-indexed security, yield means real yield, as defined in 31 CFR part 356.

(3) *Procedure.* On an approved Treasury form, the owner must authorize a transfer of the security from the investor's TREASURY DIRECT account to the designated Federal Reserve Bank, and authorize the Federal Reserve

Bank to sell the security. Rules in subpart C of this part governing the transfer of securities will apply to the transfer of the security to the Federal Reserve Bank. Generally, on the day that the security is transferred to the Federal Reserve Bank, the Federal Reserve Bank will make reasonable efforts to obtain a price quote from at least three dealers, and will enter into an agreement to sell the security to the dealer with the highest price quote for next day settlement. What constitutes reasonable effort shall be determined solely by the Federal Reserve Bank. On the next full business day after the trade date, the settlement amount shall be released by direct deposit (electronic funds transfer), as provided in § 357.26 of this part, to the account at the financial institution designated by the investor to accept TREASURY DIRECT payments, except when the Department determines that extraordinary circumstances exist that require payment by other means. In the event that the Federal Reserve Bank is unable to obtain at least one price quote for the security, the security will be returned to the TREASURY DIRECT account of the investor on the next full business day following the receipt of the securities by the Federal Reserve Bank, and the Federal Reserve Bank will notify the investor.

(4) *Confirmation.* The Federal Reserve Bank will send a confirmation of the sale to the investor upon completion of the transaction. Such confirmation will include such information as price, trade date, settlement date, settlement amount, also referred to as net amount, transaction fee, and yield to maturity.

(5) *Price.* By authorizing the transfer and sale of the securities, the investor agrees to accept the price received by the Federal Reserve Bank from the dealer selected as having the highest price quote.

(6) *Transaction fee.* A transaction fee shall be charged for each security sold on behalf of the investor. If the Federal Reserve Bank is unable to complete the sale of the security, no fee will be charged. By authorizing the sale of the security, the investor authorizes the Federal Reserve Bank to withhold the transaction fee prior to the Federal Reserve Bank initiating the payment of the settlement amount to the account at the financial institution designated by the investor to receive TREASURY DIRECT payments. The amount of the transaction fee will be published by notice in the FEDERAL REGISTER.

(7) *Termination.* This service may be terminated at anytime without prior notice at the discretion of the Department.

(8) *Rights.* The provisions applicable to TREASURY DIRECT transactions in subpart C shall apply to this section. The provisions applicable to transactions in TRADES in subpart B shall not apply to this section.

(9) *Irrevocability.* The authorization of the investor for the transfer and sale of the securities shall be irrevocable when the transfer from the TREASURY DIRECT account of the investor to the account at the Federal Reserve Bank is effected.

(10) *Liability.* The Department and the designated Federal Reserve Bank shall not be liable for changes in market conditions affecting the price received for the security, or for any loss which the investor may incur as a result of the transaction or the inability of the Federal Reserve Bank to complete the transaction.

(c) *Transfer upon death of an owner*—(1) *Right of survivorship.* If a security is registered in beneficiary form or a form which provides for a right of survivorship, upon the death of an owner, the beneficiary or survivor shall be the sole and absolute owner, notwithstanding any purported testamentary disposition by the decedent and notwithstanding any State or other law to the contrary. The Department will honor a transaction request by a beneficiary or a survivor (in the case of a security registered in the form described in § 357.21(b)(2)(i)(B)) only upon proof of death of an owner.

(2) *Succession under law of domicile.* If a security is registered in a form that does not provide for a right of survivorship, succession shall be determined in accordance with the applicable law of the deceased owner's domicile at the time of death.

(d) *Representative succession.* If a security is registered in the name of a representative who has died, resigned, or

been removed, succession shall be determined in accordance with applicable law and the terms of the document under which the representative was acting.

(e) *Organizational succession*—(1) *Corporation and unincorporated association.* If a security is registered in the name of a corporation or an unincorporated association that has been dissolved, merged or consolidated into another organization, succession shall be determined in accordance with applicable law and the terms of the documents by which the dissolution, merger, or consolidation was effected.

(2) *Partnership.* If a partnership is dissolved or terminated, succession shall be determined in accordance with applicable law and the terms of the partnership agreement.

(f) *Succession of governmental officer.* If a security is registered in the name and title of a governmental officer who has died, resigned, or has been removed, succession shall be determined in accordance with applicable law.

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[51 FR 18265, May 16, 1986; 51 FR 18884, May 23, 1986, as amended at 53 FR 10074, Mar. 29, 1988; 62 FR 46861, Sept. 4, 1997]

§ 357.23 Judicial proceedings—sovereign immunity.

(a) *Department and Federal Reserve Banks not proper parties.* The Department and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a security held in TREASURY DIRECT nor are they subject to any injunction or restraining order issued with respect to a security. The Department will not recognize a notice of a pending or contemplated judicial or administrative proceeding affecting a security in TREASURY DIRECT.

(b) *Orders*—(1) *Ownership rights.* The Department will recognize a final order entered by a court that affects ownership rights in a security in TREASURY DIRECT if:

(i) The order is consistent with the provisions of this subpart and the terms and conditions of the security; and

(ii) The Department has received evidence of the order, as provided in paragraph (c) of this section.

(2) *Transaction request.* The Department will honor a transaction request submitted by a person appointed by a court and having authority under an order of a court to dispose of the security or payment with respect thereto if:

(i) The ordered disposition of the security or payments with respect thereto is consistent with the provisions of this subpart and the terms and conditions of the security; and

(ii) The Department has received evidence of the appointment and order, as provided in paragraph (c) of this section.

(c) *Evidence required.* Before the Department will recognize an order or determination entered by a court, the Department must have received a certified copy of the judgment, decree, or order and any additional documents deemed necessary by the Department. A certificate from the clerk of the court, bearing the seal of the court, must also be submitted stating that the judgment, decree, or order is still in full force and has not been stayed or appealed, and that the time for filing an appeal has passed. Before the Department will honor a transaction request submitted by a person appointed by a court, the Department must receive a certified copy of the order making the appointment and describing specifically the person's authority, and any additional documents deemed necessary by the Department.

(Approved by the Office of Management and Budget under control number 1535–0068)

§ 357.24 Availability and disclosure of TREASURY DIRECT records.

(a) *General.* All records with respect to a TREASURY DIRECT account are held confidential. Consistent with the Privacy Act (5 U.S.C. 552a), information relating to those accounts will be released only to the owner except:

(1) As provided in these regulations;

(2) As provided in Treasury regulations contained in 31 CFR Part 323; or

(3) As otherwise provided by law.

(b) *Inquiries by owners.* Information requested will be disclosed to an owner provided that:

(1) Sufficient information is provided to identify the owner; and

(2) Sufficient information is provided to identify the TREASURY DIRECT account.

(c) *Conditions for release.* A request for information will be honored only if, in the sole judgment of the Department or the Federal Reserve Bank to which the inquiry is made, the identity and right of the requester to the information have been established.

[51 FR 18265, May 16, 1986; 51 FR 18884, May 23, 1986]

§ 357.25 Security interests.

(a) *General.* The Department will not recognize any notice or claim of a lien, encumbrance, or security interest of any kind, including a pledge, in a security in TREASURY DIRECT except as provided in § 357.23 and in paragraph (b) of this section.

(b) *Security for the performance of duty or obligation under Federal law.* The Department will accept and hold pursuant to the provisions of 31 U.S.C. 9303, book-entry bonds, notes or bills submitted in lieu of a surety bond as security for the performance of a duty or obligation required by Federal law in accordance with said section.

§ 357.26 Payments.

(a) *General.* A payment by the Department with respect to a security shall be by direct deposit (electronic funds transfer), except when the Department determines that extraordinary circumstances exist that require payment by check.

(b) *Direct deposit*—(1) *Information on deposit account at financial institution.* (i) To establish an account in TREASURY DIRECT, the owner must furnish the name and ABA routing/transit number of the financial institution (*institution*) to which payments with respect to a security are to be made, as well as a depositor name reference, deposit account number, and type or classification of account at the institution to which such payments are to be credited. The information should be furnished on the tender form if the account is being established on original issue, or in other cases on an appropriate form provided by the Department. To assure the accuracy of the account number and account type, as well as the name and ABA routing/transit number of the institution to which payments are to be made, the owner should consult with the institution in advance of the submission of the tender or transaction form. If the investor finds that the institution to be designated to receive TREASURY DIRECT payments has not agreed to receive direct deposit payments under 31 CFR part 210, but is willing to do so, the investor should ask the institution to contact the Federal Reserve Bank of its district for enrollment advice.

(ii) Where the TREASURY DIRECT securities account is in the name of individual(s) in their own right, and the deposit account at the financial institution is in the name of individual(s) in their own right, the two accounts must contain at least one name that is common to both.

(iii) Where the deposit account to which payments are to be directed is held in the name of the financial institution itself acting as sole trustee, or as co-trustee, or is in the name of a commercially-managed investment fund, particular inquiry should first be made of the financial institution to make certain that the direct deposit payments can be received, and alternate arrangements made if it cannot do so.

(iv) In any case where, after the establishment of the securities account, it is determined that direct deposit payments cannot be accepted by the financial institution designated, under these circumstances, and pending new direct deposit instructions, payments will be made by check drawn in the name of the owner and sent to the correspondence address of record.

(v) All payments relating to a single account master record must be made to the same designated account at a financial institution.

(vi) The deposit account to which payments are directed should preferably be established in a form identical to the registration of the securities account, particularly where the securities are registered jointly or with right of survivorship, to assure that

the rights of ownership and of survivorship can be more easily identified and preserved. Neither the United States nor any Federal Reserve Bank shall be liable for any loss sustained because the interests of the holder(s) of a deposit account to which payments are made are not the same as the interests of the owner(s) of the security.

(2) *Rules.* Direct deposit (electronic funds transfer) payments are governed by the regulations at 31 CFR part 370.

(3) *Prenotification.* A prenotification message must be sent to the financial institution designated to receive ACH payments to confirm the accuracy of the account information furnished by an owner, or other person or entity entitled to make the designation, and to advise the financial institution that such account has been so designated. Prenotification messages may be sent at any time, but not less than 10 calendar days prior to the first ACH payment. A prenotification message may also be sent whenever there is a change in the payment instructions. The prenotification message shall contain the ABA routing/transit number of the financial institution to which payments with respect to a security are to be made, as well as a depositor name reference, deposit account number, and type or classification of account at the institution to which such payments are to be credited. Responses to a prenotification message will be received in accordance with the provisions in 31 CFR 370.5. Where the circumstances indicate that there is insufficient time to effect the change received in response to the prenotification message, payment will be made by check in accordance with paragraph (c) of this section.

(c) *Checks.* If a payment is not made by direct deposit, it shall be made by a check, drawn by a Federal Reserve Bank as fiscal agent of the United States, on the Federal Reserve Bank in its banking capacity (*fiscal agency check*), or drawn by the Department on itself (*Treasury check*). A fiscal agency check is governed by the regulations in 31 CFR part 355. A Treasury check is governed by the regulations and statutes applicable to checks drawn on the United States or designated depositories of the United States (*i.e.*, 31 CFR parts 235, 240, and 245). A check issued with respect to a security shall be made payable in the names of the owner(s) of the TREASURY DIRECT account and will be mailed to the correspondence address shown in the TREASURY DIRECT account.

(d) *Suspension of payments.* Upon receipt of notice that a designated deposit account has been closed, that an individual named on such account is dead or has been declared legally incompetent, or where a corporation is the owner, and it has been dissolved, the Department reserves the right to suspend payments and any transactions with respect to a security pending receipt of satisfactory evidence of entitlement. Payments will also be suspended in any case where the Department receives notice that an individual owner named on a securities account in TREASURY DIRECT is dead or has been declared legally incompetent, or in any case where the Department receives notice of a change in the name or status of an organization or representative named on a securities account in TREASURY DIRECT.

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[51 FR 18265, May 16, 1986, as amended at 57 FR 38774, Aug. 27, 1992; 61 FR 6113, Feb. 16, 1996]

§ 357.27 Reinvestment.

(a) *General.* Upon the request of an owner, the redemption proceeds of a security may be reinvested at maturity in a new security in the same form of registration, provided a new security is then being offered by the Department and provision for reinvestment is made in the offering. The new security must be in an authorized denominational amount and will be issued in accordance with the terms of the offering. If the new security is issued at a premium or with accrued interest, an additional payment will be required from the investor. If the new security is issued at a discount, the difference will be remitted to the owner.

(b) *Treasury bills.* A request by an owner for a single or successive reinvestment of a Treasury bill must be made in accordance with the terms prescribed on the tender form submitted

at the time of purchase of the original bill, or by a subsequent transaction request received not less than ten (10) business days prior to the maturity date of the bill. A request to revoke a direction to reinvest the proceeds of a bill must be received by the Department not less than ten (10) business days prior to the maturity date of the bill. If either a request for reinvestment or revocation of a reinvestment request is received less than ten (10) business days prior to maturity of the original bill, the Department may in its discretion act on such request if sufficient time remains for processing.

(c) *Issue date not coincidental with maturity date.* If the date on which a security matures or is called does not coincide with the issue date of the security being purchased through reinvestment, the Department may, at its option, hold the redemption proceeds in the same form of registration as the maturing or called security, but no interest shall accrue or be paid on such funds.

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986, as amended at 62 FR 18694, Apr. 16, 1997]

§ 357.28 Transaction requests.

(a) *General.* Unless otherwise authorized by the Department, a transaction request must be submitted on a transaction request form. In the case of certain transactions specified by the Department, the owner's signature on the form must be certified or guaranteed, as provided in § 357.31. If the transaction request form is received more than six (6) months after its execution, it will not be honored by the Department and will be returned to the sender for further instructions.

(b) *Individuals*—(1) *General.* A transaction request must be signed by the owner of the security. In addition to any required certification, a transaction request form executed by a person by mark, *e.g.*, ''(X)'', must be witnessed by a disinterested person. The following language should be added to the form and be signed by the witness:

Witness to signature by mark

Signature of witness

Address of witness

(2) *Change of name.* If an individual's name has been changed from that appearing in the registration, the individual should sign both names to the transaction request form and state the manner in which the change occurred.

Example: Deborah L. Gains, changed by order of court from Deborah G. O'Brien.

The individual must provide evidence, such as a certified copy of a court order, which confirms the change, unless it is indicated that the change of name resulted from marriage.

Example: Catherine M. Cole, changed by marriage from Catherine T. Murray.

(3) *Natural guardians.* A transaction request involving a security registered in the name of a natural guardian of a minor may be executed by the natural guardian. If a security is registered in the names of both parents as natural guardians of a minor, both must execute a transaction request. However, the Department will not honor a transaction request by the natural guardian(s):

(i) Which would transfer the security to a natural guardian in his or her own right; or

(ii) After the Department receives notice of the minor's attainment of majority, the qualification of a legal guardian or similar representative, or the death of the minor.

(4) *Voluntary guardians.* A transaction request involving a security belonging to an owner who has become incompetent may be executed by a voluntary guardian, but only after approval by the Department of the voluntary guardian's application for such designation. However, the Department will not honor a transaction request by the voluntary guardian:

(i) Which would transfer the security to a voluntary guardian in his or her own right; or

(ii) After the Department receives notice of the ward's restoration to competency, the qualification of a legal guardian or similar representative, or the death of the ward. See § 357.21(b)(4).

(c) *Representatives*—(1) *General.* A representative of an owner's estate, other

than a trustee, may execute a transaction request form if the representative submits to the Department properly authenticated evidence of the authority to act. The evidence will not be accepted if dated more than six (6) months prior to the date of execution of the transaction request.

(2) *Estates closed.* If a security is registered in the name of an owner who is deceased and whose estate has been closed and the representative discharged, a transaction request must be made by the person(s) entitled to the security, as determined from the pertinent court records or the deceased owner's will, if any.

