

§ 203.21

prior notice. The TSC will make calls for payment at the direction of the Secretary. On behalf of Treasury, the TSC will debit the depository's reserve account on the day specified in the call for payment.

(d) *Interest.* The TIP main account balance and the SDI account balance bear interest at the TT&L rate of interest. Such interest is payable by a charge to the depository's reserve account in the manner prescribed in the procedural instructions.

(e) *Balance limits—(1) Retainer and investor depositories.* A retainer or investor depository must establish an initial balance limit for its TIP main account balance by providing notice to that effect in writing to the TSC. The balance limit is the amount of funds for which a retainer or investor depository is willing to provide collateral in accordance with § 203.21(c)(1). The depository must follow the procedural instructions before reducing the established balance limit unless the reduction results from a collateral revaluation as determined by the FRB. That portion of any PATAX or EFTPS tax payment which, when posted at the FRB, would cause the TIP main account balance to exceed the balance limit specified by the depository, will be withdrawn by the FRB that day.

(2) *Direct investments.* An investor depository that participates in direct investments must set a balance limit for direct investment purposes which is higher than the peak balance normally generated by the depository's PATAX and EFTPS tax payment inflow. The depository must follow the procedural instructions before reducing the established balance limit.

(3) *SDIs.* SDIs are credited to the SDI account balance and are not considered in setting the amount of the TIP main account balance limit or in determining the amounts to be withdrawn where a depository exceeds its TIP main account balance limit.

(f) *TIO.* Treasury may, from time to time, invest excess operating funds in obligations of depositories awarded funds under TIO. Such obligations will be in the form of interest-bearing notes payable upon a predetermined period of time not to exceed 90 days. Such notes will bear interest at a rate prescribed

31 CFR Ch. II (7–1–10 Edition)

by the Secretary by auction or otherwise taking into consideration prevailing market interest rates.

§ 203.21 Collateral security requirements.

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

(a) *Investor and retainer depositories—(1) PATAX and EFTPS tax payments.* Investor and retainer depositories must 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 TIP main account balance and the balance in the TT&L account that exceeds the recognized insurance coverage.

(2) *Direct investments.* An investor depository is required to pledge collateral in accordance with the requirements of paragraphs (c), (d), and (e) of this section no later than the day before a direct investment is placed. However, each investor depository participating in same-day direct investments must pledge, prior to the announcement, collateral up to its balance limit to obtain the depository's maximum portion of the same-day direct investment.

(3) *SDIs.* The day before SDIs are credited to an investor depository's SDI account balance, the depository must pledge collateral security, in accordance with the requirements of paragraphs (c)(2), (d), and (e) of this section, to cover the total of the SDIs to be received.

(4) *TIO.* Each depository participating in the term investment program must pledge, prior to the time the term investment is placed, collateral in accordance with paragraphs (c)(1), (c)(2) for certain term investments as determined by Treasury, (d), and (e) of this section sufficient to cover the total TIO account balance.

(b) *Collector depositories.* Prior to crediting FTD deposits to the TT&L account, a collector depository must

pledge collateral security, in accordance with the requirements of paragraphs (c)(1), (d), and (e) of this section, in an amount which is sufficient to cover the balance in the TT&L account that exceeds the recognized insurance coverage.

(c) *Deposits of securities.* (1) Collateral security required under paragraphs (a)(1), (2), (4) (except as provided in subparagraph (2) below), and (b) of this section must be deposited with the depository's FRB, or with a custodian or custodians within the United States designated by the TSC or FRB, under terms and conditions prescribed by the TSC or FRB.

(2) A depository pledging collateral security as required under paragraph (a)(3) or paragraph (a)(4) (when permitted) of this section must pledge the collateral under a written security agreement on a form provided by the FRB. The collateral security pledged to satisfy the requirements of paragraphs (a)(3) and (a)(4) (when permitted) of this section may remain in the pledging depository's possession provided that the pledging is evidenced by advices of custody incorporated by reference in the written security agreement. The depository must provide the written security agreement and all advices of custody covering collateral security pledged under that agreement to the FRB. Collateral security pledged under the agreement may not be substituted for or released without the advance approval of the FRB, and any collateral security subject to the security agreement will remain so subject until an approved substitution is made. No substitution or release will be approved until an advice of custody containing the description required by the written security agreement is received by the FRB.

(3) Treasury's security interest in collateral security pledged by a depository in accordance with paragraphs (c)(2) of this section to secure SDIs and certain term investments is perfected without Treasury taking possession of the collateral security by filing or, absent filing, for a period not to exceed 20 calendar days from the day of the depository's receipt of the special direct or term investment.

