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Subtitle B—Regulations Relating to Money and Finance (Continued)

CHAPTER II—FISCAL SERVICE, DEPARTMENT OF THE TREASURY

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SUBCHAPTER B—RESERVED

SUBCHAPTER A—BUREAU OF THE FISCAL SERVICE

EDITORIAL NOTE: Nomenclature changes to subchapter A appear at 78 FR 60697, Oct. 2, 2013.

PARTS 200–201 [RESERVED]

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

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202.4 Agreement of deposit.
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AUTHORITY: 12 U.S.C. 90, 265–266, 391, 1452(d), 1464(k), 1789a, 2013, 2122 and 3101–3102; 31 U.S.C. 3303 and 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 Bureau of the Fiscal 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 are addressed in 31 CFR part 380. For a current list of acceptable classes of securities and instruments described in 31 CFR part 380 and their valuations, see the Bureau of the Fiscal Service's web site at *www.publicdebt.treas.gov*.

(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; 65 FR 55428, Sept. 13, 2000]

§ 202.7 Maintenance of balances within authorizations.

(a) Federal Government agencies shall contact the Department of the Treasury, Bureau of the Fiscal 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, Bureau of the Fiscal 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

Subpart A—General Information

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SOURCE: 72 FR 59181, Oct. 19, 2007, unless otherwise noted.

Subpart A—General Information

§ 203.1 Scope.

The regulations in this part govern the processing by financial institutions of electronic and paper-based deposits and payments of Federal taxes; the operation of the Treasury Tax and Loan (TT&L) program; the designation of TT&L depositaries; and the operation of the investment program. A financial institution may participate in the TT&L program by participating in the investment program or by accepting Federal tax payments, or both. A financial institution that accepts Federal tax payments may do so through the paper tax system (PATAX), or Electronic Federal Tax Payment System (EFTPS), or both. However, a financial institution is not designated as a TT&L depositary if it only processes EFTPS payments.

§ 203.2 Definitions.

Advice of credit (AOC) means the paper or electronic form depositaries use to summarize and report Federal Tax Deposit (FTD) coupon deposits to the Internal Revenue Service (IRS) and the Federal Reserve Bank (FRB).

Automated Clearing House (ACH) credit entry means a credit transaction originated by a financial institution, at the direction of the taxpayer, in accordance with applicable ACH formats and applicable laws, regulations, and procedural instructions.

ACH debit entry means a debit transaction originated by the Treasury Financial Agent (TFA), at the direction of the taxpayer, in accordance with applicable ACH formats and applicable laws, regulations, and instructions.

Balance limit means the highest amount a depositary has stated it will accept in its Treasury Investment Program (TIP) main account.

Borrower-In-Custody (BIC) collateral means an arrangement by which a financial institution pledging collateral to secure special direct investments and certain term investments is permitted to retain possession of that collateral, subject to terms and conditions agreed upon between the FRB and the financial institution.

Business day means any day on which a financial institution's FRB is open.

Capacity means a TT&L depositary's ability to accept additional investments in its TIP main account balance and/or its Special Direct Investment (SDI) account balance. With respect to a TT&L depositary's TIP main account balance, capacity means the balance limit or current collateral value, whichever is lower, minus the total of: the depositary's current TIP main account balance and any pending investments, plus any pending withdrawals. With respect to an SDI account balance, capacity means the dollar amount of collateral that the depositary has pledged for SDIs under a BIC arrangement minus the total of: the depositary's current SDI account balance and any pending investments, plus any pending withdrawals.

Collector depositary means a TT&L depositary that accepts paper tax payments from business customers and that may also process electronic tax

payments from customers, but that does not retain any such deposits as investments or accept dynamic, direct, or special direct investments. A collector depositary may accept term investments.

Direct investment means the Department of the Treasury's (Treasury's) placement of funds with a TT&L depositary, which results in an increase to the depositary's TIP main account balance and a credit to its reserve account.

Dynamic investment means Treasury's placement of funds with a TT&L depositary throughout the day, which results in an increase to the depositary's TIP main account balance and a credit to its reserve account.

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

Federal Reserve Bank (FRB) means the FRB of the district where the financial institution is located, or such other FRB that may be designated in an FRB operating circular, or such other FRB that may be designated by the Treasury. A financial institution is deemed located in the same district it would be deemed located for purposes of Regulation D (12 CFR 204.3(b)(2)), even if the financial institution is not otherwise subject to Regulation D.

Federal Tax Deposit (FTD) means a Federal tax deposit made using an FTD coupon.

FTD coupon means a paper form supplied to a taxpayer by Treasury to accompany deposits of Federal taxes made through PATAX.

Federal taxes means those Federal taxes or other payments specified by the Secretary of the Treasury as eligible for payment through the procedures described in this part.

Fedwire®1 means the funds transfer system owned and operated by the FRBs.

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.

Fedwire® value transfer means a Federal tax payment made by a financial institution using a Fedwire® type 1000 message.

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

Fiscal agent means the FRB acting as agent for Treasury.

Investment program is the all-inclusive name given to the programs by which Treasury invests excess operating cash.

Investor depositary means a TT&L depositary that is authorized to participate in the investment program by accepting funds from Treasury via direct investments, special direct investments, dynamic investments, or term investments. In addition, an investor depositary may accept electronic or paper Federal tax payments from its business customers and retain a portion of those tax deposits, depending on the capacity of its TIP main account balance.

Paper Tax System (PATAX) means the paper-based system through which taxpayers remit Federal tax payments by presenting an FTD coupon and payment to a TT&L depositary.

Procedural instructions means the procedures contained in the Treasury Financial Manual, Volume IV (IV TFM), other Treasury instructions issued by Treasury or through Treasury's Financial Agents and FRB operating circulars, and agreements issued consistent with this part.

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

Reserve account means an account at an FRB with reserve or clearing balances held by a financial institution or its designated correspondent financial institution, if applicable.

Retainer depositary means a TT&L depositary that accepts electronic and/or paper Federal tax payments from its business customers and retains a portion of the Federal tax deposits in its TIP main account balance, depending on its balance limit, account balance, and collateral value. A retainer depositary may also accept term investments.

Same-day payment means a payment made by a Fedwire® non-value transaction or a Fedwire® value transaction.

Secretary means the Secretary of the Treasury, or the Secretary's delegate.

Special Direct Investment (SDI) means the placement by Treasury of funds with an investor depositary secured by collateral pledged under a BIC arrangement.

SDI account balance means an open-ended, interest-bearing note maintained on the books of the Treasury Support Center representing the amount of SDIs held by an investor depositary and secured by collateral pledged under a BIC arrangement.

Tax due date means the day on which a Federal tax payment is due to Treasury, as determined by statute and IRS regulations.

Term Investments means Treasury's excess operating funds that have been offered for a predetermined period of time and accepted by depositaries participating in the Term Investment Option.

Term Investment Option (TIO) means the program available to depositaries that offers the ability to borrow excess Treasury operating funds for a predetermined period of time.

TIO account balance means an interest-bearing note maintained on the books of the Treasury Support Center for a predetermined period of time.

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

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

Treasury Investment Program (TIP) means the automated system under the TT&L program that receives tax collections, invests funds, and monitors collateral pledged to secure public money.

TIP main account balance means an open-ended interest-bearing note maintained on the books of the Treasury Support Center (TSC) representing a retainer or investor depositary's current net amount of (i) Federal tax deposits retained by the depositary and/or (ii) Treasury investments made under the Direct investment program.

Treasury Support Center (TSC) means the office at the FRB that, as Treasury's Fiscal agent, monitors collateral pledged to secure Treasury funds, manages TT&L program participation for depositaries, and/or carries on its books depositaries' TIP main account balances, SDI account balances, and/or Term Investment Option (TIO) account balances.

Treasury Tax and Loan (TT&L) account means a record of transactions on the books of a TT&L depositary reflecting paper tax deposits received by the depositary.

TT&L depositary or depositary means a financial institution designated as a depositary by Treasury or the FRB of St. Louis acting as Treasury's Fiscal agent, for the purpose of participating in the investment program and/or PATAX. There are three kinds of TT&L depositaries: investor depositaries, retainer depositaries, and collector depositaries.

TT&L program means the program for collecting Federal taxes and investing the Government's excess operating funds.

TT&L rate of interest means the interest charged on the TIP main account balance and the SDI account balance. The TT&L rate of interest is the rate prescribed by the Secretary taking into consideration prevailing market interest rates. The rate and any rate changes will be announced through a TT&L Special Notice to Depositaries and will be published in the FEDERAL REGISTER and on a Web site maintained by Treasury's Bureau of the Fiscal Service at *http://www.fiscal.treasury.gov*.

§ 203.3 TT&L depositaries.

A financial institution that participates in PATAX and/or the investment program must be a TT&L depositary. There are three kinds of TT&L depositaries. A collector depositary is a TT&L depositary that accepts paper Federal tax payments and also may accept electronic Federal tax payments, but does not accept direct investments or SDIs. A retainer depositary is a

TT&L depositary that accepts electronic and/or paper Federal tax payments and retains a portion ofthe tax deposits in its TIP main account balance. An investor depositary is a TT&L depositary that accepts direct investments, SDIs, or dynamic investments and may accept electronic and/or paper Federal tax payments and retain a portion of those tax deposits. Collector, retainer, and investor depositaries may accept term investments. Retainer and investor depositaries do not have to participate in PATAX.

§ 203.4 Financial institution eligibility for designation as a TT&L depositary.

(a) To be designated as a TT&L depositary, a financial institution must be insured as a national banking association, state bank, savings bank, savings association, 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 must possess the authority to pledge collateral to secure TT&L account balances, a TIP main account balance, an SDI account balance, or a no account balance as applicable.