(3) *Estates not administered*—(i) *Special provisions under State laws.* If, under applicable State law, a person is entitled to or has been recognized or appointed to administer the estate of a deceased owner without court-supervised administration, that person may execute a transaction request involving a security belonging to the deceased owner, provided appropriate evidence of authority is submitted to the Department.

(ii) *Agreement of persons entitled.* If a representative of a deceased owner's estate has not been or is not to be appointed, the Department will honor an application for disposition of any securities belonging to the deceased owner pursuant to a written agreement provided that the Department is satisfied that:

(A) All persons entitled to share in the decedent's personal estate are parties to the agreement;

(B) Provision has been made for payment of all the decedent's debts; and

(C) The interests of any minors or incompetents have been protected.

(d) *Private organizations*—(1) *Corporations and unincorporated associations.* A transaction request involving a security registered in the name of a corporation or an unincorporated association (either in its own right or in a representative capacity), may be executed by an authorized person on its behalf. The request must be supported by evidence of the person's authority to act.

(2) *Partnerships.* A transaction request involving a security registered in the name of a partnership must be executed by a general partner.

(e) *Government entities.* A transaction request involving a security registered in the name of a State, county, city, school district, or other governmental entity, public body or corporation, must be executed by a authorized officer of the entity. The request must be supported by evidence of the officer's authority to act.

(f) *Public officers.* A transaction request involving a security registered in the title of a public officer must be executed by the officer. The request must be supported by evidence of incumbency.

(g) *Attorneys-in-fact.* A transaction request made by an attorney-in-fact must be accompanied by the original power of attorney or a properly authenticated copy. A power of attorney must be executed in the presence of a notary public or a certifying individual. See § 357.31. The power of attorney will not be accepted if it was executed more than two (2) years before the date the transaction request was executed, unless the power provides that the authority of the attorney-in-fact continues notwithstanding the incapacity of the principal. If two or more attorneys-in-fact are named, all must execute the transaction request unless the power authorizes fewer than all to act. A transaction request executed by an attorney-in-fact seeking transfer of a security to the attorney-in-fact will not be accepted unless expressly authorized by the document appointing the attorney-in-fact.

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986; 51 FR 18884, May 23, 1986]

§ 357.29 Time required for processing transaction request.

For purposes of a transaction request affecting payment instructions with respect to a security, a proper request must be received not less than ten (10) business days preceding the next payment date. If a transaction request is received less than ten (10) business days preceding a payment date, the Department may in its discretion act on such request if sufficient time remains for processing. If a transaction request is received too late for completion of

the requested transaction, the transaction request will be acted upon with respect to future payments only.

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986, as amended at 62 FR 18694, Apr. 16, 1997]

§ 357.30 Cases of delay or suspension of payment.

If evidence required by the Department in support of a transaction request is not received by the Department at least ten (10) business days before the maturity date of the security, or if payment at maturity has been suspended pursuant to § 357.26(d), then, except as provided in § 357.27, in cases of reinvestment, the Department will redeem the security and hold the redemption proceeds in the same form of registration as the security redeemed, pending further disposition. No other interest shall accrue or be paid on such proceeds after the security is redeemed.

[51 FR 18265, May 16, 1986, as amended at 59 FR 59038, Nov. 15, 1994; 62 FR 18694, Apr. 16, 1997]

§ 357.31 Certifying individuals.

(a) *General.* The following individuals may certify signatures on transaction request forms:

(1) Officers and employees of depository institutions, corporate central credit unions, and institutions that are members of Treasury-recognized signature guarantee programs who have been authorized:

(i) Generally to bind their respective institutions by their acts;

(ii) Unqualifiedly to guarantee signatures to assignments of securities; or

(iii) To certify assignments of securities.

(2) Officers and authorized employees of Federal Reserve Banks.

(3) Officers of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives, the Central Bank for Cooperatives, and Federal Home Loan Banks.

(4) Commissioned officers and warrant officers of the Armed Forces of the United States but only with respect to signatures executed by Armed Forces personnel, civilian field employees, and members of their families.

(5) Such other persons as the Commissioner of the Public Debt or his designee may authorize.

(b) *Foreign countries.* The following individuals are authorized to certify signatures on transaction request forms executed in a foreign country:

(1) United States diplomatic or consular officials.

(2) Managers and officers of foreign branches of depository institutions and institutions that are members of Treasury-recognized signature guarantee programs.

(3) Notaries public and other officers authorized to administer oaths, provided their official position and authority are certified by a United States diplomatic or consular official under seal of the office.

(c) *Duties and liabilities of certifying individuals*— (1) *General.* Except as specified in paragraph (c)(2) of this section, a certifying individual shall require that the transaction request form be signed in the certifying individual's presence after he or she has established the identity of the person seeking the certification. An employee who is not an officer should insert the words ''Authorized signature'' in the space provided for the title. A certifying individual and the organization for which he or she is acting are jointly and severally liable for any loss the United States may incur as a result of the individual's negligence in making the certification.

(2) *Signature guaranteed.* The transaction request form need not be executed in the presence of a certifying individual if he or she unqualifiedly guarantees the signature, in which case the certifying individual shall, after the signature, add the following endorsement: ''Signature guaranteed, First National Bank of Smithville, Smithville, NH, by A.B. Doe, President'', and add the date. In guaranteeing a signature, the certifying individual and the organization for which he or she is acting warrant to the Department that the signature is genuine and that the signer had the legal capacity to execute the transaction request.

(3) *Absence of signature guaranteed by depository institution.* A transaction request form need not be actually signed by the owner in any case where a certifying individual associated with a depository institution has placed an endorsement on the form reading substantially as follows: ''Absence of signature by owner and validity of transaction guaranteed, Second State Bank of Jonesville, Jonesville, NC, by B.R. Butler, Vice President''. The endorsement should be dated, and the seal of the institution should be added. This form of endorsement is an unconditional guarantee to the Department that the institution is acting for the owner under proper authorization.

(d) *Evidence of certifying individual's authority.* The authority of a certifying individual to act is evidenced by affixing to the certification the following:

(1) *Officers and employees of depository institutions.* The institution's seal or signature guarantee stamp; if the institution is an authorized paying agent for U.S. Savings Bonds, a legible imprint of the paying agent's stamp; or, if the institution is a member of the Security Transfer Agents Medallion Program (STAMP), a legible imprint of the STAMP signature guarantee stamp.

(2) *Officers and authorized employees of institutions that are members of Treasury-recognized signature guarantee programs.* A legible imprint of the program's signature guarantee stamp, e.g., the STAMP, SEMP, MSP stamp for members of the Securities Transfer Agents Medallion Program, the Stock Exchanges Medallion Program, or the New York Stock Exchange Incorporated Medallion Signature Program, respectively.

(3) *Officers and authorized employees of Federal Reserve Banks.* Whatever is prescribed in procedures established by the Department.

(4) *Officers and employees of corporate central credit unions and other entities listed in paragraph (a)(3) of this section.* The entity's seal.

(5) *Notaries public, diplomatic or consular officials.* The official seal or stamp of the office. If the certifying individual has no seal or stamp, then the official's position must be certified by some other authorized individual, under seal or stamp, or otherwise proved to the satisfaction of the Department.

(6) *Commissioned or warrant officers of the United States Armed Forces.* A statement which sets out the officer's rank and the fact that the person executing the transaction request is one whose signature the officer is authorized to certify under the regulations in this part.

(7) *Such other persons as the Commissioner of the Public Debt or his designee may authorize.* The evidence specified by the Commissioner or his designee.

(e) *Interested persons not to act as certifying individual.* Neither the transferor, the transferee, nor any person having an interest in a security involved in the transaction may act as a certifying individual. However, an authorized officer or employee of a depository institution or of an institution that is a member of a Treasury-recognized signature guarantee program may act as a certifying individual on a transaction request for transfer of a security to the institution, or any request executed by another individual on behalf of the institution.

[59 FR 59038, Nov. 15, 1994]

§ 357.32 Submission of transaction requests; further information.

Transaction requests and requests for forms and information may be submitted to any Federal Reserve Bank or to the Bureau of the Public Debt, TREASURY DIRECT, Washington, DC 20239–0001. A list of the addresses of Federal Reserve Banks will be available upon request to the Bureau. The Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform such functions as may be delegated to them by the Department in order to carry out the provisions of this part.

Subpart D—Additional Provisions

§ 357.40 Additional requirements.

In any case or any class of cases arising under these regulations, the Secretary of the Treasury (''Secretary'') may require such additional evidence and a bond of indemnity, with or without surety, as may in the judgment of

the Secretary be necessary for the protection of the interests of the United States.

§ 357.41 Waiver of regulations.

The Secretary reserves the right, in the Secretary's discretion, to waive any provision(s) of these regulations in any case or class of cases for the convenience of the United States or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not adversely affect any substantial existing rights, and the Secretary is satisfied that such action will not subject the United States to any substantial expense or liability.

[61 FR 43630, Aug. 23, 1996]

§ 357.42 Liability of Department and Federal Reserve Banks.

The Department and the Federal Reserve Banks may rely on the information provided in a tender, transaction request form, or Transfer Message, and are not required to verify the information. The Department and the Federal Reserve Banks shall not be liable for any action taken in accordance with the information set out in a tender, transaction request form, or Transfer Message, or evidence submitted in support thereof.

[61 FR 43630, Aug. 23, 1996]

§ 357.43 Liability for transfers to and from TREASURY DIRECT.

A depository institution or other entity that transfers to, or receives, a security from TREASURY DIRECT is deemed to be acting as agent for its customer and agrees thereby to indemnify the United States and the Federal Reserve Banks for any claim, liability, or loss resulting from the transaction.

§ 357.44 Notice of attachment for securities in TRADES.

The interest of a debtor in a Security Entitlement may be reached by a creditor only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained, except where a Security Entitlement is maintained in the name of a secured party, in which case the debtor's interest may be reached by legal process upon the secured party. These regulations do not purport to establish whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

[61 FR 43631, Aug. 23, 1996]

§ 357.45 Supplements, amendments, or revisions.

The Secretary may, at any time, prescribe additional supplemental, amendatory or revised regulations with respect to securities, including charges and fees for the maintenance and servicing of securities in book-entry form.

APPENDIX A TO PART 357—DISCUSSION OF FINAL RULE

BACKGROUND

Twenty-four written comments were received to the notice of proposed rulemaking from various sources, including Federal agencies, trade associations, as well as financial and commercial investment institutions. With the exception of one bank, all commentators endorsed the concept of a certificateless security.

The grouping and identification of the comments received have been made on a section-by-section basis, with an explanation of the action taken with respect thereto. As circumstances necessitated the publication of the rule in two segments, in order to make each part more understandable, certain definitions, such as those for ''Department'' and ''securities'', have appeared in the proposed rule for both TREASURY DIRECT and TRADES, and were slightly modified in the proposed rules on TRADES. Because these modifications represent non-substantive clarifications, and to avoid confusion as between the two portions of the rules, the definitions as used in TRADES have been adopted.

SECTION-BY-SECTION ANALYSIS

Section 357.21 Registration.

The forms of registrations provided for securities to be held in TREASURY DIRECT have different legal effect from those currently provided for in the case of definitive Treasury securities and for the Treasury's book-entry Treasury bill system. A comment was received that, as a result, this could lead to some confusion, and that the Treasury bill forms of recordation currently offered should be changed, particularly since Treasury bills will be phased into TREASURY DIRECT gradually. The Bureau believes that the benefits of uniformity of rights and interests that TREASURY DIRECT investors

will derive far outweigh any possible confusion. As for confusion with the current Treasury bill book-entry system, given the fact that Treasury bills have a term of not more than a year, it is believed that the problem, if any, will be short-lived.

Given the importance of the change that TREASURY DIRECT provides as to registration, the discussion thereof that accompanied the Notice of Proposed Rulemaking is re-published below.

''*Forms of Registration.* The proposed rule provides the investor with a variety of registration options. They are essentially similar to those provided for registered, definitive marketable Treasury securities. Investors should be particularly aware that, where the security is held in the names of two individuals, the registration chosen may establish rights of survivorship.

''The reason for establishing the rights of ownership for securities held in TREASURY DIRECT is that it will give investors the assurance that the forms of registration they select will establish conclusively the rights to their book-entry securities. It will also serve to eliminate some of the uncertainties, as well as possible conflicts, between the varying laws of the several States.

''A Federal rule of ownership is being adopted by the Treasury for TREASURY DIRECT securities. This regulatory approach is consistent with the one previously taken in the case of United States Savings Bonds. It will have the effect of overriding inconsistent State laws. See, *Free v. Bland,* 369 U.S. 663 (1962).

''In the case of individuals (who are likely to be by far the majority of holders of securities in TREASURY DIRECT), the options offered will permit virtually all the preferred forms of ownership. At the investor's option, it will be possible to provide for the disposition of the securities upon death through rights of survivorship.

''*Coownership registration.* One option is the coownership form of registration, i.e., ''A or B.'' Unlike the current Treasury bill book-entry system being administered by the Bureau of the Public Debt, a security held in TREASURY DIRECT registered in this form will be transferable upon the written request of *either* coowner. Other changes in the account may also be made upon the request of *either* party. While this form of registration will facilitate the receipt of payments and provide ease in conducting transactions, care should obviously be exercised in designating a coowner.

''*Joint ownership.* For those who would prefer to have the transferability of a security held in two names contingent upon the request of both, the joint form of registration will be appropriate. This form of registration, i.e., ''A and B, with [without] the right of survivorship,'' will require the agreement of both parties to conduct any authorized transaction.

''*Beneficiary form.* The beneficiary form, i.e., ''A payable on death to (POD) B,'' will permit the owner to have sole control of the account during his/her lifetime, but in the event of death, the account will pass by right of survivorship to the beneficiary.''

One commentator questioned the ''natural guardian'' and ''voluntary guardian'' forms of registration provided in the regulations, pointing out that financial institutions are reluctant to establish an account in the name of a natural guardian of a minor because of the uncertainties as to who might be entitled to the funds on the death of the natural guardian or minor, or when the minor reached majority. It was mentioned that a bank would be reluctant to open an account in the name of a voluntary guardian, or to release funds from an existing account to a voluntary guardian because of the potential risk in the event of a claim from a court-appointed guardian. It seems apparent that the comment was prompted by the provision that appeared in the proposed rule that the account held in TREASURY DIRECT and the deposit account to which payments are to be directed should be in the same form. As hereafter pointed out in the discussion under the payment section, this is not a requirement.

While parents are universally recognized as the natural guardians of the person of minors, they have generally not been recognized as entitled to control the estates of these minors, except perhaps in the case of small amounts. Traditionally, the guardian of the estate of a minor involves judicial appointment and supervision. In order to provide a means of dealing with the problem of disposing of securities inadvertently registered in the name of minors without requiring the appointment of a legal guardian and to provide a means for investing funds of a minor, which did not technically qualify for investment under the Uniform Gifts to Minors Act, the Department decided to provide recognition for natural guardians.

The voluntary guardianship procedure is wholly a creature of the Department's regulations. It was established in recognition of the burden placed on an incompetent's estate and his/her family by requiring the appointment of a legal guardian to receive the interest on, or to redeem securities for, the account of an individual who has become incompetent, at least where the incompetent's estate is relatively modest. This form of registration is not available on original issue and is limited to an aggregate of $20,000 (par amount) of TREASURY DIRECT securities. The $20,000 limit in connection with the use of the voluntary guardianship procedure is in keeping with the limits used in connection

with the summary administration of decedents' estates under the laws of many States.

Section 357.23 Judicial proceedings.

No comments were received regarding the provisions on judicial proceedings. Given their importance, the discussion that accompanied the publication thereof in proposed form is included here.

Judicial proceedings. Under the principle of sovereign immunity, neither the Department nor a Federal Reserve Bank, acting as fiscal agent of the United States, will recognize a court order that attempts to restrain or enjoin the Department or a Federal Reserve Bank from making payment on a security or from disposing of a security in accordance with instructions of the owner as shown on the Department's records.

