

between the clearing corporation and a depository institution. By entering into such an agreement, the clearing corporation authorizes us to provide aggregate par and price information to the depository institution whose funds account will be charged under the agreement. The clearing corporation is responsible for remitting payment for auction awards of the clearing corporation member.

(ii) We must have acknowledged and have on file a delivery and payment agreement between the submitter and the clearing corporation. By entering into such an agreement, the submitter authorizes us to provide award and payment information to the clearing corporation.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57440, Sept. 30, 2005; 70 FR 71401, Nov. 29, 2005; 73 FR 14938, Mar. 20, 2008]

Subpart C—Determination of Auction Awards; Settlement

§ 356.20 How does the Treasury determine auction awards?

(a) *Determining the range and amount of accepted competitive bids*—(1) *Accepting bids*. First we accept in full all noncompetitive bids that were submitted by the noncompetitive bidding deadline. After the closing time for receipt of competitive bids we start accepting those at the lowest yields or discount rates through successively higher yields or discount rates, up to the amount required to meet the offering amount. When necessary, we prorate bids at the highest accepted yield or discount rate as described below. If the amount of noncompetitive bids would absorb most or all of the offering amount, we will accept competitive bids in an amount sufficient to provide a fair determination of the yield or discount rate for the securities we are auctioning.

(2) *Accepting bids at the high yield or discount rate*. Generally, the total amount of bids at the highest accepted yield or discount rate exceeds the offering amount remaining after we accept the noncompetitive bids and the competitive bids at the lower yields or discount rates. In order to keep the total amount of awards as close as possible to the announced offering

amount, we award a percentage of the bids at the highest accepted yield or discount rate. We derive the percentage by dividing the remaining par amount needed to fill the offering amount by the par amount of the bids at the high yield or discount rate and rounding up to the next hundredth of a whole percentage point, for example, 17.13%.

(b) *Determining the interest rate for new note and bond issues*. We set the interest rate at a $\frac{1}{8}$ of one percent increment. If a Treasury inflation-protected securities auction results in a negative or zero yield, the interest rate will be set at zero, and successful bidders' award prices will be calculated accordingly (See appendix B to this part for formulas).

(1) *Single-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the yield of awards to successful competitive bidders.

(2) *Multiple-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the weighted-average yield of awards to successful competitive bidders.

(c) *Determining purchase prices for awarded securities*. We round price calculations to six decimal places on the basis of price per hundred, for example, 99.954321 (See appendix B to this part).

(1) *Single-price auctions*. We award securities to both noncompetitive and competitive bidders at the price equivalent to the highest accepted discount rate or yield at which bids were accepted. For inflation-protected securities, the price for awarded securities is the price equivalent to the highest accepted real yield.

(2) *Multiple-price auctions*—(i) *Competitive bids*. We award securities to competitive bidders at the price equivalent to each yield or discount rate at which their bids were accepted.

(ii) *Noncompetitive bids*. We award securities to noncompetitive bidders at the price equivalent to the weighted average yield or discount rate of accepted competitive bids.

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