(c) In order to be designated as a TT&L depositary for the purposes of processing Federal tax deposits through PATAX, a financial institution must 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, investor depositaries and retainer depositaries must possess either general or specific authority permitting the maintenance of a TIP main account 27 balance or an SDI account balance. Investor, retainer, and collector depositaries that accept term investments must possess either general or specific authority permitting the maintenance of a TIO account balance. In the case of investor and retainer depositaries maintaining a TIP main account balance or an SDI account balance, the authority must perm it the maintenance of a TIP main account balance or an SDI account balance which is payable on demand without previous notice of intended withdrawal.

§ 203.5 Designation of financial institutions as TT&L depositaries.

(a) *Parties to the agreement.* To be designated as a TT&L depositary, a financial institution must enter into a depositary agreement with Treasury or Treasury's Fiscal agent. By entering into this agreement, the financial institution agrees to be bound by this part, and procedural instructions issued pursuant to this part. Treasury will not compensate depositaries for servicing and maintaining a TT&L account, or for processing tax payments through EFTPS or PATAX, unless otherwise provided for in procedural instructions.

(b) *Application procedures.* (1) An eligible financial institution seeking designation as a TT&L depositary must file the forms specified in the procedural instructions with the TSC. A TT&L depositary must elect to be one or more of the following:

(i) A collector depositary;

(ii) A retainer depositary;

(iii) An investor depositary.

(2) A financial institution is not authorized to maintain a TT&L account, TIP main account balance, SDI account balance, or TIO account balance until the TSC designates it as a TT&L depository.

§ 203.6 Obligations of TT&L depositaries.

A TT&L depositary must:

(a) Administer a TIP main account balance, SDI account balance, or TIO account balance, as applicable, if participating in the investment program.

(b) Administer a TT&L account, if participating in PATAX.

(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.

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

(a) *Termination by Treasury.* The Secretary may terminate the agreement of a TT&L 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 TT&L depositary may terminate its depositary agreement, or change its option or election, consistent with this part and the procedural instructions, by prior written notice to the TSC.

§ 203.8 Application of part and procedural instructions.

The terms of this part and the procedural instructions issued pursuant to this part will be binding on financial institutions that process Federal tax payments or maintain a TT&L account, TIP main account balance, SDI account balance, or a TIO account 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 that financial institutions must follow when they process electronic Federal tax payment transactions. A financial institution is not required to be designated as a TT&L depositary in order to process electronic Federal tax payments. In addition, a financial institution does not become a TT&L depositary by processing electronic Federal tax payments under this subpart and may not represent itself as a TT&L depositary because it does so.

§ 203.10 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.

(b) *Conditions to making an electronic payment.* This part does not affect the authority of financial institutions to enter into contracts with their customers regarding the terms and conditions for processing payments, as long as the terms and conditions of those contracts are not inconsistent with this part and with any laws that apply to the particular transactions.

(c) *Payment of interest for time value of funds held.* Treasury will not pay interest on any payment that a financial institution erroneously originates and that subsequently is refunded.

§ 203.11 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 by the deadline established by Treasury in the procedural instructions.

(b) *Fedwire® non-value transaction.* By initiating a Fedwire® non-value transaction, a financial institution authorizes the TSC to debit its reserve account for the amount of the Federal tax payment specified in the transaction.

(1) For an investor or retainer depositary using a Fedwire® non-value transaction, the TSC will credit the Federal tax payment amount, up to the depositary's available TIP main account balance capacity, to the depositary's TIP main account balance on the day of the transaction. Throughout the course of the day, the TSC will debit from the

depositary's reserve account, and credit to the TGA, any portion of a tax payment amount that would exceed the institution's available TIP main account balance capacity.

(2) For a collector depositary or a non-TT&L depositary financial institution using a Fedwire® non-value transaction, the TSC will debit the financial institution's reserve account for the Federal tax payment amount and credit that amount to the TGA on the day of the transaction.

(c) *Cancellations and reversals.* In addition to cancellations due to insufficient funds in the financial institution's 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 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 payment day deadline established by Treasury in the procedural instructions.

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

§ 203.12 EFTPS 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 Federal tax payment instructions to the financial institution was timely and that the taxpayer satisfied the conditions imposed by the financial institution pursuant to § 203.10(b). Treasury also may assess interest where a financial institution fails to respond to an ACH prenotification entry on an ACH debit as required under part 210 of this title, or fails to originate an ACH prenotification or zero dollar entry on an ACH credit at a taxpayer's request, which then results in a late payment.

(b) *Calculation of interest assessment.* Any interest assessed under this section will be at the TT&L rate of interest. Treasury will assess the interest from the day the taxpayer specified that its payment should settle to the Treasury until the day Treasury receives the payment, 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 electronically under this subpart is deemed to authorize the TSC to debit its reserve account for any interest assessed under this section. Upon the direction of Treasury, the TSC will debit the financial institution's reserve account for the amount of the assessed interest.

(d) *Circumstances not resulting in 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 § 203.10(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 § 203.13, that the taxpayer has not satisfied the conditions and that the financial institution has not caused or contributed to the delay.

(2) Treasury will not assess interest on a financial institution if a taxpayer fails to meet a tax due date because the FRB or the TFA caused a delay and the financial institution did not contribute

to the delay. The burden is on the financial institution to establish, pursuant to the procedures in § 203.13, that it did not cause or contribute to the delay.

§ 203.13 Appeal and dispute resolution.

(a) *Contest.* A financial institution may contest any interest assessed under § 203.12 or any late fees assessed under § 203.17. To do so, the financial institution must 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 TSC debits the Federal reserve account of the financial institution under § 203.12 or § 203.17. The Treasury officer or Fiscal agent will make a decision to: Uphold, reverse, or modify the assessment, or mandate other action.

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

(c) *Recoveries.* In the event of an over or under recovery of interest, principal, or late fees, Treasury will instruct the TSC to credit or debit the financial institution's reserve account.

Subpart C—PATAX

§ 203.14 Scope of the subpart.

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

§ 203.15 Tax deposits using FTD coupons.

A TT&L depositary processing FTD coupons may choose to be designated as a retainer depositary, an investor depositary, or a collector depositary. A TT&L depositary that accepts FTD coupons through any of its offices that accept demand and/or savings deposits must:

(a) Accept from a taxpayer that presents an FTD coupon: 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. A TT&L 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.

(b) Place a stamp impression on the face of each FTD coupon in the space provided. The stamp must reflect the date on which the TT&L depositary received the tax deposit and the name and location of the depositary. The IRS will determine whether the tax payment is on time by referring to the date stamped on the FTD coupon.

(c) Forward, each day, to the IRS Service Center serving the geographical area in which the TT&L depositary is located, the FTD coupons for all FTD deposits received that day and a copy of the AOC reflecting the total amount of all FTD coupons.

(d) Establish an adequate record of all FTD deposits prior to transmitting them to 36 the IRS Service Center so that the TT&L depositary will be able to identify deposits in the event the FTD coupons are lost in shipment. To be adequate, the record must show, at a minimum for each deposit, the date of the deposit, the taxpayer identification number, the amount of the deposit, the tax period ending date, the type of tax deposited, and the employer name. Alternatively, the TT&L depositary may retain a copy of each FTD coupon forwarded to the IRS Service Center.

(e) On the business day following receipt of an FTD coupon, submit the AOC information electronically to the TSC.

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

§ 203.16 Retainer and investor depositaries.

(a) *Credit to TIP main account balance.* On the business day that the TSC receives an AOC from a retainer or investor depositary, the TSC will credit the depositary's TIP main account balance for the amount reported on the AOC unless there isn't sufficient capacity. In that case, any amount in excess of

the capacity will be debited to the reserve account and credited to the TGA.

(b) *Late delivery of AOC*. If an AOC does not arrive at the TSC before the designated cutoff time for receipt, the TSC will credit the amount of funds to the depositary's TIP main account balance as of the date of receipt of the AOC. However, the date on which funds will begin to earn interest for Treasury is the next business day after the AOC date.

§ 203.17 Collector depositaries.

(a) *Debit to reserve account*. On the business day that the TSC receives an AOC from a collector depositary, the TSC will debit the depositary's reserve account for the amount reported on the AOC and credit that amount to Treasury's account.

(b) *Late delivery of AOC*. If an AOC does not arrive at the TSC before the designated cutoff time on the first business day after the AOC date, an FTD late fee in the form of interest at the TT&L rate of interest will.be assessed for each day's delay in receipt of the AOC. Upon the direction of Treasury, the TSC will debit the depositary's reserve account for the amount of the late fee.

Subpart D—Investment Program and Collateral Security Requirements for TT&L Depositaries

§ 203.18 Scope of the subpart.

This subpart governs the operation of the investment program, including the rules that TT&L depositaries must follow in crediting and debiting TIP main account balances, SDI account balances, and TIO account balances, and pledging collateral security.

§ 203.19 Sources of balances.

A financial institution must be a collector depositary that accepts term investments, an investor depositary, or a retainer depositary to participate in the investment program. 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 depositary's TIP main account balance pursuant to subpart C of this part;

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

(c) Direct investments, SDIs, dynamic investments, and term investments pursuant to subpart D of this part; and

(d) Other excess Treasury operating funds.

§ 203.20 Investment account requirements.

(a) *Additions*. Treasury will invest funds in obligations of collector depositaries that accept term investments, investor depositaries, or retainer depositaries. Such obligations will be in the form of open-ended interest-bearing notes, or in the case of term investments, interest-bearing notes maintained for a predetermined period of time, and additions and reductions will be reflected on the books of the TSC.

(1) *PATAX*. The TSC will credit the TIP main account balance as stated in § 203.16(a) for an investor or retainer depositary processing tax deposits through PATAX.

(2) *EFTPS*—(i) *ACH debit and ACH credit*. The TSC will credit a depositary's TIP main account balance, and credit the depositary's reserve account if capacity exists, for the amount of EFTPS ACH debit and credit entries on the day such entries settle.