''The Department will recognize a final court order affecting ownership rights in TREASURY DIRECT securities provided that the order is consistent with the provisions of subpart C and the terms and conditions of the security, and the appropriate evidence, as described in §357.23(c), is supplied to the Department. For example, the Department may recognize final orders arising from divorce or dissolution of marriage, creditor or probate proceedings, or cases involving application of a State slayer's act. The Department will also recognize a transaction request submitted by a person appointed by a court and having authority under an order of a court to dispose of the security or payment with respect thereto, provided conditions similar to those above are met.''

Section 357.25 Security interests.

TREASURY DIRECT is not designed to reflect or handle the various types of security interests that may arise in connection with a Treasury bond, note or bill. However, the Treasury has from time to time and to a limited extent held in safekeeping, for such agencies as the Customs Service and Immigration and Naturalization Service, Treasury securities submitted in lieu of surety bonds in accordance with 31 U.S.C. 9303. While the Federal Reserve Banks handle the majority of such pledges and will continue to do so, as this statute requires the Treasury to accept these Government obligations so pledged, a provision has been added for accepting and holding book-entry securities submitted for such purposes.

Section 357.26 Payments.

(a) *General.* Most comments focused on the provisions on payments. A key feature of TREASURY DIRECT will be the making of payments by the direct deposit method (also known as the electronic funds transfer or ACH method). Checks will be issued only under extraordinary circumstances. A number of comments endorsed the concept of payment by direct deposit as an improvement given the difficulties associated with checks.

One comment expressed concern as to who would have the burden of resolving errors in cases where a receiving financial institution fails to properly credit a payment. The Department has concluded that while the direct deposit payment method is not without risks, it is far superior to the use of checks, in terms of the risks, potential losses, and costs. In a case where a receiving institution fails to act in accordance with the instructions given it, the Bureau intends to use its best efforts to assist investors in rectifying the error.

(b) *Direct deposit.* A number of comments expressed the view that the TREASURY DIRECT payment system should adopt either the rules governing the direct deposit of Government payments (31 CFR part 210), or the rules of the National Automated Clearing House Association (''NACHA Rules''), but not separate rules. The final rules have adopted some of the existing practices applicable to commercial ACH payments, but it is not possible for the Department of the Treasury to conform to all of these rules. For example, the Treasury has no authority to indemnify recipients of direct deposit payments, although such indemnification by a sender is contemplated in the NACHA rules and was advocated in several comments. It should also be noted that the rules applicable to TREASURY DIRECT payments are modeled, to some extent, on the rules for Government direct deposit payments in order to take advantage of the large number of entities that are a part of the Government direct deposit network. See the discussion under paragraph (b)(2). Where there are unique rules applicable to TREASURY DIRECT, however, they are explained here.

Given the variance between the procedures set out in the proposed rules and existing practice, and the increased burdens resulting therefrom, several clearing house associations and financial institutions requested that the implementation of TREASURY DIRECT be delayed from July 1986 to July 1987. The Treasury is satisfied that the added burdens that would have been imposed on financial institutions to receive TREASURY DIRECT payments under the proposed rules have been effectively eliminated in the final rule. Thus, Treasury plans to implement the system on or about the original target date. The final rules are being published, however, in advance of actual implementation so as to give financial institutions an opportunity to make whatever remaining, minor procedural changes as may be necessary.

(b)(1) *Information on deposit account at financial institution.* The proposed regulations provided that the owner of a security in

TREASURY DIRECT, or in the case of ownership by two individuals, the first-named owner, must be an owner of, and so designated, on the account at the receiving financial institution. The regulations also provided that in any case in which a security is held jointly or with right of survivorship, the account at the financial institution should be established in a form that assures that the rights of each joint owner or survivor will be preserved.

The rule requiring the naming of the first-named owner on the receiving financial institution account was based on tax reporting considerations. It has now been determined that the first-named security owner need not be named on the receiving deposit account.

The rule relating to establishment of the receiving account in joint ownership cases in the same form as the registration of the security was intended to be a notice to investors of a potential problem, rather than a requirement. In cases where an investor intends a beneficiary, joint owner or coowner to receive securities after the investor's death, this intention may be defeated if the recipient is not also named on the receiving deposit account. It is up to the investor to examine his or her particular circumstances and determine whether the form in which the deposit account will be held is satisfactory. This matter has been clarified in paragraph (b)(1)(v) of the final rule. Except for the restriction described in paragraph (b)(1)(ii) (see below), the Treasury does not intend to establish any limitations on how the receiving deposit account is held.

Several comments addressed the issue of the registration of the security versus the title of the deposit account. Two comments pointed out that if the deposit account must be in the same form as the registration of the security, then existing traditional forms of ownership for bank accounts, which do not include all the forms of registration for securities held in TREASURY DIRECT, would not suffice. Concerns were also expressed that with multiple forms of ownership, financial institutions could become involved in disputes with investors. As noted above, there is no requirement that the TREASURY DIRECT account and the deposit account be identical. The responsibility to choose the title of the deposit account rests with the investor.

Another comment objected to the rule that the first-named security owner be named on the receiving deposit account because the rule would eliminate the possibility of payment to an account at a financial institution in the name of a mutual fund, security dealer, or insurance company. Although the change in the tax reporting rule described above permits payment to such accounts, as well as to trust accounts, since it appears that there is a question as to the capability of some receiving institutions to handle such payments, investors are strongly urged to consult their financial institution before requesting such payment arrangements. See paragraph (b)(1)(iii).

It should be emphasized that any payments that must be made by check will be made in the form in which the TREASURY DIRECT account is held, which may be different than the form of the deposit account. Investors should be aware that this may result in checks being issued, and thus payment being made, in a form different than they intended the direct deposit payments to be made. For example, if Investor A purchases a security in his or her name alone with instructions that payments be directed to a financial institution for the account of a money market fund, any checks that must be issued will be drawn in the name of Investor A. This could happen if Investor A furnishes erroneous payment instructions and the problem cannot be resolved before a payment date, in which case a check would be issued.

The one restriction on the form of the deposit account that appears in paragraph (b)(1)(ii) of the final regulations is a rule that where the TREASURY DIRECT account is in the name of individual(s), and the receiving deposit account is also in the name of individual(s), one of the individuals on the TREASURY DIRECT account must be named on the deposit account. This rule is intended to provide a means to determine the disposition of the payment, if necessary. The Treasury does not expect financial institutions to monitor this rule.

Provision has been made in paragraph (b)(1)(vii) to permit financial institutions to request ''mass changes'' of deposit account numbers without the submission of individual requests from investors to TREASURY DIRECT. This procedure is intended for use where an institution changes all or an entire group of its account numbers, typically as a result of an organizational change. TREASURY DIRECT will honor requests from a financial institution to change deposit account numbers under such circumstances, with the understanding that the institution agrees to indemnify the Treasury and the security owners for any losses resulting from errors made by the institution. If the institutions does not wish to use the ''mass change'' procedure, then the change in account number must be requested by the investor, using the authorized transaction request form. See §357.28.

Some institutions voiced concern in general about investor errors in furnishing the TREASURY DIRECT a deposit account number and the financial institution's routing number. Although the Treasury plans to provide as much assistance to investors as possible, the investor must bear the responsibility for securing accurate payment information. Investors are urged to consult with

their receiving institution to verify the accuracy of the payment information, since neither the Treasury nor the receiving financial institution would be responsible for payment errors resulting from erroneous information provided by investors.

The proposed rule provided in §357.26(b)(1)(iii) that the designation of a financial institution by a security owner to receive payments from TREASURY DIRECT would constitute the appointment of the financial institution as agent for the owner for the receipt of payments. The crediting of a payment to the financial institution for deposit to the owner's account, in accordance with the owner's instructions, would discharge the United States of any further responsibility for the payment. One comment noted that, in contrast, the rule in 31 CFR 210.13 for Federal recurring payments is that the United States is not acquitted until the payment is credited to the account of the recipient on the books of a financial institution.

Although, in principle, the same rules should apply to all Government payments, the proposed TREASURY DIRECT rule has been retained in the final regulations on the basis of the major differences in the procedures to be used in TREASURY DIRECT. Most significantly, the Treasury will not be securing any written verification (*i.e.*, an enrollment form) from a financial institution as to the accuracy of the deposit account number and other payment information, as is now the practice in the case of payments under 31 CFR part 210. Under these circumstances, the Treasury cannot, in effect, guarantee that a payment will be credited by a financial institution to the correct account. It should also be noted that this rule on acquittance of the United States is consistent with the provision in §357.10(c) of the proposed regulations on TRADES. In practice, however, the Treasury plans to participate actively in seeking to locate and recover any payments that have been misdirected.

(b)(2) Agreement of financial institution. The proposed rule provided, in §357.26(b)(2), that a financial institution which has agreed to accept payments under 31 CFR part 210 shall be deemed to have agreed to accept payments from TREASURY DIRECT. The rule further provided that an institution could not be designated to receive TREASURY DIRECT payments unless it had agreed to accept direct deposit payments under 31 CFR part 210.

One financial institution commented that a receiving institution that has already agreed to accept part 210 payments should have the choice as to whether to accept payments from TREASURY DIRECT. The basis for this comment was the perception that the receipt of TREASURY DIRECT payments would require the implementation of special procedures by the financial institution and expose it to additional risks. As explained earlier, the Treasury has significantly modified the procedures and reduced the requirements imposed upon a financial institution in order to receive TREASURY DIRECT payments, and decreased as well the risks an institution will incur in the receipt of such payments. Thus, the proposed rule on eligibility of receiving institutions has been retained in the final rule in essentially the same form.

Two other comments were made to the effect that the category of institutions receiving payments should be broadened. In deciding to authorize payments to all institutions receiving part 210 payments, the Treasury considered the fact that many more institutions are designated endpoints for Government (direct deposit) payments than for commercial ACH payments. In order to afford investors the widest choice of recipient institutions, all institutions that had agreed to accept part 210 payments were designated as authorized recipients. Treasury has now broadened the rule further to also authorize those financial institutions that are willing to agree to accept part 210 payments in the future. This rule will permit investors to designate institutions that are not now receiving Government direct deposit payments as the recipients of their TREASURY DIRECT payments if the institutions make appropriate arrangements with the Federal Reserve Bank of their District.

(b)(3) *Pre-notification.* A significant feature of the TREASURY DIRECT payment procedure will be the use of a pre-notification message sent to the receiving financial institution in advance of the first payment. This procedure, already in use for commercial ACH payments, alerts the institution that a payment will be made and provides an opportunity for verification of the accuracy of the account information.

The proposed regulations provided that the financial institution would be required to reject the pre-notification message within four calendar days after the date of receipt if the information contained in the message did not agree with the records of the institution or if for any other reason the institution would not be able to credit the payment. The rules also stated that a failure to reject the message within the specified time period would be deemed an acceptance of the pre-notification and a warranty that the information in the message was accurate.

Because there was some confusion over when the pre-notification message woud be sent, the final rules clarify, in paragraph (b)(3)(i), that in most cases, this will occur shortly after establishment of a TREASURY DIRECT account. The Treasury has under consideration a system change that would permit a second pre-notification to be sent closer to the time of the payment if the first

payment is to occur a substantial length of time after account establishment.

One of the items of information contained in a pre-notification message is the name the investor has indicated appears on the deposit account. Comments were received that existing procedures and software do not permit automatic verification of the account name. Although there is apparently some variation in practice, and some institutions undertake to verify the account name information manually, the Treasury has decided to drop the account name verification requirement in the final rules. This means that under paragraph (b)(3)(ii), a financial institution need only verify the account number and type designations on the pre-notification message. However, the Treasury urges institutions which are able to verify account names to do so and encourages the development of software that would have this capability.

A number of comments urged that the four-day period provided for an institution to reject a pre-notification message be lengthened. After consideration of the various alternatives proposed, the Treasury has concluded that an eight-day period will meet the needs of most institutions. See paragraph (b)(3)(ii) of the final rule. In responding to a pre-notification message, an institution may use the NACHA's ''notification of change'' procedure, standardized automated rejection codes, or any other similar standard procedure. Upon receipt of such notification, the Treasury will either make the necessary changes in the TREASURY DIRECT account or contact the investor, depending on the circumstances.

One commentator objected to the warranty by the receiving institution as to the accuracy of the pre-notification information, particularly in view of the manual verification or changes in procedures that would be required, and the resulting possibility of error. As previously noted, the requirement to verify an account name has been eliminated. In addition, language has been added to make it clear that the verification is limited to the time of pre-notification. The Treasury is of the view that the warranty is a useful concept in encouraging institutions to respond to pre-notification messages and will benefit all concerned by increasing the likelihood that payments will be made accurately and to the appropriate party.

(b)(5) *Responsibility of financial institution.* The proposed regulations provided, in §357.26(b)(5)(ii), that a financial institution that receives a TREASURY DIRECT payment on behalf of a customer would be required to promptly notify the Treasury when it has made a change in the status or ownership of the customer's deposit account, such as the deletion of the first-named owner of the security from the title of the account, or when the institution is on notice of the death or incompetency of the owner of the deposit account.

Several financial institutions objected to this requirement on the grounds that it would be burdensome and would require the development of new procedures to monitor the changes in deposit accounts. Specifically, several institutions indicated they would be unable to relate the receipt of TREASURY DIRECT payments, which would be handled in a centralized area of the institution, to the changes being made in a deposit account, which are handled in another operational area of the institution. These institutions said they would not necessarily be aware of who is the first-named owner of the security in TREASURY DIRECT, and that more responsibility should be placed on the security owner in reporting changes.

In response to these comments, the Treasury has narrowed the notification rule, in paragraph (b)(5)(ii) of the final rule, to require a financial institution to notify TREASURY DIRECT only in cases where it is on notice of the death or legal incapacity of an individual named on the deposit account, or where it is on notice of the dissolution of a corporation named in the deposit account. Upon receipt of notice by the area of the institution that receives credit payments, the institution will be required to return any TREASURY DIRECT payments received thereafter.

(b)(6) *Payments in error/duplicate payments.* The proposed regulations, in §357.26(b)(6), set out rules describing the procedure that would be followed in cases where the Treasury or a Federal Reserve Bank has made a duplicate payment or a payment in error. First, the financial institution to which the payment was directed would be provided with a notice asking for the return of the amount of the payment remaining in the deposit account. If the financial institution were unable to return any part of the payment, it would be required to notify the Treasury or its Federal Reserve Bank, and provide the names and addresses of the persons who withdrew funds from the deposit account after the date of the duplicate payment or the payment in error. If the financial institution did not respond to the notice within 30 days, the financial institution's account at its Federal Reserve Bank could be debited in the amount of the duplicate or improper payment.

Several institutions raised objections about various aspects of the above procedures. One stated that 30 days was an insufficient time to respond and urged conformity with the rules in 31 CFR part 210 permitting a 60-day response time. Some objected to furnishing information about the persons who withdrew money from an account. Several objected in principle to the provision authorizing the debiting of their accounts. Several

comments indicated that if a payment is returned by a financial institution using an automated payment reversal procedure, then only the full amount of the payment (not a partial amount) can be reversed.

In the final rule, the Treasury has clarified the procedures. The requirement to provide the names of persons who withdrew funds from an account has been changed. In paragraph (b)(6)(i), financial institutions are asked to provide only such information as they have about the matter. The debiting of an institution's account at a Federal Reserve Bank is intended to be simply a last resort if the institution fails totally to respond to the notice of a duplicate payment or payment made in error. See paragraph (b)(6)(iii). The time provided for response to this notice has been lengthened to 60 days.