(d) *Acceptable collateral.* The types of securities that may be used as collateral, and how those securities are valued, are set forth in 31 CFR part 380.

(e) *Assignment of securities.* By pledging acceptable securities which are not negotiable without the depository's endorsement or assignment, a TT&L depository, in lieu of placing its unqualified endorsement on each security, appoints the FRB or its assigns as the depository's attorney-in-fact with full irrevocable power and authority to endorse, assign or transfer the securities, and represents and warrants that an appropriate resolution authorizing the granting of such irrevocable power of attorney has been executed and adopted. The powers of attorney so granted are coupled with an interest and are irrevocable, and full power of substitution is granted to the assignee or holder.

(f) *Effecting payments of principal and interest on securities or instruments pledged as collateral—(1) General.* Treasury, without notice or demand, may sell or otherwise collect the proceeds of all or part of the collateral, including additions, substitutions, interest, and distribution of principal, and apply the proceeds to satisfy any claims of the United States against the depository, if any of the following events occur:

(i) The depository fails to pay, when due, the whole or any part of the funds received by it for credit to the TT&L account and, if applicable, its TIP main account balance, SDI account balance, or TIO account balance;

(ii) The depository fails to pay when due amounts owed to the United States or the United States Treasury;

(iii) The depository otherwise violates or fails to perform any of the terms of this part or any of the procedural instructions entered into hereunder; or

(iv) The depository is closed for business by regulatory action or by proper corporate action, or a receiver, conservator, liquidator, or any other officer is appointed for the depository. All principal and interest payments on any security pledged to protect the TIP main account balance, the SDI account balance, the TIO account balance or the TT&L account, as applicable, due

as of the date of the insolvency or closure or thereafter becoming due, will be held separate and apart from any other assets and will 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 depository (including, with respect to such depository, an assignee for the benefit of creditors, a trustee in bankruptcy, or a receiver in equity) will, as soon as possible, remit to the FRB, as Fiscal agent, each payment of principal and/or interest received by it with respect to collateral pledged pursuant to this section. The remittance will be made 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 depository pursuant to this section, upon notification that Treasury is entitled to any payment associated with that pledged security, must make each payment of principal and/or interest due with respect to such security directly to the FRB, 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 depository 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 EFFICIENT FEDERAL-STATE FUNDS TRANSFERS

Sec.

205.1 What Federal assistance programs are covered by this part?

205.2 What definitions apply to this part?

Subpart A—Rules Applicable to Federal Assistance Programs Included in a Treasury-State Agreement

205.3 What Federal assistance programs are subject to this subpart A?

205.4 Are there any circumstances where a Federal assistance program that meets

the criteria of §205.3 would not be subject to this subpart A?

205.5 What are the thresholds for major Federal assistance programs?

205.6 What is a Treasury-State agreement?

205.7 Can a Treasury-State agreement be amended?

205.8 What if there is no Treasury-State agreement in effect?

205.9 What is included in a Treasury-State agreement?

205.10 How do you document funding techniques?

205.11 What requirements apply to funding techniques?

205.12 What funding techniques may be used?

205.13 How do you determine when State or Federal interest liability accrues?

205.14 When does Federal interest liability accrue?

205.15 When does State interest liability accrue?

205.16 What special rules apply to Federal assistance programs and projects funded by the Federal Highway Trust Fund?

205.17 Are funds transfers delayed by automated payment systems restrictions based on the size and timing of the draw-down request subject to this part?

205.18 Are administrative costs subject to this part?

205.19 How is interest calculated?

205.20 What is a clearance pattern?

205.21 When may clearance patterns be used?

205.22 How are accurate clearance patterns maintained?

205.23 What requirements apply to estimates?

205.24 How are accurate estimates maintained?

205.25 How does this part apply to certain Federal assistance programs or funds?

205.26 What are the requirements for preparing Annual Reports?

205.27 How are Interest Calculation Costs calculated?

205.28 How are interest payments exchanged?

205.29 What are the State oversight and compliance responsibilities?

205.30 What are the Federal oversight and compliance responsibilities?

205.31 How does a State or Federal Program Agency appeal a determination made by us and resolve disputes?

Subpart B—Rules Applicable to Federal Assistance Programs Not Included in a Treasury-State Agreement

205.32 What Federal assistance programs are subject to this subpart B?

205.33 How are funds transfers processed?

205.34 What are the Federal oversight and compliance responsibilities?