(ii) *Fedwire® value and non-value transactions*. The TSC will credit a depositary's TIP main account balance if capacity exists, throughout the day on the day of settlement, for the amount of Fedwire® value and non-value transactions. In the case of Fedwire® value transactions, the depositary's reserve account will also be credited.

(b) *Additional offerings*. Other funds from Treasury may be offered from time to time to depositaries participating in the investment program through direct investments, SDIs, term investments, or other investment programs.

(c) *Withdrawals*. The amount of a TIP main account balance or SDI account balance is payable on demand without

prior notice. The TSC will make calls for payment at the direction of the Secretary. On behalf of Treasury, the TSC will debit the depositary'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 depositary's reserve account in the manner prescribed in the procedural instructions.

(e) *Balance limits*—(1) *Retainer and investor depositaries*. A retainer or investor depositary 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 depositary is willing to provide collateral in accordance with § 203.21(c)(1). The depositary 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 depositary, will be withdrawn by the FRB that day.

(2) *Direct investments*. An investor depositary 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 depositary's PATAX and EFTPS tax payment inflow. The depositary 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 depositary exceeds its TIP main account balance limit.

(f) *TIO*. Treasury may, from time to time, invest excess operating funds in obligations of depositaries 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 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 depositaries, have no collateral requirements under this part. Financial institutions that are TT&L depositaries have collateral security requirements, as follows:

(a) *Investor and retainer depositaries*—(1) *PATAX and EFTPS tax payments*. Investor and retainer depositaries 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 depositary 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 depositary participating in same-day direct investments must pledge, prior to the announcement, collateral up to its balance limit to obtain the depositary's maximum portion of the same-day direct investment.

(3) *SDIs*. The day before SDIs are credited to an investor depositary's SDI account balance, the depositary 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 depositary 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 depositaries*. Prior to crediting FTD deposits to the TT&L account, a collector depositary 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 depositary'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 depositary 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 depositary's possession provided that the pledging is evidenced by advices of custody incorporated by reference in the written security agreement. The depositary 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 depositary 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 depositary'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 depositary's endorsement or assignment, a TT&L depositary, in lieu of placing its unqualified endorsement on each security, appoints the FRB or its assigns as the depositary'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 depositary, if any of the following events occur:

(i) 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, if applicable, its TIP main account balance, SDI account balance, or TIO account balance;

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

(iii) The depositary 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 depositary 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 depositary. 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 depositary (including, with respect to such depositary, 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 depositary 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 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 EFFICIENT FEDERAL-STATE FUNDS TRANSFERS

Sec.

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Subpart C [Reserved]

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3332, 3335, 6501, 6503.

SOURCE: 67 FR 31885, May 10, 2002, unless otherwise noted.

§ 205.1 What Federal assistance programs are covered by this part?

(a) This part prescribes rules for transferring funds between the Federal government and States for Federal assistance programs. This part applies to:

(1) All States as defined in § 205.2; and

(2) All Federal program agencies, except the Tennessee Valley Authority (TVA) and its Federal assistance programs.

(b) Only programs listed in the Catalog of Federal Domestic Assistance, as established by Chapter 61 of Title 31, United States Code (U.S.C) are covered by this part.

(c) This part does not apply to:

(1) 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.*, 5 CFR part 1315, and 48 CFR part 32; or

(2) Direct loans from the Federal government to States.

§ 205.2 What definitions apply to this part?

For purposes of this part:

Administrative costs means expenses incurred by a State associated with managing a Federal assistance program. This term includes indirect costs.

Auditable means records must be retained to allow for calculations outlined in the Treasury-State agreements to be reviewed and replicated for compliance purposes. States must maintain these records to be readily available, fully documented, and verifiable.

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 part, or that person's official designee as certified in writing.

Business day means a day when Federal Reserve Banks are open.

Catalog of Federal Domestic Assistance (CFDA) means the government-wide list of Federal assistance programs, projects, services, and activities which provide assistance or benefits to the American public. The listing includes financial and non-financial Federal assistance programs administered by agencies of the Federal government.

Clearance pattern means a projection showing the daily amount subtracted from a State's bank account each day after the State makes a disbursement. For example, a State mailing out benefit checks may project that the percentage of checks cashed each day will be 0% for the first day, 10% for the second day, 80% on the third day, and 10% on the fourth day following issuance. Clearance patterns are used to schedule the transfer of funds with various funding techniques and to support interest calculations.

Compensating balance means funds maintained in State bank accounts and/or State Treasurer bank accounts to offset the costs of bank services.

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

Day means a calendar day unless otherwise specified.

Default procedures means efficient cash management practices that we prescribe for Federal funds transfers to a State if a Treasury-State agreement is not in place.

Disburse means to issue a check or initiate an electronic funds transfer payment, or to provide access to benefits through an electronic benefits transfer.

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

Dollar-weighted average day of clearance means the day when, on a cumulative basis, 50 percent of funds have been paid out. To calculate the dollar-weighted average day of clearance for a clearance pattern:

(1) For each day, multiply the percentage of dollars paid out that day by the number of days that have elapsed since the payments were issued. For

example, on the first day payments were issued, multiply the percentage of dollars paid out on that day by zero, since zero days have elapsed. On the day after payments were issued, multiply the percentage of dollars paid out on that day by one, since one day has elapsed; and so forth.

(2) Total the results from paragraph (1) of this definition. Round to the nearest whole number. This is the dollar-weighted average day of clearance.

Draw down (verb) means a process in which a State requests and receives Federal funds.

Drawdown (noun) means Federal funds requested and received by a State.

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.

Estimate means a projection of the needs of a Federal Assistance Program.

Federal assistance program means a program included in the Catalog of Federal Domestic Assistance where funds are transferred from the Federal government to a State. Federal assistance programs include cooperative agreements, but do not include vendor payments or direct loans.

Federal Program Agency means an executive agency as defined by 31 U.S.C. 102, except the Tennessee Valley Authority (TVA), that issues and administers Federal assistance programs to States or cooperative agreements with States.

Federal-State agreement means an agreement between a State and a Federal Program Agency specifying terms and conditions for carrying out a Federal assistance program or group of programs. This is different than a Treasury-State agreement.

Bureau of the Fiscal Service (we or us) means the Bureau of the U.S. Department of the Treasury responsible for implementation of this part.

Fiscal year means the twelve-month period that a State designates as its budget year.

Grant means, for purposes of this part, a funds transfer by the Federal government associated with a Federal assistance program listed in the Catalog of Federal Domestic Assistance.

Indirect cost rate means a formula that identifies the amount of indirect costs based on the amount of accrued direct costs. The applicable indirect cost rate shall be described in the Treasury-State agreement.

Indirect costs means costs a State incurs that are necessary to the operation and performance of its Federal assistance programs, but that are not readily identifiable with a particular project or Federal assistance program.

Interest calculation costs means those costs a State incurs in performing the actual calculation of interest liabilities, including those costs a State incurs in developing and maintaining clearance patterns in support of interest calculations.

Maintenance-of-effort means a requirement that a State spend at least a specified amount of State funds for Federal assistance program purposes.

Major Federal assistance program means a Federal assistance program which receives Federal funding in excess of the dollar thresholds found in Table A to § 205.5.

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 Federal assistance program purposes.

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

Pay out funds for Federal Assistance 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 that provides goods or services for the direct benefit or use of the payor State entity or the Federal government to further Federal assistance program goals.

Rebate means funds returned to a State by third parties after a State has

paid out those funds for Federal assistance program purposes.

Refund means funds that a State recovers that it previously paid out for Federal assistance program purposes. Refunds include rebates received from third parties.

Refund transaction means an entry to the record of a State bank account representing a single deposit of refunds. A refund transaction may consist of a single check or item, or a bundle of accumulated checks.

Related banking costs means separately identified costs which are necessary and customary for maintaining an account in a financial institution, whether a commercial account or a State Treasurer account. Investment service fees and fees for credit-related services are not related banking costs.

Request for funds means a State's request for funds that the State completes and submits in accordance with Federal Program Agency guidelines.

Reverse flow program means a Federal assistance program, such as Supplemental Security Income (SSI), for which the Federal government makes payments to recipients on behalf of a State.

Revolving loan fund means a pool of program funds managed by a State. States may loan funds from the pool to other entities in support of Federal assistance program goals. Investment income is earned on the funds that remain in the pool and on loans made from pool funds. A Federal Program Agency may require that all income derived from a revolving loan fund be used for Federal assistance program purposes.

Secretary means the Secretary of the United States Department of the Treasury. We are 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, and the Virgin Islands. It includes any agency, instrumentality, or fiscal agent of a State that is legally and fiscally dependent on the State Executive, State Treasurer, or State Comptroller.

(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.

(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 assistance program, excluding private nonprofit community organizations.

(3) Local governments, Indian Tribal governments, institutions of higher education, hospitals, and nonprofit organizations are excluded from the definition of State.

Treasury-State agreement means a document describing the accepted funding techniques and methods for calculating interest and identifying the Federal assistance programs governed by this subpart A.

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

Vendor payment means a funds transfer by a Federal Program Agency to a State to compensate the State for acting as a vendor on a Federal contract.

We and *Us* means Bureau of the Fiscal Service.

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?

(a) Generally, this subpart prescribes the rules that apply to Federal assistance programs which:

(1) Are listed in the Catalog of Federal Domestic Assistance;

(2) Meet the funding threshold for a major Federal assistance program; and

(3) Are included in a Treasury-State agreement or default procedures.

(b) Upon a State's request, we will make additional Federal assistance programs subject to subpart A by lowering the funding threshold in the Treasury-State agreement. All of a State's programs that meet this lower threshold would be subject to this subpart A.

(c) We may make additional Federal assistance programs subject to subpart

A if a State or Federal Program Agency fails to comply with subpart B of this part.