The final rule has also been clarified in paragraph (b)(6)(i) to provide that the amount that should be returned is an amount equal to the payment. The Treasury reserves the right, however, to request the return by other than automated means of a partial amount of a payment made in error. It is anticipated that such a procedure would occur only if the notice of a payment made in error is not issued immediately after the payment was made.

(d) *Handling of payments by Federal Reserve Banks.* Some of the comments raised a question about the liability of the Federal Reserve Banks in making payments. The proposed rule, in §357.26(d)(2), provided that each Federal Reserve Bank would be responsible only to the Department and would not be liable to any other party for any loss resulting from its handling of payments. This rule was taken from the existing regulations in 31 CFR part 210 (see §210.3(f)), and is simply a restatement of existing law.

In making payments, the Federal Reserve Banks are acting in the capacity as fiscal agents of the United States, pursuant to 12 U.S.C. 391. They are not acting in an individual (banking) capacity. If a Federal Reserve Bank misdirects a payment contrary to instructions provided by the investor, the United States, as principal, may remain liable to the investor for the payment. The United States could seek to recover any loss from its agent, the Fedeal Reserve Bank. However, because the proposed rule simply stated a legal conclusion and tended to create the impression that the rule was broader than intended, it has been omitted from the final regulations.

Section 357.31 Certifying individuals.

For clarity, the warranties which accompany the use of a ''Signature guaranteed'' stamp have been set out.

Section 357.42 Preservation of existing rights.

This section has been deleted. The same subject-matter will be covered in §357.1, as finally adopted.

Section 357.43 Liability of Department and Federal Reserve Banks.

This section was published as §357.42 in the notice of proposed rulemaking for TRADES. The final version will be published after all the comments on the rulemaking for TRADES have been reviewed and considered.

Section 357.46 Supplements, amendments, or revisions.

Provision for ''charges and fees for services and maintenance of book-entry Treasury securities'' has been added in the event circumstances should dictate their imposition.

[51 FR 18260, May 16, 1986; 51 FR 18884, May 23, 1986]

APPENDIX B TO PART 357—TRADES COMMENTARY

INTRODUCTION

The adoption of regulations for the Treasury/Reserve Automated Debt Entry System (''TRADES'') is the culmination of a multi-year Treasury process of moving from issuing securities only in definitive (physical/certificated/paper) form to issuing securities exclusively in book-entry form. The TRADES regulations provide the legal framework for all commercially-maintained Treasury book-entry securities. For a more detailed explanation of the procedural and legal development of book-entry and the TRADES regulations, see the preamble to the rule proposed March 4, 1996 (61 FR 8420), as well as the earlier proposals cited therein 51 FR 8846 (March 14, 1986); 51 FR 43027 (November 28, 1986); 57 FR 12244 (April 9, 1992).

COMPARISON OF TRADES AND TREASURY DIRECT

A person may hold interests in Treasury book-entry securities either in TRADES[1] or TREASURY DIRECT. The following summarizes the major differences between the two systems.

[1] In TRADES a Person's interest in a Treasury book-entry security is a Security Entitlement, as described in TRADES. A Participant's interest in a marketable Treasury book-entry security also is a Security Entitlement. A Participant's Security Entitlement is different than a Security Entitlement as described in Revised Article 8, with respect to the Participant's rights against the issuer. A non-Participant's Security Entitlement is described in Revised Article 8.

Persons holding Treasury book-entry securities in TRADES hold their interests in such securities in a tiered system of ownership accounts. In TRADES, Treasury, through its fiscal agents, the Federal Reserve Banks, recognizes the identity only of Participants (persons with a direct account relationship with a Federal Reserve Bank). While Participants may be beneficial owners of interests in Treasury book-entry securities, there are many beneficial owners of such interests that are not Participants. Such beneficial owners hold their interests through one or more Securities Intermediaries such as banks, brokerage firms or securities clearing organizations.

In TRADES, the rights of non-Participant beneficial owners may be exercised only through their Securities Intermediaries. Neither Treasury nor the Federal Reserve Banks have any obligation to a non-Participant beneficial owner of an interest in a Treasury book-entry security. Two examples illustrate this principle. First, except where a pledge has been recorded directly on the books of a Federal Reserve Bank pursuant to §357.12(c)(1), Federal Reserve Banks, as Treasury's fiscal agents, will act only on instructions of the Participant in whose Securities Account the Treasury book-entry security is maintained in recording transfers of an interest in a Treasury book-entry security. A beneficial owner of the interest that is a non-Participant has no ability to direct a transfer on the books of a Federal Reserve Bank. Second, Treasury discharges its payment obligation with respect to a Treasury book-entry security when payment is credited to a Participant's account or paid in accordance with the Participant's instructions. Neither Treasury nor a Federal Reserve Bank has any payment obligation to a non-Participant beneficial owner of an interest in a Treasury book-entry security. A non-Participant beneficial owner receives its payment when its Securities Intermediary credits the owner's account.

Persons holding Treasury book-entry securities in TREASURY DIRECT, on the other hand, hold their securities accounts on records maintained by Treasury through its fiscal agents, the Federal Reserve Banks. The primary characteristic of TREASURY DIRECT is a direct account relationship between the beneficial owner of a Treasury book-entry security and Treasury. In TREASURY DIRECT, Treasury discharges its payment obligation when payment is credited to the depository institution specified by the beneficial owner of the Treasury book-entry security, paid directly to the beneficial owner by check, or paid in accordance with the beneficial owner's instructions. Unlike TRADES, TREASURY DIRECT does not provide a mechanism for the exchange of cash to settle a secondary market transaction, nor are pledges of Treasury book-entry securities held in TREASURY DIRECT generally recognized. Accordingly, TREASURY DIRECT is suited for persons who plan to hold their Treasury securities until maturity, and provides an alternative for investors who are concerned about holding securities through intermediaries and who do not wish to hold their interests in Treasury securities indirectly in TRADES.

SCOPE OF REGULATION

Just as the scope of Revised Article 8 is limited,[2] the scope of this regulation is limited. It is not a comprehensive codification of the law governing securities, transactions in securities or the law of contracts for the purchase or sale of securities. Similarly, it is not a codification of all laws that could affect a person's interest in a Treasury book-entry security. For example, state laws regarding divorce or intestate succession could well affect which persons have rights in the interest in a Treasury book-entry security. Moreover, the regulations deal with certain aspects of transactions in Treasury securities, such as perfection of a security interest and its effects and not other aspects, such as the contractual relationship between a debtor and its secured party, which are left to applicable law[3]. See the discussion under §357.10 of the Section-by-Section Analysis.

SECTION-BY-SECTION ANALYSIS

Section 357.0 Dual book-entry systems.

Section 357.0 sets forth that Treasury provides two systems for maintaining Treasury book-entry securities—TRADES and TREASURY DIRECT. Subpart A of part 357 of 31 CFR contains general information about TRADES and TREASURY DIRECT. Subpart B contains the TRADES regulations. Subpart C contains the TREASURY

[2] U.C.C. Revised Article 8, Prefatory Note at 12.

[3] The regulations in 31 CFR 306.118(b), which are being supplanted by TRADES, state that ''applicable law'' covers how a transfer or pledge is ''effected'' as well as perfected. Except with respect to security interests marked on the books of a Federal Reserve Bank, TRADES does not address how a security interest in a Treasury book-entry security is created or what law governs the creation of a security interest. Section 357.11(a) of TRADES, which establishes the choice of law for interests other than those covered by §357.10, addresses the choice of law with respect to the perfection, effect of perfection or non-perfection, and priority of security interests, but does not address the law governing creation or attachment of a security interest. This is consistent with the scope and choice of law provisions of Revised Article 8.

DIRECT regulations. Subpart D contains miscellaneous provisions. Thus, in its totality, part 357 sets forth in one place the complete set of governing rules for Treasury securities issued in book-entry form.

Section 357.1 Effective date.

Section 357.1 establishes the effective date for TRADES. TRADES applies to outstanding securities formerly governed by 31 CFR part 306, subpart O. Conforming changes to parts 306, 356, and 358 are being made to coincide with the publication of TRADES in final form. Consistent with the approach set forth in Revised Article 8 (see §8–603 and the official comment thereto), on and after the effective date these regulations will apply to all transactions, including transactions commenced prior to the effective date. Revised Article 8, in Section 8–603, gave secured parties four months after the effective date to take action to continue the perfection of their security interests. TRADES, through its delayed effectiveness, provides a similar period. In TRADES, January 1, 1997, becomes the date by which such actions must be completed.

The effective date for TRADES is January 1, 1997. While TRADES is based in large part on Revised Article 8 that has received widespread attention in the financial community and already has been adopted in 28 states,[4] Treasury has determined that TRADES will be effective on January 1, 1997, to ensure a smooth transition to TRADES. In making that determination, Treasury has taken into account the time required by other Government-Sponsored Enterprises (GSEs) to promulgate similar regulations for their securities. Such an effective date, when combined with TRADES having been published in proposed form with a 60-day comment period, should provide sufficient time for an orderly transition to the new TRADES rules.

Section 357.2 Definitions.

Section 357.2 contains definitions for use in subparts B and C. While most of the definitions are straightforward, four terms—Participant, Entitlement Holder, Security Entitlement and Securities Intermediary—are critical to an understanding of the proposed TRADES regulations.

(a) *Participant.* A Participant is a person that has a securities account relationship in its name with a Federal Reserve Bank. Accordingly, the Federal Reserve Bank and Treasury know both the identity of the persons maintaining these accounts and the Treasury book-entry securities held in these accounts.

(b) *Securities Intermediary.* Securities Intermediaries are persons (other than individuals, except as described below) that are in the business of holding interests in Treasury book-entry securities for others. Participants can be, and usually are, Securities Intermediaries.

In addition, entities such as clearing corporations, banks, brokers and dealers can be Securities Intermediaries in a single chain of ownership of a Treasury security. An individual, unless registered as a broker or dealer under the federal securities laws, cannot be a Securities Intermediary. As an illustration of a possible chain of ownership, in the following chart, the Federal Reserve Bank, Participant and Broker-Dealer are all Securities Intermediaries.

Treasury

Federal Reserve Bank
|
Participant
|
Broker-Dealer
|
Individual Holder

(c) *Entitlement Holder.* An Entitlement Holder is any person for whom a Securities Intermediary holds an interest in a Treasury book-entry security. In the above example Individual Holder, Broker-Dealer and Participant are all Entitlement Holders. Thus, a person can be both a Securities Intermediary and an Entitlement Holder. See also the commentary on ''Security Entitlement.''

(d) *Security Entitlement.* A Security Entitlement is the interest that an Entitlement Holder has in a Treasury book-entry security. In the example, Participant, Broker-Dealer and Individual Holder all hold Security Entitlements. The rights and property interests associated with a Security Entitlement of a Participant held on the books of a Federal Reserve Bank (''Participant's Security Entitlement'') are, however, different from the rights and property interests associated with other Security Entitlements. As provided in §357.10(a), Federal law defines the scope and nature of a Participant's Security Entitlement. While TRADES is based in large part on Revised Article 8, the meaning of Security Entitlement under federal law is different than under Revised Article 8. For example, Participants have a direct claim against the United States for interest and principal even though, under state law, an Entitlement Holder would only have a claim against its Securities Intermediary for such payment. To the extent not inconsistent

[4] As of August 1, 1996, those states are: Alabama, Alaska, Arizona, Arkansas, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Nebraska, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming. See discussion accompanying footnote 11.

with this regulation, the scope and nature of a Security Entitlement of an Entitlement Holder below the level of a Participant, (Broker-dealer and Individual Holder in the example above), is defined by applicable state law, as determined pursuant to §357.11. It should also be noted that while a Participant's rights have Federal law components under §357.10(a), the nature of a Security Entitlement held by a lower tier intermediary on the books of a Participant is determined pursuant to applicable law as provided in §357.11.

Section 357.10 Law governing the United States and Reserve Banks.

Section 357.10(a) provides that the rights and obligations of the United States and the Federal Reserve Banks (with one exception detailed below), with respect to both the TRADES system and Treasury book-entry securities maintained in TRADES are governed solely and exclusively by Federal law. Thus, claims against the United States and Federal Reserve Banks of both Participants and all other persons with an interest (or claiming an interest) in a Treasury book-entry security maintained in TRADES are governed by Federal law. Federal law is defined to include TRADES, the offering circulars pursuant to which the Treasury securities are sold, the offering announcements and Federal Reserve Bank Operating Circulars.[5] Prior to March 1, 1993, the terms of each offering of Treasury securities, except for Treasury bills were set forth in an offering circular published in the FEDERAL REGISTER.[6] Since March 1, 1993, all Treasury book-entry securities have been offered pursuant to a uniform offering circular set forth at 31 CFR part 356.

While TRADES is based in large measure on Revised Article 8, a fundamental principle of these regulations (and a divergence from Revised Article 8) is that the obligations of the issuer (the United States) and the Federal Reserve Banks, as well as all claims with respect to TRADES or a Treasury book-entry security against Treasury or a Federal Reserve Bank, are governed solely by Federal law. Thus, for example, those parts of Revised Article 8 that detail obligations of issuers (or their agents) of securities are not applicable to either the United States or Federal Reserve Banks.[7] In addition, neither the United States nor Federal Reserve Banks have any obligations to persons holding their interests in a Treasury book-entry security at levels below the level of a Participant or to any other person claiming an interest in a Treasury book-entry security (with the limited exception set out in §357.12(c)(1)). Thus, there are no derivative rights against either the United States or the Federal Reserve Banks.

In interpreting this section, it is important to note that the scope of TRADES, like that of Revised Article 8, is limited. Accordingly, the governing law set forth in §357.10(a) is applicable only to the matters set forth in §357.10(a). Other laws remain applicable and could affect the holders of book-entry securities.

For example, the tax treatment of Securities Entitlements is outside the scope of TRADES and other law (the Federal income tax code) is applicable in determining such tax treatment. Similarly, nothing in §357.10(a) limits the applicability of other laws to matters such as whether the activities of Participants or Securities Intermediaries with respect to interests in Treasury book-entry securities are subject to banking or securities laws.

While TRADES in §357.10(a) defines what law governs the contract between the United States, as issuer, and the holder of a Security Entitlement, it is not a complete statement of the contract law applicable to the United States or Federal Reserve Banks. For example, if a Participant obtains a discount window loan from a Federal Reserve Bank and agrees to pledge collateral, including Treasury book-entry securities, to the Federal Reserve Bank as security for the loan, §357.10(a) does not establish the law for determining the validity or enforceability of the contract or the law applicable to the creation and perfection of security interests in property that is not a Treasury book-entry security. Section 357.10(a) does provide the law applicable for how a security interest in Treasury book-entry securities is perfected, the priority of such interest and, if §357.12(c)(1) is applicable, how such security interest is created. Similarly, nothing in §357.10(a) affects the continuing applicability or enforceability of Federal Reserve Bank operating circulars such as the circular setting forth provisions regarding electronic access to services provided by Federal Reserve Banks and agreements executed in connection with such circulars.

[5] A ''Federal Reserve Bank Operating Circular'' is defined in §357.2 as the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Reserve Bank maintains Book-entry Securities Accounts and transfers Book-entry Securities.

[6] Treasury bills were issued pursuant to one master offering circular (31 CFR part 349, removed, and replaced by 31 CFR part 356) effective March 1, 1993. (58 FR 412)

[7] The regulations in subpart C of this part set out other obligations of the United States and the Federal Reserve Banks for securities held in TREASURY DIRECT. These regulations preempt applicable state law.

The law applicable with respect to interests granted to a Federal Reserve Bank depends on the manner in which the security interest is granted.

Where a security interest in favor of a Federal Reserve Bank is marked on the books of the Federal Reserve Bank under Section 357.12(c)(1), §357.10(a) establishes the applicable law. A security interest in favor of a Federal Reserve Bank would be recorded on the Federal Reserve Bank's books where, for example, the Federal Reserve Bank made a discount window loan to a depository institution and any Treasury book-entry securities provided by the depository institution as collateral have been deposited to a pledge account on the books of the Federal Reserve Bank. For a borrowing depository institution that is not a Participant, the book-entry securities used as collateral generally would be deposited to the Federal Reserve Bank pledge account by the borrowing institution's Securities Intermediary. See Hypothetical 5.

Section 357.10(b) sets forth law applicable with respect to security interests in favor of a Federal Reserve Bank that have not been marked on the books of a Federal Reserve Bank. A security interest in the Securities Entitlement of a Participant in favor of a Federal Reserve Bank that is not marked on the books of the Federal Reserve Bank is governed by the law of the state in which the head office of the Federal Reserve Bank is located. Such a security interest could arise, for example, where the delivery of book-entry securities to the securities account of the Participant results in an overdraft in the Participant's Funds Account. The extent to which the Federal Reserve Bank has an interest in the Participant's book-entry securities to secure the overdraft therefore would be determined under the law of the state in which the Reserve Bank's head office is located. If the State in which the head office of the Federal Reserve Bank is located has not adopted Revised Article 8, under §357.10(c) that State is deemed to have adopted Revised Article 8.

In certain very limited circumstances, a Federal Reserve Bank also may have a security interest in the book-entry securities of a non-Participant that is not marked on the books of the Federal Reserve Bank. Section 357.10(b) provides a separate rule for such a security interest, which would be governed by the law of the non-Participant's Securities Intermediary, as determined under §357.11. Under §357.11, the perfection, effect of perfection, and priority of a security interest created under such an agreement would be governed by the law of the Securities Intermediary's jurisdiction, as determined under §357.11(b). Under §357.11(d), if the jurisdiction specified in §357.11(b) has not adopted Revised Article 8, jurisdiction would be deemed to have adopted Revised Article 8.[8]

For purposes of applying the state law chosen under the rules of §357.10(b), Federal Reserve Banks are treated as clearing corporations. As a result, a security interest in a Securities Entitlement of a Participant in favor of a Federal Reserve Bank under §357.12(c)(2) has the same priority as security interests granted to other clearing corporations under state law. This is consistent with the treatment accorded to Federal Reserve Banks generally under Revised Article 8.

Section 357.11 Law governing other interests.

(a) *Law governing the rights and obligation of Participants and third parties.* Section 357.11 is a choice of law rule. The substantive matters subject to this choice of law rule are set forth in §357.11(a). The matters set forth in §357.11(a) are meant to be coextensive with those matters covered by Revised Article 8 with respect to a person's interest in a Treasury book-entry security (other than those related to a person's relationship to Treasury or a Federal Reserve Bank which are governed solely by federal law). For purposes of these choice of law rules Participants are Securities Intermediaries.

Section 357.11(b) adopts Revised Article 8's general choice of law rule. Section 357.11(c) sets forth a special choice of law rule with respect to security interests perfected automatically or by filing, which also is included in Revised Article 8. Generally, the law applicable to the Securities Intermediary will govern matters involving an interest in a book-entry security held through that intermediary. This approach is not followed with respect to perfection of security interests automatically or by filing. In those cases, the law of the jurisdiction in which the debtor is located is the governing law. Since filing systems are based on the location of the debtor, this approach should reduce uncertainty and preserve the normal practice of

[8] An interest in book-entry securities of a non-Participant that is not marked on the books of the Federal Reserve Bank, while uncommon, could arise where the Federal Reserve Bank lends to a non-Participant depository institution and enters into a triparty agreement with the depository institution and its Securities Intermediary rather than requiring the deposit of the book-entry securities in a pledge account on the books of the Federal Reserve Bank through an instruction given by the non-Participant depository institution to its Securities Intermediary.

searching records based on the debtor's location.[9] The language ''person creating a security interest'' is used in lieu of the term ''debtor'' in this provision to avoid any confusion. The word ''debtor'' has two meanings in the Uniform Commercial Code and the expression ''person creating a security interest'' provides clarity with respect to who is covered by this section. The term does not refer to a creditor. The language ''is located'' is intended to conform to its meaning under applicable law, as it may be amended from time to time. See, e.g., U.C.C. section 9–103(3)(d). Section 357.11(d) provides for the application of Revised Article 8 if the choice of law analysis required by §357.11(b) results in the choice of the law of a State that has not yet adopted Revised Article 8. As noted elsewhere, in such a situation, the State's law is viewed as if it had adopted Revised Article 8. This section also provides that, for purposes of applying state law, the Federal Reserve Banks are clearing corporations and Participants' interests in book-entry securities are Security Entitlements.

(b) *Limited scope of Federal preemption*. In an earlier TRADES proposal Treasury contemplated adopting a comprehensive regulation governing the rights of all persons in Treasury book-entry securities held in TRADES. Such an approach was proposed because Treasury believed that a uniform rule was necessary to preserve the efficiency and liquidity of the market for Treasury securities—the most liquid and efficient market in the world. Treasury believed then, and believes now, that the material rights of a holder in the United States of an interest in a Treasury security should not vary solely by virtue of such holder's geographic location or the location of the financial institution through which it holds its interest in Treasury securities. In light of Revised Article 8, Treasury has determined that it is possible to achieve this uniformity without developing an independent system of Federal commercial law.[10] The questions inherent in a tiered system of ownership have been analyzed, and, in Treasury's view, satisfactorily addressed by Revised Article 8.

As of August 1, 1996, 28 states have adopted Revised Article 8 and Treasury understands that it will soon be adopted in additional states. As with all uniform laws, the adoption process takes several years. In order to assure uniformity, in light of the unavoidable delays in the state-by-state adoption process of Revised Article 8, Treasury is promulgating regulations with a limited form of preemption. As provided in both §§357.10(c) and 357.11(d), if the choice of law rules set forth in TRADES would lead to the application of the law of a State that has not yet adopted Revised Article 8, TRADES will apply Revised Article 8 (with conforming and miscellaneous amendments to other Articles) in the form approved by the ALI and NCCUSL. Treasury expects that these provisions will be operative only during the state-by-state adoption process and would plan to amend TRADES to delete reference to these provisions once the adoption process has been completed.

While Revised Article 8 is defined to mean the official text of Article 8 as approved by the ALI and NCCUSL, Treasury recognizes that states may make minor changes in that text when adopting Article 8. Treasury has concluded that minor changes should not prevent Revised Article 8, as adopted by a state, from being the appropriate law. In other words, if a state passes a version of Article 8 that is substantially identical to Revised Article 8, reference to Revised Article 8 (as defined) would no longer be required. Treasury has determined that the versions of Article 8 passed by 30[11] states that have enacted Article 8 meet this standard. Accordingly, §§357.10(c) and 357.11(d) would not be applicable if the choice of law provisions of TRADES directed a person to one of those states. As additional states adopt Revised Article 8, Treasury will provide notice in the FEDERAL REGISTER as to whether the enactments are ''substantially identical'' to the uniform version for purposes of these regulations and on an annual basis, the Commentary will be amended to reflect subsequent enactments. This approach represents a significantly reduced form of preemption of state law from former versions of TRADES and preserves Treasury's preeminent interest in a uniform system of rules applicable to all holders of interests in Treasury book-entry securities.

[9] The substantive effect of filing is limited and applies only in states which have adopted Revised Article 8. Since the effect of filing is a unique state law matter, in this one area, Treasury has determined that possible lack of uniformity does not justify altering state law.

[10] As noted previously, the substantive scope of this regulation is limited.

[11] Alabama, Alaska, Arizona, Arkansas, California, Colorado, District of Columbia, Idaho, Illinois, Iowa, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Nebraska, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wyoming.

Section 357.12 Obtaining an interest in a book-entry security.

(a) *Creation of a Participant's Security Entitlement. A Participant's interest in a Treasury book-entry security is a Securities Entitlement. Section 357.12(a) provides that a Participant's Securities Entitlement is created when a Federal Reserve Bank indicates by book entry that a Book-entry Security has been credited to a Participant's Securities Account. Instead of the concept of initial credit and transfer of a Treasury book-entry security, as set forth in the existing regulations, this proposal focuses on the creation of a Participant's Securities Entitlement and, in this way, is similar to Section 8–501 of Revised Article 8.*

The regulation focuses on the creation of a Participant's Security Entitlement because Security Entitlement is the term used to describe the Participant's interest in a Treasury book-entry security. Once a Participant obtains that interest, the regulation sets forth what that interest is. Thus, as provided in §357.10, federal law describes a Participant's rights against the United States and the Federal Reserve Bank where it maintains its Securities Account. To the extent not inconsistent with §357.10, §357.11 describes the applicable law to determine Participants' rights and obligations with respect to all other persons. Under these regulations, Participants can still transfer their interests in a Treasury book-entry security as they did before—by issuing a Transfer Message to the Federal Reserve Bank where they hold such interest. Transfer of interests between Participants can occur by a Participant holding such interest issuing a Transfer Message. As a result of such message, the Federal Reserve Bank will make a book entry in favor of the receiving Participant (thereby creating a Security Entitlement in favor of such Participant) and also will make a book entry deleting the initiator Participant's interest in such Treasury book-entry security (thereby eliminating that Participant's Security Entitlement). In addition, if authorized under applicable state law, Participants may enter into agreements with other Participants that, as to the Participants, constitute a transfer. Such action is without effect to either the United States or a Federal Reserve Bank.

(b) *Creation and priority of a Security Interest.* (i) *Security Interests of the United States.* Section 357.12(b) provides that a security interest in favor of the United States has priority over the interests of any other person in a Treasury book-entry security. The United States obtains security interests in Treasury securities as collateral to secure funds in a variety of situations such as Treasury Tax and Loan accounts; government agency funds or funds under the control of the Federal Courts held at financial institutions; and securities pledged in lieu of surety by contractors and others. The priority provided the United States in these situations is consistent with existing law.

In addition, Federal Reserve Banks do recognize on their books and records security interests in favor of the United States. In that situation, the Federal Reserve Bank will not transfer the security without the permission of the United States. This section provides that a Federal Reserve Bank may rely exclusively on the directions of an authorized representative of the United States to transfer a security and is protected in so relying. Ordinarily, an authorized representative of the United States would take such action under circumstances such as the default or insolvency of the pledgor.

(ii) *Security Interests on the books of a Reserve Bank.* Where required by Federal law or regulation or pursuant to a specific agreement with a Federal Reserve Bank, a security interest in favor of a Federal Reserve Bank or other person may be created or perfected by a Federal Reserve Bank marking its books to record the security interest under §357.12(c)(1). An example of a security interest that is marked on the books of a Federal Reserve Bank would be the pledge in favor of a Federal Reserve Bank of a Participant's book-entry securities as collateral for a discount window loan.[12] For limited categories of pledges, Federal Reserve Banks may agree to record a security interest in favor of a third party on their books. For example, in some circumstances a Federal Reserve Bank may permit the establishment of

[12] Book-entry securities pledged by a non-Participant to a Federal Reserve Bank generally would be deposited by the non-Participant's Securities Intermediary to a pledge account at the Federal Reserve Bank, and therefore also would be marked on the books of the Federal Reserve Bank. See the discussion under D. (§357.10).

a pledge account to hold book-entry securities pledged to governmental entities other than the United States government. It is important to note that there is no obligation for either Treasury or a Federal Reserve Bank to agree to record a security interest on the books of a Federal Reserve Bank, except as required by Federal law or regulation. If they do so, the security interest is perfected when the Federal Reserve Bank records a security interest on its books. In addition, the security interest has priority over all other interests in the Treasury book-entry security except an interest of the United States.

(iii) *Other Security Interests.* As provided in §357.12(c)(2), a security interest in a book-entry security may be perfected by any method available under applicable state law, as determined under §357.10(b) or §357.11.[13] The perfection and priority of such interests shall be governed by applicable law. Security interests under this section may include security interests in favor of a Federal Reserve Bank, such as a clearing lien or pledge by a non-participant of book-entry securities held through a Securities Intermediary where the securities have not been deposited to a Federal Reserve Bank pledge account. Consistent with Revised Article 8, a Federal Reserve Bank would be treated as a clearing corporation under the applicable state law.

If a Person perfects a security interest pursuant to §357.12(c)(2), obligations of the Treasury and the Federal Reserve Banks with respect to that security interest are limited. Specifically, unless special arrangements are agreed to by the United States or a Federal Reserve Bank pursuant to §357.12(c)(1), neither the Federal Reserve Bank nor the United States will recognize the interests of any person other than the person in whose securities account the interest in a Treasury book-entry security is maintained. This does not mean that such a security interest is invalid. Rather, it means that the creditor's recourse will be solely against the debtor Participant or other third party.

Section 357.13 Rights and obligations of Treasury and the Reserve Banks.

(a) *Adverse claims.* Section 357.13(a) sets forth the general rule that, with limited exceptions, Treasury and the Federal Reserve Banks will recognize only the interest of a Participant in a Treasury book-entry security in whose Securities Account such interest is maintained.

As noted previously, Treasury book-entry securities maintained in TRADES are held in a tiered system of ownership. The records of a Federal Reserve Bank reflect only the ownership at the top tier. Institutions maintaining a Securities Account with a Federal Reserve Bank frequently will hold interests in Treasury book-entry securities for their customers (which can include broker-dealers and other Securities Intermediaries) and in certain cases those customers will hold interests in securities for their customers. Accordingly, neither Treasury nor a Federal Reserve Bank will know the identity or recognize a claim of a Participant's customer if that customer were to present it to Treasury or a Federal Reserve Bank.

In addition, except in the limited case where a security interest is marked on the books of a Federal Reserve Bank pursuant to §357.12(c)(1), neither the Treasury nor a Federal Reserve Bank will recognize the claims of any other person asserting a claim in a Treasury book-entry security. Persons at levels below the Participant level must present their claims to their Securities Intermediary.

(b) *Payment obligations.* Section 357.13(b) contains a corollary to the rule set forth in §357.13(a). This section provides that Treasury discharges its payment responsibility with respect to a security that it has issued when a Federal Reserve Bank credits the funds account of a Participant with amounts due on that security or makes payment in some other manner specified by the Participant. This is consistent with existing law and the first TRADES proposal.[14]≤ In Revised Article 8, the issuer discharges its obligations when it makes payment to an owner registered on its books. Under common commercial practice, the registered owner in the indirect system may be a clearing corporation or the clearing corporation's nominee. Although the Federal Reserve Banks are treated as clearing corporations under both Revised Article 8 and TRADES, Treasury remains liable until payment is made to, or in accordance with the instructions of, a Participant. Section 357.13(b)(2) establishes the mechanism of how Treasury book-entry securities are paid at maturity. It is intended to cover a variety of procedures, including where the proceeds of pledged securities are credited to a suspense account pending substitution or release. This paragraph makes clear that the payment takes place automatically and that, unlike with physical certificates, there is no act of presentment required by the Participant.

Section 357.14 Authority of Reserve Banks.

Section 357.14 provides that Federal Reserve Banks are authorized, as fiscal agents of Treasury, to operate the commercial book-entry system for Treasury.

[13] Under both of these sections, if the state has not yet adopted Revised Article 8, the applicable law would be that state's law as it would be amended by Revised Article 8.

[14] 51 FR 8846, 8848 (March 14, 1986).

Section 357.44 Notices.

Section 357.44 contains a revised version of a provision that appeared in earlier TRADES proposals. Similar to the rule in Revised Article 8 (see section 8–112), it provides where certain legal process should be directed. While providing instructions on where notice should be directed, it makes clear that the regulations do not establish whether a Federal Reserve Bank is required to honor any such order or notice.