§ 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?

(a) A Federal assistance program that meets or exceeds the threshold for major Federal assistance programs in a State is not subject to this subpart A until it is included in a Treasury-State agreement or in default procedures.

(b) We and a State may agree to exclude components of a major Federal assistance program from interest calculations if the State administers the program through several State agencies and meets the following requirements:

(1) The dollar amount of the exempted cash flow does not exceed 5% of the State's major Federal assistance program threshold and the total amount excluded under a single program by all State agencies administering the program does not exceed 10% of that Federal assistance program's total expenditures;

(2) If less than the total amount of Federal assistance program funding is subject to interest calculation procedures, the interest liabilities should be pro-rated to 100% of the Federal assistance program funding;

(3) A State may not use this exclusion if a Federal assistance program is administered by only one State agency; and

(4) We may request Federal assistance program specific data on funding levels to determine exemptions.

(c) We and a State may exclude a Federal assistance program from this subpart A if the Federal assistance program has been discontinued since the most recent Single Audit and the remaining funding is below the threshold, or if the Federal assistance program is funded by an award not limited to one fiscal year and the remaining Federal assistance program funding is below the State's threshold.

§ 205.5 What are the thresholds for major Federal assistance programs?

(a) Table A of this section defines major Federal assistance programs based on the dollar amount of an individual Federal assistance program and the dollar amount of all Federal assistance being received by a State for all Federal assistance programs including non-cash programs. A State must locate the appropriate row in Column A based upon the total amount of Federal assistance received. In that same row, a State must apply the percentage from Column B to the dollar value of all its Federal assistance programs to determine the State's threshold for major Federal assistance programs. For example, if the total amount received by a State for all Federal assistance programs is $50 million, then that State's threshold for major Federal assistance programs is 6% of $50 million or $3 million. A State which receives more than $10 billion under Federal assistance programs will have a minimum default threshold of $60 million.

(b) To ensure adequate coverage of all State programs, a State must, on an annual basis, compare its program coverage using the percentage obtained from Table A to the program coverage which would result using a percentage which is half of the percentage obtained from Table A. For example, a State receiving $1 billion in Federal Assistance would use Table A to learn that its threshold level would be .60 percent of $1 billion. A State would compare program coverage at .60 percent of $1 billion to program coverage at .30 percent of $1 billion.

(c) If the comparison conducted under paragraph (b) of this section results in a reduction of program coverage that is greater than 10%, a State must lower its threshold, or add programs, until the difference is less than or equal to 10%.

(d) In accordance with § 205.3(b), a State may lower its threshold to include additional programs. All of a State's programs that meet this lower threshold would be subject to this subpart A.

(e) Unless specified otherwise, major Federal assistance programs must be determined from the most recent Single Audit data available.

TABLE A TO § 205.5

Column A Total amount of Federal Assistance for all programs per State:	Column B Major Federal Assistance Program means any Federal assistance program that exceed these levels:
Between zero and $100 million inclusive.	6.00 percent of the total amount of Federal assistance.
Over $100 million but less than or equal to $10 billion.	0.60 percent of the total amount of Federal assistance.
Over $10 billion	The greater of 0.30 percent of the total Federal assistance of $60 million.

§ 205.6 What is a Treasury-State agreement?

(a) A Treasury-State agreement documents the accepted funding techniques and methods for calculating interest agreed upon by us and a State and identifies the Federal assistance programs governed by this subpart A. If anything in a Treasury-State agreement is inconsistent with this subpart A, that part of the Treasury-State agreement will not have any effect and this subpart A will govern.

(b) A Treasury-State agreement will be effective until terminated unless we and a State agree to a specific termination date. We or a State may terminate a Treasury-State agreement on 30 days written notice.

§ 205.7 Can a Treasury-State agreement be amended?

(a) We or a State may amend a Treasury-State agreement at any time if both we and the State agree in writing.

(b) The effective date of an amendment shall be the date both parties agree to the amendment in writing unless otherwise agreed to by both parties.

(c) We and a State must amend a Treasury-State agreement as needed to change or clarify its language when the terms of the existing agreement are either no longer correct or no longer applicable. A State must notify us in writing within 30 days of the time the State becomes aware of a change, describing the Federal assistance program change. The notification must include a proposed amendment for our review and a current list of all programs included in the Treasury-State agreement. Amendments may address, but are not limited to:

(1) Additions or deletions of Federal assistance programs subject to this subpart A;

(2) Changes in funding techniques; and

(3) Changes in clearance patterns.

(d) Additions or deletions to the list of Federal assistance programs subject to this subpart A take effect when a Treasury-State agreement is amended, unless otherwise agreed to by the parties.

(e) Federal assistance programs that are to be added to a Treasury-State agreement are not subject to this subpart A until the Treasury-State agreement is amended, except when a Federal assistance program subject to this subpart A is being replaced by a Federal assistance program governed by subpart B of this part, in which case the replacement program is immediately subject to this subpart A.

(f) Notwithstanding any other provision of this section, if no changes to the Treasury-State agreement are required, States must notify us annually.

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

When a State does not have a Treasury-State agreement in effect, we will prescribe default procedures to implement this subpart A. The default procedures will prescribe efficient funds transfer procedures consistent with State and Federal law and identify the covered Federal assistance programs and designated funding techniques. When we and a State reach agreement on some but not all Federal assistance programs administered by the State, we and the State may enter into a Treasury-State agreement for all programs on which we are in agreement and we may prescribe default procedures governing those programs on which we are unable to reach agreement.

§ 205.9 What is included in a Treasury-State agreement?

We will prescribe a uniform format for all Treasury-State agreements. A Treasury-State agreement must include, but is not limited to, the following:

(a) State agencies, instrumentalities, and fiscal agents that administer the

Federal assistance programs subject to this subpart A.

(b) Federal assistance programs subject to this subpart A, consistent with §§ 205.3 and 205.4. A State must use its most recent Single Audit report as a basis for determining the funding thresholds for major Federal assistance programs, unless otherwise specified in the Treasury-State agreement. A State may use budget or appropriations data for a more recent period instead of Single Audit data, if specified in the Treasury-State agreement.

(c) Funding techniques to be applied to Federal assistance programs subject to this subpart A.

(d) Methods the State will use to develop and maintain clearance patterns and estimates, consistent with § 205.11. The method must include, at a minimum, a clear indication of:

(1) The data used;

(2) The sources of the data;

(3) The development process;

(4) For estimates, when and how the State will update the estimate to reflect the most recent data available;

(5) For estimates, when and how the State will make adjustments, if any, to reconcile the difference between the estimate and the State's actual cash needs; and

(6) Any assumptions, standards, or conventions used in converting the data into the clearance pattern or estimate.

(e) Federal Program Agency provisions requiring reconciliation of estimates to actual outlays may be included in a Treasury-State agreement. The supporting documentation must be retained by the State for three years.

(f) States must include the results of the clearance pattern process in the Treasury-State agreement for programs where the timing of drawdowns is based on clearance patterns. For programs where the timing of drawdowns is not based on clearance patterns, the results of the clearance pattern process may be provided with the annual report required under § 205.26. The supporting documentation must be retained by the State for three years.

(g) Methods used by the State and Federal agencies to calculate interest liabilities pursuant to this subpart A. The method must include, but is not limited to, a clear indication of:

(1) The data used;

(2) The sources of the data;

(3) The calculation process; and

(4) Any assumptions, standards, or conventions used in converting the data into the interest liability amounts.

(h) Treasury-State agreements must include language describing how a State and Federal Program Agency will address a State request for supplemental funding. This language must include, but is not limited to, the following provisions:

(1) What constitutes a timely request for supplemental funds for Federal assistance program purposes by a State; and

(2) What constitutes a timely transfer of supplemental funds for Federal assistance program purposes from a Federal Program Agency to a State.

§ 205.10 How do you document funding techniques?

The Treasury-State agreement must include a concise description for each funding technique that a State will use. The description must include the following:

(a) What constitutes a timely request for funds;

(b) How the State determines the amount of funds to request;

(c) What procedures are used to project or reconcile estimates with actual and immediate cash needs;

(d) What constitutes the timely receipt of funds; and

(e) Whether a State or Federal interest liability accrues when the funding technique, including any associated procedure for projection or reconciliation, is properly applied.

§ 205.11 What requirements apply to funding techniques?

(a) A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds.

(b) A State and a Federal Program Agency must limit the amount of funds

transferred to the minimum required to meet a State's actual and immediate cash needs.

(c) A State must not draw down funds from its account in the Unemployment Trust Fund (UTF) or from a Federal account in the UTF in advance of actual immediate cash needs for any purpose including maintaining a compensating balance.

(d) A Federal Program Agency must allow a State to submit requests for funds daily. This requirement should not be construed as a change to Federal Program Agency guidelines defining a properly completed request for funds.

(e) In accordance with the electronic funds transfer provisions of the Debt Collection Improvement Act of 1996 (31 U.S.C. 3332), a Federal Program Agency must use electronic funds transfer methods to transfer funds to States unless a waiver is available.

§ 205.12 What funding techniques may be used?

(a) We and a State may negotiate the use of mutually agreed upon funding techniques. We may deny interest liability if a State does not use a mutually agreed upon funding technique. Funding techniques should be efficient and minimize the exchange of interest between States and Federal agencies.

(b) We and a State may base our agreement on the sample funding techniques listed in paragraphs (b)(1) through (b)(5) of this section, or any other technique upon which both parties agree.

(1) Zero balance accounting means that a Federal Program Agency transfers the actual amount of Federal funds to a State that are paid out by the State each day.

(2) Projected clearance means that a Federal Program Agency transfers to a State the projected amount of funds that the State pays out each day. The projected amount paid out each day is determined by applying a clearance pattern to the total amount the State will disburse.

(3) Average clearance means that a Federal Program Agency, on the dollar-weighted average day of clearance of a disbursement, transfers to a State a lump sum equal to the actual amount of funds that the State is paying out. The dollar-weighted average day of clearance is the day when, on a cumulative basis, 50 percent of the funds have been paid out. The dollar-weighted average day of clearance is calculated from a clearance pattern, consistent with § 205.20.

(4) Cash advance (pre-issuance or post-issuance) funding means that a Federal Program Agency transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments.

(5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.

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

(a) State or Federal interest liability may or may not accrue when mutually agreed to funding techniques are applied, depending on the terms of the Treasury-State agreement.

(b) We and a State may agree in a Treasury-State agreement that no State or Federal interest liability will accrue for indirect costs or indirect allocated costs based on an indirect cost rate. This indirect cost must be consistent with OMB Circular A–87 (For availability, see 5 CFR 1310.3.) and be in accordance with this subpart A. The indirect cost rate may be a Statewide indirect cost rate or a public assistance cost rate, where appropriate.

§ 205.14 When does Federal interest liability accrue?

(a) Federal interest liabilities may accrue in accordance with the following provisions:

(1) The Federal Program Agency incurs interest liability if a State pays out its own funds for Federal assistance 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 Federal assistance program purposes to the day Federal funds are credited to a State bank account.

(2) If a State pays out its own funds for Federal assistance program purposes without obligational authority, the Federal Program Agency will incur an interest liability if obligational authority subsequently is established. However, if the lack of obligational authority is the result of the failure of the State to comply with a Federal Program Agency requirement established by statute, regulation, or agreement, interest liability may be denied. A Federal interest liability will accrue from the day a State pays out its own funds for Federal assistance program purposes to the day Federal funds are credited to a State bank account.

(3) If a State pays out its own funds prior to the day a Federal Program Agency officially notifies the State in writing that a discretionary grant project is approved, the Federal Program Agency does not incur an interest liability, notwithstanding any other provision of this section.

(4) If a State pays out its own funds prior to the availability of Federal funds authorized or appropriated for a future Federal fiscal year, the Federal Program Agency does not incur an interest liability, notwithstanding any other provision of this section.

(5) If a State fails to request funds timely as set forth in § 205.29, or otherwise fails to apply a funding technique properly, we may deny any resulting Federal interest liability, notwithstanding any other provision of this section.

(b) Federal Program Agency programs that have specific payment dates set by the Federal Program Agency that create interest liabilities are subject to this part.

(c) States must adhere to Federal Program Agency disbursement schedules when requesting funds. Notwithstanding any other provision of this section, we may deny a State's claim for Federal interest liability for the period prior to a late drawdown request. States must time their funds drawdown so that it does not create Federal interest liability. The drawdown request must allow the Federal Program Agency sufficient time to meet its disbursement schedule. If the Federal Program Agency does not make a timely payout in accordance with the terms of the Treasury-State agreement, a State may submit a claim for interest liability.

§ 205.15 When does State interest liability accrue?

(a) *General rule.* State interest liability may accrue if Federal funds are received by a State prior to the day the State pays out the funds for Federal assistance program purposes. State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes.

(b) *Refunds.* (1) A State incurs interest liability on refunds of Federal funds from the day the refund is credited to a State account to the day the refund is either paid out for Federal assistance program purposes or credited to the Federal government.

(2) We and a State may agree, in a Treasury-State agreement, that a State does not incur an interest liability on refunds in refund transactions under $50,000.

(c) *Exception to the general rule.* A State does not incur an interest liability to the Federal government if a Federal statute requires the State to retain or use for Federal assistance program purposes the interest earned on Federal funds, notwithstanding any other provision in this section.

(d) *Mandatory matching of Federal funds.* In programs utilizing mandatory matching of Federal funds with State funds, a State must not arbitrarily assign its earliest costs to the Federal government. A State incurs interest liabilities if it draws Federal funds in advance and/or in excess of the required proportion of agreed upon levels of State contributions in programs utilizing mandatory matching of Federal funds with State funds.

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

The following applies to Federal assistance programs and projects funded

out of the Federal Highway Trust Fund, notwithstanding any other provision of this part:

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

(b) 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 Program Agency will not incur an interest liability.

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

Funds transfers delayed due to payment processes that automatically reject drawdown requests that fall outside a pre-determined set of parameters are subject to this part.

§ 205.18 Are administrative costs subject to this part?

(a) A State and Fiscal Service may agree, in a Treasury-State agreement, to the following funding conventions for indirect costs and administrative costs:

(1) The State will draw down a prorated amount of administrative costs on the date of the State payday. For example, the State would draw one-third of its quarterly administrative costs if payroll is monthly, or one-sixth of its quarterly administrative costs 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 on each drawdown by applying the indirect cost rate to the appropriate direct costs on 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 made pursuant to the actual allocation of costs.

(b) Notwithstanding any other provision of this part, no interest liabilities will be incurred or calculated for indirect costs and administrative costs, provided the funding conventions described in paragraph (a) of this section are properly applied.

§ 205.19 How is interest calculated?

(a) A State must calculate Federal interest liabilities and State interest liabilities for each Federal assistance program subject to this subpart A.

(b) The interest rate for all interest liabilities for each Federal assistance program subject to this subpart A is the annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State's fiscal year. We provide this rate to each State.

(c) A State must calculate and report interest liabilities on the basis of its fiscal year. A State must ensure that its interest calculations are auditable and retain a record of the calculations.

(d) As set forth in § 205.9, a Treasury-State agreement must include the method a State uses to calculate and document interest liabilities.

(e) A State may use actual data, a clearance pattern, or statistical sampling to calculate interest. A clearance pattern used to calculate interest must meet the standards of § 205.20. If a State uses statistical sampling to calculate interest, the State must sample transactions separately for each Federal assistance program subject to this subpart A. Each sample must be representative of the pool of transactions and be of sufficient size to accurately represent the flow of Federal funds under the Federal assistance program, including seasonal or other periodic variations.

(f) For the first year in which a Federal assistance program is covered in a Treasury-State agreement, funds transfers that occur prior to the first day of the State's fiscal year must not be included in interest calculations and are not subject to the interest liability provisions of this part.

§ 205.20 What is a clearance pattern?

States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:

(a) A clearance pattern must be auditable.

(b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

(c) A clearance pattern must include seasonal or other periodic variations in clearance activity.

(d) A clearance pattern must be based on at least three consecutive months of disbursement data, unless additional data is required to accurately represent the flow of Federal funds.

(e) If a State uses statistical sampling to develop a clearance pattern, the sample size must be sufficient to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean.

(f) A clearance pattern must extend, at a minimum, until 99 percent of the dollars in a disbursement have been paid out for Federal assistance program purposes.

(g) We and a State may agree to other procedures, such as estimates to project when funds are paid out when the dollar amount and/or the timing of disbursements are not known.

§ 205.21 When may clearance patterns be used?

(a) A State may develop a clearance pattern for:

(1) An individual Federal assistance program;

(2) A logical group of Federal assistance programs that have the same disbursement method and type of payee;

(3) A bank account;

(4) A specific type of payment, such as payroll or vendor payments; or

(5) Anything that is agreed upon by us and a State. If a clearance pattern is used for multiple Federal assistance programs, a State must apply the clearance pattern separately to each Federal assistance program when scheduling funds transfers or calculating interest.

(b) As set forth in § 205.9, a Treasury-State agreement must include the method a State uses to develop and maintain clearance patterns.

§ 205.22 How are accurate clearance patterns maintained?

(a) If a State has knowledge, at any time, that a clearance pattern no longer reflects a Federal assistance program's actual clearance activity, or if a Federal assistance program undergoes operational changes that may affect clearance activity, the State must notify us, develop a new clearance pattern, and certify that the new pattern corresponds to the Federal assistance program's clearance activity. Clearance patterns will remain in effect until a new clearance pattern is certified.

(b) An authorized State official must certify that a clearance pattern corresponds to the clearance activity of the Federal assistance program to which it is applied. An authorized State official must re-certify the accuracy of a clearance pattern at least every five years. If a State develops a clearance pattern for a bank account or a specific type of payment, or on another basis, as set forth in § 205.21, we may prescribe other requirements for re-certifying the accuracy of the clearance pattern. A State can begin to use a new clearance pattern on the date the new clearance pattern is certified.

§ 205.23 What requirements apply to estimates?

The following requirements apply when we and a State negotiate a mutually agreed upon funds transfer procedure based on an estimate of the State's immediate cash needs:

(a) The State must ensure that the estimate reasonably represents the flow of Federal funds under the Federal assistance program or program component to which the estimate applies. The estimate must take into account seasonal or other periodic variations in activity throughout the period for which the Federal funds are available.

(b) As set forth in §§ 205.9 and 205.10, a Treasury-State agreement must include the method a State uses to develop, maintain, and document the estimate.

§ 205.24 How are accurate estimates maintained?

(a) If a State has knowledge that an estimate does not reasonably correspond to the State's cash needs for a Federal assistance program or program component, or if a Federal assistance program undergoes operational changes that may affect cash needs, the State must immediately notify us in writing. We and the State will amend the funding technique provisions in the Treasury-State agreement or take other mutually agreed upon corrective action.

(b) When estimates are properly updated and applied, a State or Federal interest liability may or may not accrue, depending on the terms of the Treasury-State agreement.

(c) We may require a State to justify in writing that it is not feasible to use a more efficient basis for determining the amount of funds to be transferred under the Federal assistance program or program component to which an estimate is applied. We may prescribe requirements for certifying the reasonableness of an estimate.

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

(a) Special rules apply to certain Federal assistance programs or funds described in this section. To the extent the provisions of this section are inconsistent with other provisions of this part, this section applies.