J. *Hypotheticals*

HYPOTHETICAL 1

TREASURY

FEDERAL RESERVE BANK
|
PARTICIPANT
|
DEALER
|
INVESTOR

The first hypothetical is designed to show what law applies at different levels of the tiered book-entry system. TRADES provides that federal law, and only federal law (defined in §357.10(a)), governs the rights and obligations of the United States and the Federal Reserve Banks (except for those matters involving Federal Reserve Banks set forth in §357.10(b)). Thus, for example, Treasury discharges its payment obligations with respect to a security it has issued in the manner described in §357.13(b). Federal law both defines the payment obligation and describes how Treasury fulfills that obligation. Those portions of Revised Article 8 dealing with issuer obligations are not applicable to Treasury or the Federal Reserve Banks.[15] Similarly, with certain limited exceptions as set forth in §357.12(c)(1), Treasury and the Federal Reserve Banks will recognize only the interest of a Participant in a Treasury book-entry security in whose Security Account the interest is maintained. Accordingly, as a matter of federal law, neither Treasury nor a Federal Reserve Bank will recognize any claim by Dealer or Investor.[16]

In the hypothetical above, as between Participant and Dealer, Participant is the Securities Intermediary. With respect to the matters set forth in §357.11(a), the law of the Securities Intermediary's jurisdiction governs. Thus, with respect to the matters in §357.11(a), the law of Participant's jurisdiction applies as between Participant and Dealer.[17] If Participant's jurisdiction, as determined under §357.11(b), has not adopted Revised Article 8, the law of Participant's jurisdiction, as it would be amended by Revised Article 8, applies. Similarly, as between Dealer and Investor, Dealer is a Securities Intermediary, with respect to the matters in §357.11(a), the law of Dealer's jurisdiction applies as between Dealer and Investor. If Dealer's jurisdiction has not adopted Revised Article 8, the law of Dealer's jurisdiction, as it would be amended by Article 8, applies.

HYPOTHETICAL 2

Assume that Dealer A sells its interest in a Treasury book-entry security to Dealer B. The transaction likely would take the following form. Dealer A will instruct Participant A to transfer its interest in a Treasury security to Participant B against cash payment. Dealer B will instruct Participant B to transfer cash to Participant A against delivery of an interest in the specified securities. Participant A will instruct the Federal Reserve Bank to transfer its interest in the Treasury security to Participant B against simultaneous credit of cash. The Federal Reserve Bank will debit Participant A's security account and credit Participant B's security account and simultaneously credit Participant A's cash account and debit Participant B's cash account. Participant A will mark its books to show that it has debited Dealer A's securities account and credited Dealer A's cash account. Participant B will mark its books to show the Security Entitlement in the Treasury security in favor of Dealer B and a debit against Dealer B's cash account. Federal law, set forth in §357.12(a) provides that Participant B acquires its interest in the Treasury book-entry security when the Federal Reserve Bank indicates by book-entry that the interest in the security has been credited to Participant B's Securities Account. Pursuant to §357.11(a), but subject to §357.11(d), Participant B's jurisdiction governs Dealer B's acquisition of a Securities Entitlement from Participant B.

HYPOTHETICAL 3

[15] As provided in §357.14, Federal Reserve Banks, among other things, effect transfers of book-entry securities between Participants' Security Accounts.

[16] One comment questioned whether similar language in the March 4, 1996 release implied that, under Revised Article 8, in the above example Investor could have a claim against Participant. No such implication was intended. The only point of the language is to make it clear that Federal, not state, law governs the rights and obligations of Treasury and the Federal Reserve Banks.

[17] As described in the March 4 Release, the scope of TRADES is limited. As a general rule, if a matter is not covered in §357.11(a), TRADES is not applicable. One comment questioned whether TRADES covered the creation and attachment of a security interest. The omission of creation and attachment in §357.11(a) is intentional.

TREASURY

FEDERAL RESERVE BANK
|
PARTICIPANT

Assume Participant wishes to obtain a loan from Federal Reserve Bank and, as part of the transaction, will grant Federal Reserve Bank a security interest in its Securities Entitlement with respect to Treasury book-entry securities. The transaction can be accomplished in one of two ways. Pursuant to §357.12(c)(1), the Federal Reserve Bank can mark its books to reflect the security interest. As a matter of federal law, that action creates and perfects the Federal Reserve Bank's security interest and grants the Federal Reserve Bank priority over all other claimants (other than the United States pursuant to §357.12(b)).[18] A second method for completing the transaction, as set forth in §357.12(c)(2), would be to take whatever actions are authorized by applicable law. In that case, applicable law is the law of the jurisdiction of the head office of the Federal Reserve Bank. If that jurisdiction had adopted Revised Article 8, it would be the law of that jurisdiction. If that jurisdiction had not adopted Revised Article 8, it would be the law of that jurisdiction as if the jurisdiction had adopted Revised Article 8. Under Revised Article 8, the Federal Reserve Bank's interest would be that of a clearing corporation.

HYPOTHETICAL 4

TREASURY

FEDERAL RESERVE BANK
| |
PARTICIPANT A PARTICIPANT B

Assume that Participant A wishes to borrow from Participant B and grant Participant B a security interest in its Security Entitlement in Treasury book-entry securities. As provided in §357.12(c)(2), the transaction would be completed pursuant to applicable law determined in accordance with 357.11. Although such an interest could be recorded on the books of a Federal Reserve Bank under §357.12(c)(1), Federal Reserve Banks generally do not mark their books to record this type of security interest for Participants.

HYPOTHETICAL 5

TREASURY

FEDERAL RESERVE BANK
|
PARTICIPANT A
|
DEALER A
|
BANK A

Assume that Bank A wishes to borrow from the Federal Reserve Bank and will pledge its interest in Treasury book-entry securities held at Dealer A to collateralize that loan. The transaction could be accomplished in two ways. Pursuant to §357.12(c)(1), the interest could be created and perfected on the books of a Federal Reserve Bank. Such a transaction would take place in the following fashion. Bank A could have Dealer A instruct Participant A to deposit securities to a pledge account specified by the Federal Reserve Bank. The Federal Reserve Bank likely would create an account on its books and specify that account to Bank A as the account to receive Bank A's interest in Treasury book-entry securities. Participant A, upon receiving Dealer A's instructions, would then instruct the Federal Reserve Bank to debit its account at the Federal Reserve Bank and credit the account created by the Federal Reserve Bank. The second way the transaction could take place is by any method permitted by the law of Dealer A's (Bank A's Securities Intermediary) jurisdiction. This could involve a tri-party agreement among the Federal Reserve Bank, Dealer A, and Bank A. As set forth in §357.11(b)(1), that agreement likely would specify which jurisdiction's law is to govern the transaction and could specify that such choice of law supersedes any other choice of law agreement previously entered into by Dealer A and Bank A. If Dealer A's jurisdiction has not adopted Revised Article 8, the applicable law would be the law of Dealer A's jurisdiction as it would be amended by Revised Article 8.

[61 FR 43631, Aug. 23, 1996, as amended at 62 FR 43284, Aug. 13, 1997]

[18] In certain limited circumstances, a Federal Reserve Bank may enter into an agreement under which it agrees to record on its books an interest in Participant's book-entry securities in favor of a non-Participant, such as a governmental entity. Under these circumstances, the non-Participant would have a perfected security interest with priority over other claimants (other than the United States under §357.12(b)). It should be noted that, as set forth in §357.12(c)(1), there is no requirement that either the United States or a Federal Reserve Bank agree to creation and perfection of a security interest in this way, except as provided in §357.12(c)(1).

PART 358—REGULATIONS GOVERNING BOOK-ENTRY CONVERSION OF DETACHED BEARER COUPONS AND BEARER CORPORA

Sec.
358.0 Applicability.
358.1 Definitions.
358.2 Governing regulations.
358.3 Securities not eligible for conversion.
358.4 Transferability.
358.5 Submissions of detached bearer coupons and bearer corpora.
358.6 Delivery of detached bearer coupons and bearer corpora.
358.7 Fees for conversion transactions.
358.8 Crediting of amounts less than one dollar.
358.9 Authority of depository institution.
358.10 Adjustments to or rejection of securities.
358.11 Audit and verification of securities.
358.12 Separate maintenance of accounts.
358.13 Processing against master accounts.
358.14 Program prohibitions.
358.15 Authority of Federal Reserve Banks.
358.16 Limitation of liability.
358.17 Indemnification.
358.18 Waiver of regulations.
358.19 Supplements, amendments or revisions.

AUTHORITY: 12 U.S.C. 391; 31 U.S.C. Ch. 31.

SOURCE: 63 FR 11355, Mar. 6, 1998, unless otherwise noted.

§ 358.0 Applicability.

(a) These regulations apply to the conversion of United States Treasury detached bearer coupons and bearer corpora to book-entry form. These instruments are accepted from depository institutions for conversion under the Coupons Under Book Entry Safekeeping program (CUBES) and Bearer Corpora Conversion System (BECCS) program during specified time periods. The Department of the Treasury (Department or Treasury) will determine the time periods during which detached bearer coupons and bearer corpora will be accepted for conversion into book-entry form, and the fees applicable to conversion. The time periods and fees will be announced in the FEDERAL REGISTER no less than 30 calendar days prior to the date such instruments may be presented. Presentment shall be to the Federal Reserve Bank of New York in accordance with a schedule provided by the Federal Reserve Bank of New York.

(b) For coupons converted after the effective date of this rule, these regulations supersede the terms and conditions governing CUBES set forth in the written ''Agreements to the Terms and Conditions Governing CUBES'' signed by those depository institutions that previously participated in the CUBES program.

(c) Depository institutions that submit detached bearer coupons and bearer corpora are deemed to agree to the terms and conditions set forth in this part and any other requirements that may be prescribed by the Department or the Federal Reserve Bank of New York.

§ 358.1 Definitions.

In this part, unless the context indicates otherwise:

BECCS refers to the Treasury's Bearer Corpora Conversion System. A BECCS security refers to a United States Treasury definitive bearer bond held in BECCS.

Callable refers to a United States Treasury bond subject to call, at the option of the Secretary, before maturity in accordance with the terms and conditions of its offering. Coupons associated with a callable bond that are due after the date upon which the bond is subject to call are callable coupons.

Corpus (plural corpora) refers to the principal portion of a United States Treasury definitive bearer bond.

Coupon refers to a definitive bearer interest instrument associated with a United States Treasury definitive bearer bond.

CUBES refers to the Treasury's Coupons Under Book-Entry Safekeeping program. A CUBES security is a definitive coupon detached from a United States Treasury bond and held in CUBES.

Depository institution means an entity described in section 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)).

Federal Reserve Bank or Reserve Bank means a Federal Reserve Bank or Branch.

Non-callable refers to a United States Treasury bond not subject to call before maturity. Non-callable coupons

are coupons associated with a non-callable bond, and coupons associated with a callable bond that are due on or before the date upon which the callable bond is subject to call.

Non-transferable means that the ownership of a security held in BECCS or CUBES may not be transferred, pursuant to the provisions of section 358.4 of this part.

Transferable means that the ownership of a security held in BECCS or CUBES may be transferred, pursuant to the provisions of § 358.4 of this part.

§ 358.2 Governing regulations.

CUBES and BECCS securities are deemed to be securities for purposes of, and upon their conversion to book-entry are governed by, subparts A, B, and D of part 357 of this chapter. Notwithstanding the provisions of part 357 of this chapter, certain CUBES and BECCS securities are non-transferable, pursuant to § 358.4 of this part.

§ 358.3 Securities not eligible for conversion.

(a) Detached bearer coupons and bearer corpora that are submitted within 30 days of their maturity date or, if the call provision has been invoked, within 30 days of their call date, will not be accepted for conversion.

(b) Bearer corpora with a maturity date on or before November 15, 1998, will not be accepted for conversion.

§ 358.4 Transferability.

In order for a callable corpus to be eligible for conversion to a transferable BECCS security all associated callable coupons must be submitted with the corpus. These callable coupons will be linked with the corpus within BECCS when converted. Once the coupons are linked to the corpus, they may not be separately transferred. If all of the callable coupons associated with the corpus are not submitted with the corpus, the corpus will be converted to a non-transferable BECCS security, and the remaining callable coupons submitted with the corpus will be converted to individual non-transferable CUBES securities. A corpus that is not subject to call will be converted to a transferable BECCS security. Non-callable coupons will be converted to transferable CUBES securities.

§ 358.5 Submissions of detached bearer coupons and bearer corpora.

(a) Detached bearer coupons and bearer corpora must be submitted to the Federal Reserve Bank of New York in accordance with Federal Reserve Bank of New York procedures and must be accompanied by an approved form, executed by an authorized officer of the submitting depository institution.

(b) Until verified by the Department, submitted detached bearer coupons and bearer corpora will be subject to rejection or adjustment.

§ 358.6 Delivery of detached bearer coupons and bearer corpora.

The depository institution shall bear the expense and assume the risk of loss associated with the delivery of the detached bearer coupons and bearer corpora to the Federal Reserve Bank of New York. The United States shall bear the expense and assume the risk of loss associated with the delivery of the submitted detached bearer coupons and bearer corpora between the Federal Reserve Bank of New York and the Department. The depository institution shall bear the expense and assume the risk of loss associated with the delivery of any detached bearer coupons and bearer corpora that are returned to the depository institution.

§ 358.7 Fees for conversion transactions.

The depository institution will pay a fee for each CUBES and BECCS conversion transaction processed. The fees for conversion transactions will be published in the FEDERAL REGISTER prior to the start of the initial conversion period. A corpus subject to call that is submitted with all of its associated callable coupons will be considered a single conversion transaction and will be charged a single fee. If one or more of the associated callable coupons are not submitted with the corpus, the conversion of each callable coupon submitted and the corpus will be considered a separate conversion transaction and will be charged a separate fee. Each non-callable coupon submitted

will be considered a separate conversion transaction and will be charged a separate fee. The fee for any conversion transaction that is rejected by the Department for any reason is non-refundable.

§ 358.8 Crediting of amounts less than one dollar.

Upon the conversion of coupons to CUBES, amounts of less than one dollar in the aggregate per CUBES CUSIP will not be credited to the account of the depository institution.

§ 358.9 Authority of depository institution.

(a) Submission of detached bearer coupons and bearer corpora to the Federal Reserve Bank of New York for conversion to book-entry accounts under the CUBES and BECCS programs constitutes a representation by the depository institution that it has authority to convert the coupons and corpora to book-entry form.

(b) Neither the Department nor the Federal Reserve Bank of New York shall be liable if the depository institution has no authority to convert the detached bearer coupons and bearer corpora to book-entry form or to take other actions in respect to book-entry accounts in CUBES and BECCS.

(c) Neither the Department nor the Federal Reserve Bank of New York shall be liable for any loss incurred by the depository institution which may result from the failure of the depository institution to properly follow the procedures provided by the Federal Reserve Bank of New York.

§ 358.10 Adjustments to or rejection of securities.

In the event that the Department makes an adjustment to or rejects all or part of the submitted securities, the Federal Reserve Bank of New York will instruct the depository institution to transfer CUBES or BECCS securities of the same payment date and face value from the depository institution's account to the Federal Reserve Bank of New York. If no such CUBES or BECCS securities exist in the depository institution's account, the Federal Reserve Bank of New York will instruct the depository institution as to how an adjustment will be made. In the event that the depository institution fails to comply with the instructions of the Federal Reserve Bank of New York within five (5) business days of receipt of the instructions, the Federal Reserve Bank of New York reserves the right to debit the master account of the depository institution for the face value of the rejected detached bearer coupons and bearer corpora. By the submission of the detached bearer coupons and bearer corpora, the depository institution is deemed to agree to this debit.

§ 358.11 Audit and verification of securities.

After processing and initial verification, the Federal Reserve Bank of New York will credit the securities accepted to the depository institution's book-entry account, establishing a securities entitlement in TRADES pursuant to 31 CFR part 357 subpart B. Final verification by the Department will be accomplished within ten (10) business days of receipt of the detached bearer coupons and bearer corpora at the Department. The depository institution shall not trade in the securities prior to final verification. If at any time after this ten (10) day period the Department determines that the security was improperly credited to the CUBES or BECCS account of the depository institution, such as in the case of a previously undetected counterfeit security, the Department reserves the right to adjust the CUBES or BECCS account.

§ 358.12 Separate maintenance of accounts.

CUBES and BECCS accounts will be maintained separately from accounts maintained in Treasury's STRIPS (Separate Trading of Registered Interest and Principal of Securities) program.

§ 358.13 Processing against master accounts.

The depository institution agrees that all charges associated with its CUBES and BECCS accounts, including the conversion fee, will be processed against its master account on the books of a Federal Reserve Bank.

§ 358.14 Program prohibitions.

Once detached bearer coupons and bearer corpora have been converted to book-entry form, reconversion to physical form is prohibited. The reconstitution of a BECCS security with CUBES securities or any combination of Treasury obligations is prohibited.

§ 358.15 Authority of Federal Reserve Banks.

The Federal Reserve Bank of New York is hereby authorized as fiscal agent of the United States to perform functions with respect to this part.

§ 358.16 Limitation of liability.

Except as otherwise provided by regulation, circular, or written agreement, the Federal Reserve Bank of New York shall be liable in connection with any action taken or omission by it only for its failure to exercise ordinary care. In no event shall the Federal Reserve Bank of New York or the Department have or assume any responsibility to any party except the sending and receiving depository institutions involved in a CUBES or BECCS transaction. In no event shall the Federal Reserve Bank of New York or the Department assume any responsibility, in connection with a CUBES or BECCS transaction, for the insolvency, neglect, misconduct, mistake or default of another bank or person, including the immediate participants.

§ 358.17 Indemnification.

The submitting depository institution shall indemnify the United States against any loss which may occur as a result of the conversion of a bearer corpus missing one or more associated callable coupons.

§ 358.18 Waiver of regulations.

The Secretary of the Treasury reserves the right, in the Secretary's discretion, to waive or modify any provision(s) of these regulations in any particular case or class of cases for the convenience of the United States or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not impair any existing rights, and the Secretary is satisfied that such action will not subject the United States to any substantial expense or liability.

§ 358.19 Supplements, amendments or revisions.

The Secretary may, at any time, prescribe additional supplemental, amendatory or revised regulations with respect to CUBES and BECCS.

PART 361—CLAIMS PURSUANT TO THE GOVERNMENT LOSSES IN SHIPMENT ACT

Sec.

361.1 Scope of regulations.
361.2 Definitions.
361.3 Shipping procedure.
361.4 Preparation of shipment.
361.5 Record of shipment.
361.6 Advice of shipment.
361.7 Report of loss, destruction or damage.
361.8 Claim for replacement.
361.9 Proof of claim.
361.10 Recoveries.

AUTHORITY: Sec. 6, 50 Stat. 480; 40 U.S.C. 728.

SOURCE: 41 FR 19302, May 12, 1976, unless otherwise noted. Redesignated at 49 FR 47002, Nov. 30, 1984. Further redesignated at 50 FR 51394, Dec. 17, 1985.

§ 361.1 Scope of regulations.

This part governs the reporting of loss or destruction of, or damage to, valuables shipped pursuant to section 1 of the Government Losses in Shipment Act (hereafter the *Act*) (40 U.S.C. 721) and proof of claim for replacement under section 3 of the Act (40 U.S.C. 723) by executive departments, independent establishments, agencies, wholly owned corporations, officers and employees of the United States, and Federal Reserve banks when acting on behalf of the United States or agencies thereof (hereafter *consignors*). Failure by any consignor or agent or employee thereof to comply with these regulations may delay recoveries, preclude reimbursement from the fund for the payment of Government losses in shipment (hereafter the *Fund*) or other relief under the Act, and render the consignor responsible for any loss occurring through such failure.

§ 361.2 Definitions.

(a) The term *valuables* means any articles or things or representatives of

value in which the United States has any interest, or in connection with which it has any obligation or responsibility, direct or indirect, and which have been declared to be valuables by the Secretary of the Treasury (hereafter *Secretary*) pursuant to the Act, as listed in § 362.1 of this title.

(b) The term *shipment* means the transportation, or the effecting of transportation, of valuables, without limitation as to the means or facilities used or by which the transportation is effected or the person to whom it is made, and includes, but is not limited to, shipments made to any executive department, independent establishment, agency, wholly or partly owned corporation, officer, or employee of the United States, or any person acting on his or its behalf or at his or its direction.

(c) The term *replacement* means payment, reimbursement, replacement, or duplication or the expenses incident thereto.

(d) The term *carrier* means any person, corporation, or other entity which effectuates the shipment for consignors of valuables.

§ 361.3 Shipping procedure.

Shipments of valuables shall be made so as to provide the greatest possible protection against risk of loss and destruction of, and damage to, valuables, in accordance with requirements prescribed by the consignors after notice to the Secretary.

§ 361.4 Preparation of shipment.

Each shipment shall be inspected and verified by two responsible employees of a consignor before final preparation (*i.e.*, before sealing, locking, etc.) for delivery to the carrier. The shipment shall be finally prepared for delivery in the presence of the two employees and before leaving their immediate control. If strict compliance herewith is impossible or impracticable, administrative officers of the consignor shall make adequate provision, through the establishment of accounting controls or otherwise, for the maintenance of basic records which will enable them to prove, to the satisfaction of the Secretary, the extent of loss, destruction, or damage in connection with a claim against the Fund. The requirements of this section shall apply irrespective of the carrier or method of transportation employed in making shipments.

§ 361.5 Record of shipment.

(a) A record of each shipment shall be maintained by the consignor. The record shall include:

(1) The name and address of the consignee designated to receive the shipment;

(2) A complete description of the contents of the shipment (if the shipment is made up of securities, the record shall be maintained by issue, series, denomination and serial number, and a description of any coupons attached to such securities at the time of shipment);

(3) The face or par value of the shipment in the case of securities, currency, etc., or the replacement value in the case of other valuables;

(4) The registry number or the lock and rotary numbers, if any, under which shipped;

(5) The number of the registry receipt, or other receipt of the carrier;

(6) The date and hour of delivery to the carrier;

(7) A record of the signatures of the consignor's employees who verified the contents of the package and witnessed its sealing;

(8) A record of the signature(s) of the consignor's employee(s) who thereafter had custody of the package until it was delivered at the post office for registration or deposited with the post office or other carrier for shipment; and

(9) The name of the carrier.

(b) The consignor shall also preserve, until assured that shipment has been completed and no claims action will be initiated, all registry receipts or other carriers' receipts, and other documents incidental to the shipments.

§ 361.6 Advice of shipment.

(a) If the value of any one shipment to one consignee at one time by one consignor, except in the case of any intracity shipment or the shipment of registered securities by certified mail, or by another means providing the same protection as certified mail, equals or exceeds $10,000, immediate notice thereof shall be forwarded by

the consignor to the consignee by separate mail. Such notice shall include:

(1) A complete record of the contents of the shipment;

(2) The method of transportation employed and the name of the carrier; and

(3) The date of delivery to such carrier.

(b) The consignee shall arrange that:

(1) Shipment when received, be opened and inspected by one or more responsible employees;

(2) Immediate advice of any difference between the amounts or quantity indicated in the notice by the consignor to the consignee and in the shipment when opened be forwarded to the consignor;

(3) The consignor and the post office, or office of other carrier through which delivery would be made, be notified immediately in the event of the failure of the shipment to arrive in due course;

(4) The consignor be advised immediately concerning any damage to the shipment; and

(5) All findings of the consignee in such cases be made a matter of record subject to the inspection of the Secretary or other Government officer, in connection with any necessary investigation.

[41 FR 19302, May 12, 1976. Redesignated at 49 FR 47002, Nov. 30, 1984. Further redesignated at 50 FR 51394, Dec. 17, 1985, as amended at 51 FR 19751, June 2, 1986]

§361.7 Report of loss, destruction or damage.

(a) If a consignor receives notice that loss or destruction of, or damage to, valuables shipped in accordance with the Act has occurred, an immediate written report shall be forwarded by the consignor to the Secretary, to the attention of the Bureau of the Public Debt, Division of Financial Management, Room 201, P. O. Box 1328, Parkersburg, WV 26106-1328. If the loss, destruction or damage represents a value equal to, or in excess of, $10,000 or if delay in reporting is likely to delay the Government in recovering such valuables, the report shall be transmitted by wire and promptly confirmed in writing.

(b) The report shall state:

(1) The date of shipment;

(2) The amount and character of the valuables lost, destroyed, or damaged;

(3) The name and address of the consignee;

(4) The method of transportation, the name of the carrier, and the location of the office of the carrier from which shipment was made;

(5) The registry or other receipt number; and

(6) The cause of the loss, destruction or damage, if known.

(c) The consignor shall immediately report the loss, destruction or damage to the agent in charge of the nearest United States Secret Service office, and to the local post office or local office of other carrier. The consignor shall also place a tracer on the shipment and take such other action as may be necessary to facilitate recovery.

[41 FR 19302, May 12, 1976. Redesignated and amended at 49 FR 47002, Nov. 30, 1984. Further redesignated and amended at 50 FR 51394, Dec. 17, 1985; 61 FR 20437, May 7, 1996]

§361.8 Claim for replacement.

Claim for replacement shall be made in writing to the Secretary, to the attention of the Bureau of the Public Debt, Division of Financial Management, Room 201, P. O. Box 1328, Parkersburg, WV 26106-1328. The claim, accompanied by a recommendation regarding the manner of replacement, shall be submitted through the head of the consignor concerned, or his designee. The manner of replacement shall be determined by the Secretary in accordance with section 3 of the Act, *i.e.*, by replacement out of the Fund or by a credit in the accounts of the claimant.

[41 FR 19302, May 12, 1976. Redesignated and amended at 49 FR 47002, Nov. 30, 1984. Further redesignated and amended at 50 FR 51394, Dec. 17, 1985; 61 FR 20437, May 7, 1996]

§361.9 Proof of claim.

The Secretary will require proof of claim in such form, and in such manner, as he deems necessary. Proof of claim will include satisfactory proof of shipment and satisfactory proof of loss, destruction or damage. The claim shall be supported by the original ''record of shipment'' required pursuant to §361.5, which will be returned after adjustment of the claim. The consignor shall

submit a statement concerning the loss or destruction of, or damage to, the shipment or any part thereof. If the shipment has been received by the consignee with contents not intact, such statement shall set forth all the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. Affidavits covering the loss, destruction or damage to the shipment shall be obtained from the consignee and the carrier. The consignor shall submit the statement and recommendations of the investigating officers.

§ 361.10 Recoveries.

If relief is granted, the consignor shall take all necessary and reasonable steps to recover the lost, destroyed or damaged valuables, or their value. All recoveries and repayments, in connection with valuables for which replacement has been made out of the Fund, shall be forwarded to the Secretary for credit to the Fund.

PART 362—DECLARATION OF VALUABLES UNDER THE GOVERNMENT LOSSES IN SHIPMENT ACT

Sec.
362.1 Declaration of ''valuables''.
362.2 Amendments.

AUTHORITY: Secs. 6, 7, 50 Stat. 480; 40 U.S.C. 728, 729.

§ 362.1 Declaration of "valuables".

It is determined that replacements, in accordance with the procedure established under section 3 of the Government Losses in Shipment Act (50 Stat. 479, as amended; 5 U.S.C. 134b), of the articles or things or representatives of value enumerated and referred to in this section would be in the public interest; accordingly, they are hereby declared to be ''valuables'' within the meaning of the act.

(a) *Money of the United States and foreign countries.* Currency, included mutilated currency and canceled currency, coins, including uncurrent coins, and specie.

(b) *Securities and other instruments or documents, private and public.*

Abstracts of title.
Assignments.
Bills.
Bonds.
Certificates of deposit.
Certificates of indebtedness.
Checks, drafts and money orders.
Coupons.
Debentures.
Deeds.
Equipment trust certificates.
Mortgages.
Notes.
Stamps, including postage, revenue, license, food order and public debt.
Stamped envelopes and postal cards.
Stock certificates.
Trust receipts.
Voting trust receipts.
Warehouse receipts.
Warrants.

And other instruments or documents similar to the foregoing and whether complete, incomplete, mutilated, canceled, in definitive form or represented by interim documents.

(c) *Precious metals and stones.* Diamonds and other precious stones. Gold, silver and any other precious or rare metal, including articles composed thereof.

(d) *All other.* Works and collections of artistic, historical, scientific or educational value which are the property of the United States or which may be loaned to the United States at its request, or which may be shipped on authority of the United States for its examination or acceptance as a gift.

[4 FR 3796, Sept. 1, 1939, as amended at 5 FR 2653, July 25, 1940. Redesignated at 49 FR 47002, Nov. 30, 1984. Further redesignated at 50 FR 51394, Dec. 17, 1985]

§ 362.2 Amendments.

The Secretary of the Treasury may, at any time, or from time to time, make supplemental or amendatory declaration of valuables.

[4 FR 3796, Sept. 1, 1939, as amended at 5 FR 2653, July 25, 1940. Redesignated at 49 FR 47002, Nov. 30, 1984. Further redesignated at 50 FR 51394, Dec. 17, 1985]

PART 370—REGULATIONS GOVERNING THE TRANSFER OF FUNDS BY ELECTRONIC MEANS ON ACCOUNT OF UNITED STATES SECURITIES

Sec.
370.0 Applicability.

Subpart A—General Information

370.1 Definitions.

Subpart B—Credit ACH Entries

370.5 Designation of a financial institution to receive ACH payments.
370.6 Agreement of the financial institution.
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AUTHORITY: 31 U.S.C. chapter 31.

SOURCE: 54 FR 38988, Sept. 22, 1989, unless otherwise noted.

§ 370.0 Applicability.

The regulations in this part apply to the transfer of funds by electronic means where employed by the Bureau of the Public Debt in connection with United States securities, except as otherwise provided.

[61 FR 54910, Oct. 22, 1996]

Subpart A—General Information

§ 370.1 Definitions.

In this part, unless the context indicates otherwise:

Automated Clearing House (ACH) means a payment mechanism through which participating institutions exchange funds electronically.

Deposit account means the account maintained at a financial institution specified by a recipient into which ACH credit or debit entries under this part are to be made.

Entry means an order or request for the deposit of money to the deposit account of an owner (a credit entry) or for the payment of money from the deposit account of an owner (a debit entry).

Financial institution means, for purposes of this part, an institution which processes the transfer of funds by authorized electronic means.

Owner means the individual(s) or entity in whose name(s) a security is registered and who is authorized under the appropriate subparts of this title to request that the security be transferred, reissued, reinvested, exchanged or paid.

Payment means, for the purpose of this part, the deposit of money from the Department to the deposit account of the owner.

Security means any obligation issued by the United States that, by the terms of the applicable offering circular, is made subject to this part.

Settlement Date means the date an exchange of funds with respect to an entry is reflected on the books of the Federal Reserve Bank(s). The settlement date will in most cases be the same as the issue date of a security held in the TREASURY DIRECT system.

[54 FR 38988, Sept. 22, 1989, as amended at 61 FR 54910, Oct. 22, 1996]

Subpart B—Credit ACH Entries

§ 370.5 Designation of a financial institution to receive ACH payments.

(a) The owner of a security shall designate a financial institution to receive ACH payments and shall identify the deposit account to which the payments are to be credited, in accordance with the Treasury circular and regulations governing the terms and conditions of the security to which the payment relates.

(b) The designation of a financial institution by an owner to receive payments with respect to a security constitutes the appointment of that institution as the owner's agent for the receipt of such payments. The crediting of a payment to the institution for deposit to an account in accordance with the instructions of the owner discharges the United States of any further responsibility for such payment. Where the institution has arranged with the Federal Reserve Bank to have payments credited through a designee institution, the crediting of a payment to that designee institution discharges the United States of any further responsibility for the amount of such payment.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.6 Agreement of the financial institution.