(b) A State's interest liability on funds withdrawn from its account in the UTF equals the actual interest earned on such funds less the related banking costs. Actual interest earned does not include non-cash bank earnings. If funds withdrawn from the State account in the UTF are commingled with other funds, a proportionate share of interest earnings and banking costs must be allocated to the funds withdrawn from the State account. Interest liabilities on funds withdrawn from a Federal account in the UTF, except the Federal Unemployment Account, are calculated in accordance with § 205.19.

(c) *Supplemental Security Income.* (1) Except as provided in 42 U.S.C. 1382e(d), the Federal government incurs an interest liability from the day State funds are credited to the Federal government's account to the day a Federal Program Agency pays out the State funds for Federal assistance program purposes. A State incurs an interest liability from the day a Federal Program Agency pays out Federal funds for Federal assistance program purposes to the day State funds are credited to the Federal government's account.

(2) Interest liability must be calculated on the difference between a State's monthly Supplemental Security Income payment and the State's actual liability for the month.

(3) The Federal government will not incur interest liabilities on refunds of State funds under the Supplemental Security Income Program.

(4) Administrative fees charged by the Social Security Administration to States under the Supplemental Security Income program are not subject to this part.

(5) Supplemental State payments made in conjunction with Supplemental Security Income are not subject to this part.

(d) *Funds collected under the Child Support Enforcement Program.* (1) Funds collected by States from absent parents pursuant to Title IV-D of the Social Security Act are not subject to this part.

(2) Interest earned by States on undistributed collections must be treated as Federal assistance program income under 45 CFR 304.50(b) and is not subject to this part.

(3) Late payment fees collected by States from absent parents are not subject to interest liabilities under this part and are not subject to this part. However, such fees must be treated as Federal assistance program income in accordance with 45 CFR 302.75(b)(6).

(e) A State that earns interest on Special Supplemental Food Program for Women, Infants, and Children rebates is not subject to interest liability if the funds earned are used for Federal assistance program purposes.

(f) *Revolving Loan Funds.* (1) This part applies to any transfer of funds from the Federal Program Agency to the State for the Revolving Loan Fund.

(2) This part does not apply to interest a State earns on Revolving Loan Funds when Federal Program Agency

regulations require that all interest earned on invested funds be used for Federal assistance program purposes.

§ 205.26 What are the requirements for preparing Annual Reports?

(a) A State must submit to us an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends. We will provide copies of Annual Reports to Federal agencies. We will prescribe the format of the Annual Report, and may prescribe that the Annual Report be submitted by electronic means.

(b) A State must submit a description and supporting documentation for liability claims greater than $5,000. This information must include the following:

(1) The amount of funds requested;

(2) The date the funds were requested;

(3) The date the funds were paid out for Federal assistance program purposes;

(4) The date the funds were received by the State; and

(5) The date of award.

(c) A State claiming reimbursement of Interest Calculation Costs must submit its claim with its Annual Report in accordance with § 205.27. An authorized State official must certify the accuracy of a State's claim for Interest Calculation Costs.

§ 205.27 How are Interest Calculation Costs calculated?

(a) We will compensate a State annually for the costs of calculating interest, including the cost of developing and maintaining clearance patterns in support of interest calculations, pursuant to this subpart A, subject to the conditions and limitations of this section.

(b) We may deny an interest calculation cost claim if a State does not:

(1) Have a Treasury-State agreement with us, as set forth in §§ 205.6 through 205.9;

(2) Submit timely a Treasury-State agreement, as set forth in §§ 205.6 through 205.9;

(3) Submit timely an updated list of Federal assistance programs subject to this subpart A, as set forth in §§ 205.6 through 205.9;

(4) Submit timely a claim for Interest Calculation Costs with its Annual Report, as set forth in § 205.26; or

(5) Submit timely its Annual Report, as set forth in § 205.26.

(c) A State must maintain documentation to substantiate its claim for Interest Calculation Costs. We may require a State to provide documentation to support its interest calculation cost claims. We will review all interest calculation cost claims for reasonableness. If we determine that a cost claim is unreasonable, we will not reimburse a State for that cost, notwithstanding any other provision of this section.

(d) *Eligibility and treatment of Interest Calculation Costs.* (1) Interest Calculation Costs do not include expenses for normal disbursing services, such as processing checks or maintaining records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems.

(2) Interest Calculation Costs in excess of $50,000 in any year are not eligible for reimbursement, unless a State can justify to us that the State is unable to develop and maintain clearance patterns in support of interest calculations, or perform the actual calculation of interest, without incurring such costs. Supporting documentation must accompany State requests for reimbursement in excess of $50,000.

(3) Interest Calculation Costs that a State incurs in fiscal years prior to its most recently completed Annual Report are not eligible for reimbursement.

(4) A State must not include Interest Calculation Costs in its Statewide cost allocation plan, as defined and provided for in OMB Circular A–87. All costs incurred by a State to implement

this subpart A, other than Interest Calculation Costs, are subject to the procedures and principles of OMB Circular A–87.

(e) The payments from the Federal government to individual States to offset Interest Calculation Costs incurred are funded from the aggregate interest payments States make to the Federal government. The following limitations apply:

(1) We will not reduce or adjust interest liabilities for Federal assistance programs funded out of trust funds for which the Secretary is trustee. These programs include, but are not limited to, Unemployment Insurance Trust Fund (CFDA 17.225); Highway & Planning Trust Fund (CFDA 20.205); Airport Improvement Trust Fund (CFDA 20.106); Federal Transit Capital Improvement Trust Fund (CFDA 20.500); Federal Transit Capital & Operating Assistance Trust Fund (CFDA 20.507); and Social Security—Disability Insurance Trust Fund (CFDA 96.001); and

(2) The aggregate payments from the Federal government to States to offset Interest Calculation Costs will not be greater than the aggregate interest payments States make to the Federal government.

§ 205.28 How are interest payments exchanged?

(a) We offset the adjusted total State interest liability and the adjusted total Federal interest liability for each State to determine the net interest payable to or from each specific State. The payment of net interest and any Interest Calculation Costs, as set forth in § 205.27, for the most recently completed fiscal year must occur no later than March 31. We will notify a State of the final net interest liability. A State must submit a claim to receive payment.

(b) A State may appeal a decision by us on interest liabilities and interest calculation cost claims in accordance with § 205.31.

(c) If a State appeals the amount of interest payable in accordance with the provisions of § 205.31, payment must occur by March 31 for any portions not subject to the appeal.

(d) The Federal government will not be liable for interest on any payment of interest to a State.

§ 205.29 What are the State oversight and compliance responsibilities?

(a) A State must designate an official representative with the statutory or administrative authority to coordinate all interaction with the Federal government concerning this subpart A, and must notify us in writing of the representative's name and title. A State must notify us immediately of any change in the official representative.

(b) A State must maintain records supporting interest calculations, clearance patterns, Interest Calculation Costs, and other functions directly pertinent to the implementation and administration of this subpart A for audit purposes. A State must retain the records for each fiscal year for three years from the date the State submits its Annual Report, or until any pending dispute or action involving the records and documents is completed, whichever is later. We, the Comptroller General, and the Inspector General or other representative of a Federal Program Agency must have the right of access to, and may require submission of, all records for the purpose of verifying interest calculations, clearance patterns, interest calculation cost claims, and the State's accounting for Federal funds.

(c) A State's implementation of this subpart A is subject to audit in accordance with 31 U.S.C. Chapter 75, ''Requirements for Single Audits.''

(d) If a State repeatedly or deliberately fails to request funds in accordance with the procedures established for its funding techniques, as set forth in § 205.11, § 205.12, or a Treasury-State agreement, we may deny the State payment or credit for the resulting Federal interest liability, notwithstanding any other provision of this part.

(e) If a State materially fails to comply with this subpart A, we may, in addition to the action described in paragraph (d) of this section, take one or more of the following actions, as appropriate under the circumstances:

(1) Deny the reimbursement of all or a part of the State's interest calculation cost claim;

(2) Send notification of the non-compliance to the affected Federal Program Agency for appropriate action, including, where appropriate, a determination regarding the impact of noncompliance on program funding;

(3) Request a Federal Program Agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal government, and to implement procedures to recover such interest;

(4) Initiate a debt collection process to recover claims owed to the United States; or

(5) Take other remedies legally available.

§ 205.30 What are the Federal oversight and compliance responsibilities?

(a) A Federal Program Agency must designate an official representative to coordinate all interaction with us and the States concerning this subpart A, and must notify us in writing of the representative's name and title. A Federal Program Agency must notify us immediately of any change in the official representative.

(b) A Federal Program Agency's implementation of this subpart A is subject to review pursuant to procedural instructions that we issue.

(c) We will consult with Federal agencies as necessary and appropriate before entering into or amending a Treasury-State agreement.

(d) We will distribute Annual Reports to Federal agencies, as set forth in § 205.26. Upon our request, a Federal Program Agency must review a State's Annual Report for reasonableness and must report its findings to us within 30 days.

(e) A Federal Program Agency must notify us in writing if the program agency has knowledge, at any time, that:

(1) A State's clearance pattern does not correspond to a Federal assistance program's clearance activity; or

(2) Corrective action needs to be taken by a State, us, or another Federal Program Agency, with respect to the implementation of this subpart. We will notify the State or Federal Program Agency as appropriate in writing with a description of the Federal Program Agency's assertion.

(f) A Federal Program Agency must notify us in writing of new Federal assistance programs listed in the Catalog of Federal Domestic Assistance.

(g) If a Federal Program Agency causes an interest liability by failing to comply with this subpart A, we may collect a charge from the Federal Program Agency. A Federal interest liability resulting from circumstances beyond the control of a Federal Program Agency does not constitute noncompliance. We will determine the charge using the following procedures:

(1) We will issue a Notice of Assessment to the Federal Program 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) To the maximum extent practicable, a Federal Program Agency must pay a charge for noncompliance out of appropriations available for the Federal Program Agency's operations and not from the Federal Program Agency's program funds.