Any financial institution which has agreed to accept credit payments under 31 CFR part 210, or hereafter agrees to do so, shall be deemed to accept payments under this part. In any case, a financial institution's acceptance and handling of a payment made with respect to a security covered by this part shall constitute its agreement to the provisions of this part. An institution may not be designated to receive payments, as provided in this part, unless it has agreed, or hereafter agrees, to receive direct deposit payments under 31 CFR part 210.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.7 Change in deposit account by financial institution.

Upon the request of a financial institution receiving ACH payments with respect to a security, the Department will change a deposit account number and/or type or classification of such account without requiring the submission of a request from the owner of the security. The request must be made in accordance with implementing instructions issued by the Department. Such a request by a financial institution will be deemed an agreement by the institution to indemnify the Department and the owner for any loss resulting from the requested change.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.8 Prenotification.

(a) *General.* The Department may send a prenotification message to the financial institution designated to receive ACH payments to confirm the accuracy of the account information furnished by an owner, or other person or entity entitled to make the designation, and to advise the financial institution that such account has been so designated. Prenotification messages may be sent at any time, but not less than 15 days prior to the first ACH payment. A prenotification message may also be sent whenever there is a change in the payment instructions. The prenotification message shall contain the ABA routing/transit number of the financial institution to which payments with respect to a security are to be made, as well as a depositor name reference, deposit account number, and type or classification of account at the institution to which such payments are to be credited.

(b) *Response to prenotification.* The institution must respond to the prenotification message within eight calendar days after the date of receipt if the information as to the deposit account number and/or the type of account contained in the message does not agree with the records of the institution, or if the institution for any other reason has questions about the forthcoming payment, including its

ability to credit the payment in accordance with this part. Upon receipt of a response to the prenotification message, the Department, as appropriate, will correct the payment instructions and send another prenotification message, or contact the owner for further instructions.

(c) *Effect of failure to reject.* If an institution does not reject or otherwise respond to a prenotification message within the specified time period, the institution shall be deemed to have accepted the prenotification and to have warranted to the Department that the information as to the deposit account number and/or the type of account contained in the message is accurate as of the time of such prenotification.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.9 Continuation of payment instructions.

Payment instructions for an account maintained by the Department will continue to apply to those securities until the Department:

(a) Receives a request from the owner to change such instructions; or

(b) Receives a request from a financial institution to change such instructions in accordance with § 370.4; or

(c) Receives advice from the financial institution holding the deposit account to which payment is being made that it has been closed; or

(d) Receives notice of a change in status of a designated account or of the owner, as provided in the regulations governing the terms and conditions of individual securities.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.10 Responsibility of financial institution.

An institution which receives a payment on behalf of its customer must:

(a) Upon receipt, credit the designated account and make the payment available for withdrawal or other use on the payment date. If a scheduled payment date is not a business day for the Federal Reserve Bank of the district in which the institution is located, payment will be made on the next-succeeding business day. If the institution is unable to credit the designated account, it shall return the payment by no later than the next business day after the date of receipt, with an electronic message or other response, explaining the reason for the return.

(b) Promptly notify the Department when the designated account has been closed, or when it is on notice of the death or legal incapacity (as determined under applicable State law) of any individual named on such account, or when it is on notice of the dissolution of a corporation in whose name the deposit account is held. In all such cases, the institution, following receipt of notice by its organizational component responsible for ACH transactions, shall return, with explanatory advice, all payments received for the designated account.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.11 Payments in error/duplicate payments.

If the Department or a Federal Reserve Bank has made a payment in error under this part, the Department or Federal Reserve Bank will make a corrected payment, as appropriate, to the person(s) or entity entitled thereto as established in accordance with the appropriate regulations governing the security involved. It will then promptly initiate action to recover the payment in error, and do so likewise on any duplicate payment that occurs, as follows:

(a) Send a written or electronic notice to the financial institution to which the payment was directed, which notice shall include the deposit account name reference, number, and the date and amount of the error in payment or duplicate payment that was not returned. See §§ 370.5(b) and 370.7(b) of this part. Upon receipt of this notice, the financial institution shall immediately return to the appropriate Federal Reserve Bank an amount equal to the payment in error or duplicate

payment, where available. If the institution is unable to return payment for whatever reason, the institution shall immediately notify the Department or the Federal Reserve Bank, and provide such information as it has about the matter. The Department reserves the right to request the return of a partial amount of a payment in error or a duplicate payment.

(b) Where the payment in error or a duplicate payment has not been returned, the Department or Federal Reserve Bank shall undertake such other actions as may be appropriate under the circumstances. To the extent permitted by law, the collection action may include deducting the amount owing from future payments made to the deposit account to which the payment in error or duplicate payment was made.

(c) If a financial institution has failed to respond in any way to the notice made pursuant to § 370.8(a) of this part within 60 calendar days of that notice, it will be deemed, by virtue of its acceptance of the ACH payment hereunder, to have authorized the Federal Reserve Bank to debit the amount of the payment in error or duplicate payment from the account maintained or utilized by the financial institution at the Federal Reserve Bank to which the payment in error or duplicate payment was credited. An institution designated by a financial institution to receive payment on its behalf, in authorizing such financial institution to utilize its account on the books of the Federal Reserve Bank, shall similarly be deemed to authorize such debit from that account. The institution to which payment has been directed and the owner of the security, who designated the deposit account to which the payment has been deposited, shall be deemed to have agreed to provide information and assistance to effect recovery of a payment in error or duplicate payment under this part. The owner is further deemed to agree to any action permitted by law to effect collection of a payment in error or a duplicate payment.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.12 Handling of payments by Federal Reserve Banks.

Each Federal Reserve Bank, as fiscal agent of the United States, shall receive payment in accordance with the information furnished by the owner as to the ABA routing/transit number of the financial institution to which ACH payments are to be made, as well as a depositor name reference, deposit account number, and type or classification of account at the institution to which such payments are to be credited, and shall make payment to the designated institution by crediting it to the account of the designated institution, or of its designee, in accordance with the Federal Reserve Bank's operating circular governing such payments.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.13 Timeliness of action.

If, because of circumstances beyond its control, the Department, a Federal Reserve Bank, or a financial institution is delayed beyond applicable time limits in taking any action with respect to a payment, the time for taking such action shall be extended as necessary until the cause of the delay ceases to operate.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

370.14 Substitute payment procedures.

The Department of the Treasury is authorized to employ substitute or alternate payment procedures, instead of ACH, in any case, or class of cases, where operational exigencies necessitate such action. Any such action shall be final.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.15 Other payments by the ACH method.

The provisions of this regulation shall apply to any other payments related to Government securities, such as issuing and paying agent fees, made by the ACH method. The individual or entity entitled to payment shall furnish the same type of information as is required in these regulations from a security owner.

(Approved by the Office of Management and Budget under control number 1535–0094)

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.16 Liability of Department and Federal Reserve Banks.

(a) The Department and the Federal Reserve Banks may rely on the information provided by the owner, or other person or entity entitled to make the designation, concerning the financial institution or deposit account to which payment is to be made, and are not required to verify this information. The Department and the Federal Reserve Banks shall not be liable for any action taken in accordance with the information so furnished.

(b) In the event that the United States or the Department is unable to make a payment when due, the liability of the United States and the Department is limited to the amount of the payment.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

Subpart C—Debit ACH Entries

SOURCE: 61 FR 54910, Oct. 22, 1996, unless otherwise noted.

§ 370.20 Designation of a financial institution to receive debit ACH entries.

The purchaser of a security shall designate a financial institution to receive debit ACH entries and shall identify the deposit account to which the debit entries are to be received, by written authorization, or by an authorization similarly authenticated by the purchaser, in a manner approved by the Department. The purchaser of a security to be held in TREASURY DIRECT must receive debit ACH entries in the same deposit account designated to receive TREASURY DIRECT payments by the ACH method. Such TREASURY DIRECT account must have been established at least two weeks prior to the scheduled debit ACH entry and must be an account which is capable of receiving debit entries. The authorization of the purchaser shall not be recurring, that is, it shall be effective for one debit transaction only.

§ 370.21 Agreement of the financial institution.

A financial institution's acceptance and handling of a debit entry made with respect to a security covered by this subpart shall constitute its agreement to the provisions of this subpart.

§ 370.22 Prenotification.

(a) General. The Department may send a prenotification message to the financial institution designated to receive debit ACH entries to confirm the accuracy of the account information furnished by an owner, or other person or entity entitled to make the designation, and to advise the financial institution that such account has been so designated. Prenotification messages may be sent at any time prior to the first debit ACH entry. The prenotification message shall contain the ABA routing/transit number of the financial institution designated to receive the debit entry, as well as a depositor name reference, deposit account number, and type or classification of account at such institution.

(b) Response to prenotification. The financial institution must respond to the prenotification message within eight calendar days after the date of receipt, if the information as to the account number and/or the type of account contained in the message does not agree with the records of the financial institution, or if the financial institution for any other reason has questions about the forthcoming debit entry, including its ability to debit the account in accordance with this subpart. Upon receipt of a response to the prenotification message, the Department or the Federal Reserve Bank, as appropriate, will correct the debit instructions and send another

prenotification message, or contact the owner for further instructions.

(c) Effect of failure to reject. If a financial institution does not reject or otherwise respond to a prenotification message within the specified time period, the financial institution shall be deemed to have accepted the prenotification and to have warranted to the Department or the Federal Reserve Bank that the information as to the deposit account number and/or the type of account contained in the message is accurate as of the time of such prenotification.

§ 370.23 Responsibility of financial institution.

A financial institution which receives a debit entry on behalf of its customer must:

(a) Debit the customer's account on the settlement date. If the financial institution is unable to debit the designated account, it shall return the entry by no later than the next business day after receipt, with an electronic message or other response explaining the reason for the return.

(b) Promptly notify the appropriate Federal Reserve Bank or the Capital Area Servicing Center when the designated account has been closed, or when it is on notice of the death or legal incapacity (as determined under applicable State law) of any individual named on such account, or when it is on notice of the dissolution of a corporation in whose name the deposit account is held.

§ 370.24 Handling of debit entries by Federal Reserve Banks.

Each Federal Reserve Bank, as fiscal agent of the United States, shall initiate the debit entry in accordance with the information furnished by the owner.

§ 370.25 Liability of Department and Federal Reserve Banks.

The Department and the Federal Reserve Banks will rely on the information provided by the owner, or other person or entity entitled to make the designation, concerning the financial institution or deposit account designated to receive the debit entry, and are not required to verify this information. The Department and the Federal Reserve Banks shall not be liable for any action taken in accordance with the information so furnished.

Subpart D—Additional Provisions

§ 370.30 Waiver of regulations.

The Secretary reserves the right, in the Secretary's discretion, to waive any provision(s) of these regulations in any case or class of cases for the convenience of the United States or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not impair any existing rights, and the Secretary is satisfied that such action will not subject the United States to any substantial expense or liability.

[54 FR 38988, Sept. 22, 1989. Redesignated at 61 FR 54910, Oct. 22, 1996]

§ 370.31 Supplements, amendments or revisions.

The Secretary may, at any time, prescribe additional supplemental, amendatory or revised regulations with respect to the transfer of funds by electronic means.

[61 FR 54911, Oct. 22, 1996]

PART 391—WAIVER OF INTEREST, ADMINISTRATIVE COSTS, AND PENALTIES

Sec.
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391.1 General.
391.2 Equitable considerations.
391.3 Resolution of disputes.
391.4 Documentary evidence.
391.5 Waiver approval.

AUTHORITY: 31 U.S.C. 3701; 31 U.S.C. 3711; 31 U.S.C. 3717.

SOURCE: 50 FR 6344, Feb. 15, 1985, unless otherwise noted.

§ 391.0 Scope of regulations.

These regulations apply to the waiver of late charges on claims due the Bureau of the Public Debt as authorized by 31 U.S.C. 3717(h). They are consistent with the Federal Claims Collection Standards on interest, administrative costs, and penalties prescribed jointly by the General Accounting Office and the Department of Justice and set

forth in 4 CFR 102.13. The term ''claim'' as used in this part refers to an amount of money or property that has been determined to be owed to the Bureau of the Public Debt from any person, organization, or entity, except another Federal agency. The term ''late charges'' as used in this part includes interest, administrative costs, and penalties. When applying the following regulations, a distinction shall be drawn between an adjustment and a waiver. An adjustment is an account correction under any circumstances where the Bureau records a claim or accrues late charges to which it is not legally entitled. An adjustment may be made without the promulgation of regulations. A waiver applies whenever the Bureau accrues late charges it is entitled to assess and later relinquishes that right. Two examples of an adjustment are: (a) Where the underlying claim is without merit, and (b) where the debtor is not notified of the claim as required by 31 U.S.C. 3717. The latter includes being misinformed as to the amount of the charges or the time of their commencement.

§ 391.1 General.

(a) *Waiver of late charges.* Late charges may be waived:

(1) When the underlying claim is compromised in accordance with 4 CFR part 103;

(2) Where the underlying claim is not compromised but it is appropriate to waive late charges under the criteria of 4 CFR part 103 relating to enforcement policy;

(3) When collection of the underlying claim is terminated in accordance with 4 CFR part 104;

(4) When a claim is suspended in accordance with 4 CFR part 104.

(5) Where the cost of collecting the unpaid late charges would approach or exceed the amount of unpaid late charges to be collected and the amount of late charges does not qualify for referral to a collection agency or the Department of Justice;

(6) Where the late charges pertain to claims involving savings bonds and notes arising under 31 U.S.C. 3105 and 3106 which are replaced pursuant to 31 U.S.C. 3126;

(7) For reasons of equity or good conscience as provided in § 391.2.

(b) *Partial waiver.* Late charges may be waived in full or in part.

§ 391.2 Equitable considerations.

For reasons of equity and good conscience, late charges may be waived under the circumstances identified in this section.

(a) Where, without fault or bad faith, the debtor could not submit payment within 30 days of the interest accrual date, the mandatory waiver provision in 4 CFR 102.13(g) may be extended. Such waiver will be considered on a case-by-case basis. Examples include, but are not limited to:

(1) Postal service delays in forwarding the notice of indebtedness to a new address; and

(2) Late receipt of the notice of indebtedness where the debtor was away from home on an extended vacation or hospitalized.

(b) Where an installment plan is contemplated and the amount of the late charges in relation to the amount of reasonably affordable installment payments is so large that the debt may never be paid, late charges may be waived.

§ 391.3 Resolution of disputes.

(a) To avoid the accrual of additional late charges during the resolution of a dispute, a debtor has the option of paying the amount of the claim and filing a request for a refund together with a request for review of the claim.

(b) Where the claim is a result of the Bureau's administrative error, late charges accruing during the review period may be waived unless the Bureau's actions would have placed a reasonable person on notice that the Bureau erred and that the person should inquire further.

(c) Where the claim is a result of the debtor's error or negligence and the administrative review is unreasonably protracted, late charges accruing during the protracted portion of the review period may be waived.

(d) The period for administrative review begins on the date the request for review is received and ends 10 days after the final determination is mailed to the debtor. This paragraph shall not

apply if the request for review is made in bad faith or for purposes of delay.

§ 391.4 Documentary evidence.

(a) When late charges are waived, the debtor's administrative file shall be properly documented with a memorandum. The memorandum shall contain a brief narrative statement describing the circumstances leading to the waiver and the reason(s) for granting the waiver.

(b) A credit report or a financial statement sworn to by the debtor may be required before waiver of late charges is approved for a compromise, suspension, or termination, except where the cost of obtaining such a report or statement exceeds the late charges due.

§ 391.5 Waiver approval.

Waivers of late charges shall be approved by the Commissioner of the Bureau of the Public Debt or designee, except that compromises and terminations of the underlying claim shall be upon the recommendation of the Chief Counsel in accordance with 31 CFR 5.3.