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

(4) In the event a Federal Program Agency appeals a charge imposed under the Notice of Assessment, we will defer the charge until we decide the appeal. If we deny the appeal, the effective date of the charge may be retroactive to the date indicated in the Notice of Assessment.

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

(a) This section documents the procedures for:

(1) A State to appeal the net interest charge that we have assessed;

(2) A State to appeal a determination we have made regarding the State's claim for Interest Calculation Costs in accordance with § 205.27;

(3) A Federal Program Agency to appeal a charge for noncompliance that we have assessed in accordance with § 205.30; or

(4) A State or a Federal Program Agency to resolve other disputes with us or between or among each other concerning the implementation of this subpart A.

(b) A State or Federal Program Agency must submit a written petition (Petition) to the Assistant Commissioner, Federal Finance, Bureau of the Fiscal Service, (Assistant Commissioner), within 90 days of the date of the notice of assessment or the event that initiated the appeal or dispute. The Petition must include a concise factual statement, not to exceed 15 pages, with supporting documentation in the appendices, of the conditions forming the basis of the Petition and the action requested of the Assistant Commissioner. In the case of a dispute, the party submitting the petition to us must concurrently provide a copy of the petition to the other concerned parties. The other concerned parties may submit to the Assistant Commissioner a rebuttal within 90 days of the date of the petition. The rebuttal must include a concise factual statement, not to exceed 15 pages, with supporting documentation in the appendices.

(c) The Assistant Commissioner will review the Petition, any rebuttal, and all supporting documentation. As part of the review process, the Assistant Commissioner may request to meet with any or all parties and may request additional information.

(d) The Assistant Commissioner will issue a written decision within the later of 120 days of the date of the Petition or the rebuttal, in case of a dispute, or 120 days from receipt of any additional information. The Assistant Commissioner's decision will be the final program agency action on our part for purposes of judicial review procedures under the Administrative Procedures Act, 5 U.S.C. 701–706 (APA), unless either the State or Federal Program Agency invokes the provisions of the Administrative Dispute Resolution Act of 1990 (ADRA), 5 U.S.C. 581–593.

(e) Either a State or Federal Program Agency may seek to invoke the provisions of the ADRA within 45 days after the date of the Assistant Commissioner's written decision.

(1) The party invoking the ADRA must notify the Assistant Commissioner and any other concerned parties in writing. If all parties, including the Assistant Commissioner, agree in writing, 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.

(2) If the party invoking the ADRA is unable to reach a satisfactory resolution, the Assistant Commissioner's decision will be the final agency action on our part for purposes of the judicial review procedures under the APA.

(f) Any amount due as a result of an appeal or dispute must be paid within 30 days of the date of the decision of the Assistant Commissioner or the date of the resolution under the ADRA. If a State fails to pay, the State will be subject to collection techniques under 31 U.S.C. 3701 *et seq.*, including accrual of interest on outstanding balances and administrative offset.

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?

This subpart B applies to all Federal assistance programs listed in the Catalog of Federal Domestic Assistance that are not subject to subpart A of this part.

§ 205.33 How are funds transfers processed?

(a) A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program

costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A–102 (For availability, see 5 CFR 1310.3.).

(b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

§ 205.34 What are the Federal oversight and compliance responsibilities?

(a) A Federal Program Agency must review the practices of States as necessary to ensure compliance with this subpart B.

(b) A Federal Program Agency must notify us if a State demonstrates an unwillingness or inability to comply with this subpart B.

(c) A Federal Program Agency must formulate procedural instructions specifying the methods for carrying out the responsibilities of this section.

§ 205.35 What is the result of Federal Program Agency or State non-compliance?

We may require a State and a Federal Program Agency to make the affected Federal assistance programs subject to subpart A of this part, consistent with Federal assistance program purposes and regulations, notwithstanding any other provision of this part, if:

(a) A State demonstrates an unwillingness or inability to comply with this subpart B; or

(b) A Federal Program Agency demonstrates an unwillingness or inability to make Federal funds available to a State as needed to carry out a Federal assistance program.

Subpart C [Reserved]

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

Sec.

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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 Bureau of the Fiscal 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 Bureau of the Fiscal 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, Bureau of the Fiscal 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—MANAGEMENT OF FEDERAL AGENCY DISBURSEMENTS

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AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 90, 265, 266, 1767, 1789a; 31 U.S.C. 321, 3122, 3301, 3302, 3303, 3321, 3325, 3327, 3328, 3332, 3335, 3336, 6503; Pub. L. 104–208, 110 Stat. 3009.

SOURCE: 63 FR 51502, Sept. 25, 1998, unless otherwise noted.

§ 208.1 Scope and application.

This part applies to all Federal payments made by an agency and, except as specified in § 208.4, requires such payments to be made by electronic funds transfer. This part does not apply to payments under the Internal Revenue Code of 1986 (26 U.S.C.).

§ 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) *Authorized payment agent* means any individual or entity that is appointed or otherwise selected as a representative payee or fiduciary, under regulations of the Social Security Administration, the Department of Veterans Affairs, the Railroad Retirement Board, or other agency making Federal payments, to act on behalf of an individual entitled to a Federal payment.

(c) *Direct Express® card* means the prepaid debit card issued to recipients of Federal benefits by a Financial Agent pursuant to requirements established by Treasury.

(d) *Disbursement* means, in the context of electronic benefits transfer, the performance of the following duties by a Financial Agent acting as agent of the United States:

(1) The establishment of an account for the recipient that meets the requirements of the Federal Deposit Insurance Corporation or the National Credit Union Administration Board for deposit or share insurance;

(2) The maintenance of such an account;

(3) The receipt of Federal payments through the Automated Clearing House system or other electronic means and crediting of Federal payments to the account; and

(4) The provision of access to funds in the account on the terms specified by Treasury.

(e) *Electronic benefits transfer (EBT)* means the provision of Federal benefit, wage, salary, and retirement payments electronically, through disbursement by a financial institution acting as a Financial Agent. For purposes of this part, EBT includes, but is not limited to, disbursement through an ETA SM, a Federal/State EBT program, or a Direct Express® card account.

(f) *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. For purposes of this part only, the term electronic funds transfer includes a credit card transaction.

(g) *ETA*℠ means the Treasury-designated electronic transfer account made available by a Federally-insured financial institution acting as a Financial Agent in accordance with § 208.5 of this part.

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

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

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

(ii) Vendor and expense reimbursement payments;

(iii) Benefit payments; and

(iv) Miscellaneous payments including, but not limited to: interagency payments; grants; loans; fees; principal, interest, and other payments related to U.S. marketable and nonmarketable securities; overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.

(2) For purposes of this part only, the term ''Federal payment'' does not apply to payments under the Internal Revenue Code of 1986 (26 U.S.C.).

(i) *Federal/State EBT program* means any program that provides access to Federal benefit, wage, salary, and retirement payments and to State-administered benefits through a single delivery system and in which Treasury designates a Financial Agent to disburse the Federal payments.

(j) *Federally-insured financial institution* means any financial institution, the deposits of which are insured by the Federal Deposit Insurance Corporation under 12 U.S.C. Chapter 16 or, in the case of a credit union, the member accounts of which are insured by the National Credit Union Share Insurance Fund under 12 U.S.C. Chapter 14, Subchapter II.

(k) *Financial Agent* means a financial institution that has been designated by Treasury as a Financial Agent for the provision of EBT services under any provision of Federal law, including 12 U.S.C. 90, 265, 266, 1767, and 1789a, and 31 U.S.C. 3122 and 3303, as amended by the Omnibus Consolidated Appropriations Act, 1997, Section 664, Public Law 104–208.

(l) *Financial institution* means:

(1) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(2) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(3) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(4) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union which is eligible to make application to become an insured credit union under section 201 of such Act (12 U.S.C. 1781);

(5) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) which is an insured depository institution (as defined in such Act) (12 U.S.C. 1811 *et seq.*) or is eligible to apply to become an insured depository institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*); and

(6) Any agency or branch of a foreign bank as defined in section 1(b) of the International Banking Act, as amended (12 U.S.C. 3101).

(m) *Individual* means a natural person.

(n) *Recipient* means an individual, corporation, or other public or private entity that is authorized to receive a Federal payment from an agency.

(o) *Secretary* means Secretary of the Treasury.

(p) *Treasury* means the United States Department of the Treasury.

[63 FR 51502, Sept. 25, 1998, as amended at 75 FR 80334, Dec. 22, 2010]

§ 208.3 Payment by electronic funds transfer.

Subject to § 208.4, and notwithstanding any other provision of law, effective January 2, 1999, all Federal payments made by an agency shall be made by electronic funds transfer.

§ 208.4 Waivers.

(a) Payment by electronic funds transfer is not required in the following cases:

(1) Where an individual:

(i) Is receiving a Federal payment by check prior to May 1, 2011. In such cases, the individual may continue to receive those payments by check through February 28, 2013;

(ii) Files a claim for a Federal payment prior to May 1, 2011, and requests payment by check at the time he or she files the claim. In such cases, the individual may receive those payments by check through February 28, 2013;

(iii) Was born prior to May 1, 1921, and is receiving payment by check on March 1, 2013;

(iv) Receives a type of payment that is not eligible for deposit to a Direct Express® card account. In such cases, those payments are not required to be made by electronic funds transfer, unless and until such payments become eligible for deposit to a Direct Express® card account;

(v) Is ineligible for a Direct Express® card because of suspension or cancellation of the individual's card by the Financial Agent;

(vi) Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Direct Express® card account due to a mental impairment, and Treasury has not rejected the request; or

(vii) Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Direct Express® card account due to the individual living in a remote geographic location lacking the infrastructure to support electronic financial transactions, and Treasury has not rejected the request.

(2) Where the political, financial, or communications infrastructure in a foreign country does not support payment by electronic funds transfer;

(3) Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared;

(4) Where either:

(i) A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy, or

(ii) A call or order to, or retention on, active duty of members of the uniformed services is made during a war or national emergency declared by the President or Congress;

(5) Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised;

(6) Where the agency does not expect to make payments to the same recipient within a one-year period on a regular, recurring basis and remittance data explaining the purpose of the payment is not readily available from the recipient's financial institution receiving the payment by electronic funds transfer; and

(7) Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than electronic funds transfer; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than electronic funds transfer.

(b) An individual who requests a waiver under paragraphs (a)(1)(vi) and (vii) of this section shall provide, in writing, to Treasury a certification supporting that request, in such form

that Treasury may prescribe. The individual shall attest to the certification before a notary public, or otherwise file the certification in such form that Treasury may prescribe.

[63 FR 51502, Sept. 25, 1998, as amended at 75 FR 80334, Dec. 22, 2010]

§ 208.5 Availability of the ETA℠.

An individual who receives a Federal benefit, wage, salary, or retirement payment shall be eligible to open an ETA℠ at any Federally-insured financial institution that offers ETAs℠. Any Federally-insured financial institution shall be eligible, but not required, to offer ETAs℠ as Treasury's Financial Agent. A Federally-insured financial institution that elects to offer ETAs℠ shall, upon entering into an ETA℠ Financial Agency Agreement with the Treasury, be designated as Treasury's Financial Agent for the offering of the account pursuant to Public Law 104–208. Treasury shall make publicly available required attributes for ETAs℠ and any ETA℠ offered by a Federally-insured financial institution shall comply with such requirements. The offering of an ETA℠ shall constitute the provision of EBT services within the meaning of Public Law 104–208.

§ 208.6 Availability of the Direct Express® Card.

An individual who receives a Federal benefit, wage, salary, or retirement payment shall be eligible to open a Direct Express® card account. The offering of a Direct Express® card account shall constitute the provision of EBT services within the meaning of Public Law 104–208.

[75 FR 80335, Dec. 22, 2010]

§ 208.7 Agency responsibilities.

An agency shall put into place procedures that allow recipients to provide the information necessary for the delivery of payments to the recipient by electronic funds transfer to an account at the recipient's financial institution or a Direct Express® card account.

[75 FR 80335, Dec. 22, 2010]

§ 208.8 Recipient responsibilities.

Each recipient who is required to receive payment by electronic funds transfer shall provide the information necessary to effect payment by electronic funds transfer.

[75 FR 80335, Dec. 22, 2010]

§ 208.9 Compliance.

(a) Treasury will monitor agencies' compliance with this part. Treasury may require agencies to provide information about their progress in converting payments to electronic funds transfer.

(b) If an agency fails to make payment by electronic funds transfer, as prescribed under this part, Treasury may assess a charge to the agency pursuant to 31 U.S.C. 3335.

§ 208.10 Reservation of rights.

The Secretary reserves the right, in the Secretary's discretion, to waive any provision(s) of this regulation in any case or class of cases.

§ 208.11 Accounts for disaster victims.

Treasury may establish and administer accounts at any financial institution designated as a financial agent for disaster victims in order to allow for the delivery by electronic funds transfer of one or more Federal payments. Such accounts may be established upon terms and conditions that the Secretary considers appropriate or necessary in light of the circumstances. Treasury may deliver payments to these accounts notwithstanding any other payment instructions from the recipient and without regard to the requirements of §§ 208.4 and 208.7 of this part and § 210.5 of this chapter. For purposes of this section, ''disaster victim'' means an individual or entity located within an emergency area, or an individual or entity that has relocated or been displaced from an emergency area as a result of a major disaster or emergency. ''Emergency area'' means a geographical area in which there exists an emergency or disaster declared by the President pursuant to the National Emergencies Act (50 U.S.C. 1601 *et seq.*) or the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 *et seq.*). The maintenance of

accounts and the provision of account-related services under this section shall constitute reasonable duties of a financial agent of the United States.

[71 FR 44585, Aug. 7, 2006, as amended at 75 FR 80335, Dec. 22, 2010]

PART 210—FEDERAL GOVERNMENT PARTICIPATION IN THE AUTOMATED CLEARING HOUSE

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AUTHORITY: 5 U.S.C. 5525; 12 U.S.C. 391; 31 U.S.C. 321, 3301, 3302, 3321, 3332, 3335, and 3720.

SOURCE: 64 FR 17487, Apr. 9, 1999, unless otherwise noted.

§ 210.1 Scope; relation to other regulations.

This part governs all entries and entry data originated or received by an agency through the Automated Clearing House (ACH) network, except as provided in paragraphs (a) and (b) of this section. This part also governs reclamations of benefit payments.

(a) Federal tax payments received by the Federal Government through the ACH system that are governed by part 203 of this title shall not be subject to any provision of this part that is inconsistent with part 203.

(b) ACH credit or debit entries for the purchase of, or payment of principal and interest on, United States securities that are governed by part 370 of this title shall not be subject to any provision of this part that is inconsistent with part 370.

§ 210.2 Definitions.

For purposes of this part, the following definitions apply. Any term that is not defined in this part shall have the meaning set forth in the ACH Rules.

(a) *ACH Rules* means the Operating Rules and the Operating Guidelines published by NACHA—The Electronic Payments Association (NACHA), a national association of regional member clearing house associations, ACH Operators and participating financial institutions located in the United States.

(b) *Actual or constructive knowledge*, when used in reference to an RDFI's knowledge of the death or legal incapacity of a recipient or death of a beneficiary, means that the RDFI received information, by whatever means, of the death or incapacity and has had a reasonable opportunity to act on such information or that the RDFI would have learned of the death or incapacity if it had followed commercially reasonable business practices.

(c) *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. The term agency does not include a Federal Reserve Bank.

(d) *Applicable ACH Rules* means the ACH Rules with an effective date on or before September 18, 2009, as published in Parts IV, V and VII of the ''2009 ACH Rules: A Complete Guide to Rules & Regulations Governing the ACH Network'' (incorporated by reference, § 210.3) except:

(1) ACH Rule 1.1 (limiting the applicability of the ACH Rules to members of an ACH association);

(2) ACH Rule 1.2.2 (governing claims for compensation);

(3) ACH Rules 1.2.4 and 2.2.1.12; Appendix Eight; and Appendix Eleven (governing the enforcement of the ACH Rules, including self-audit requirements);

(4) ACH Rules 2.2.1.10; 2.6; and 4.8 (governing the reclamation of benefit payments);

(5) ACH Rule 9.3 and Appendix Two (requiring that a credit entry be originated no more than two banking days before the settlement date of the entry—see definition of ''Effective Entry Date'' in Appendix Two);

(6) ACH Rule 2.12.2.3 (requiring that originating depository financial institutions (ODFIs) establish exposure limits for Originators of Internet-initiated debit entries);

(7) ACH Rule 2.18 (requiring reporting and reduction of high rates of entries returned as unauthorized); and

(8) ACH Rule 2.11 (International ACH Transactions), which shall not apply (i) until January 1, 2012 to credit entries other than Federal benefit payments delivered to Mexico, Canada and Panama through the FedGlobal ACH Payment System; (ii) until June 30, 2013 for debit entries originated by agencies; and (iii) to entries representing the payment of a Federal tax obligation by a taxpayer.

(e) *Authorized payment agent* means any individual or entity that is appointed or otherwise selected as a representative payee or fiduciary, under regulations of the Social Security Administration, the Department of Veterans Affairs, the Railroad Retirement Board, or other agency making Federal payments, to act on behalf of an individual entitled to a Federal payment.

(f) *Automated Clearing House or ACH* means a funds transfer system governed by the ACH Rules which provides for the interbank clearing of electronic entries for participating financial institutions.

(g) *Beneficiary* means a natural person other than a recipient who is entitled to receive the benefit of all or part of a benefit payment.

(h) *Benefit payment* is a payment for a Federal entitlement program or for an annuity, including, but not limited to, payments for Social Security, Supplemental Security Income, Black Lung, Civil Service Retirement, Railroad Retirement annuity and Railroad Unemployment and Sickness benefits, Department of Veterans Affairs Compensation and Pension, and Worker's Compensation.

(i) *Federal payment* means any payment made by an agency. The term includes, but is not limited to:

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

(2) Vendor and expense reimbursement payments;

(3) Benefit payments; and

(4) Miscellaneous payments including, but not limited to, interagency payments; grants; loans; fees; principal, interest, and other payments related to United States marketable and nonmarketable securities; overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.

(j)(1) *Financial institution* means:

(i) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(ii) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(iii) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(iv) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union which is eligible to apply to become an insured credit union pursuant to section 201 of such Act (12 U.S.C. 1781);

(v) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) which is an insured depository institution as defined in such Act (12 U.S.C. 1811 *et seq.*) or is eligible to apply to become an insured depository institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*); and

(vi) Any agency or branch of a foreign bank as defined in section 1(b) of the International Banking Act, as amended (12 U.S.C. 3101).

(2) In this part, a financial institution may be referred to as an Originating Depository Financial Institution (ODFI) if it transmits entries to its ACH Operator for transmittal to a

Receiving Depository Financial Institution (RDFI), or it may be referred to as an RDFI if it receives entries from its ACH Operator for debit or credit to the accounts of its customers.

(k) *Government entry* means an ACH credit or debit entry or entry data originated or received by an agency.

(l) *Green Book* means the manual issued by the Service which provides financial institutions with procedures and guidelines for processing Government entries.

(m) *Notice of reclamation* means notice sent by electronic, paper, or other means by the Federal Government to an RDFI which identifies the benefit payments that should have been returned by the RDFI because of the death or legal incapacity of a recipient or death of a beneficiary.

(n) *Outstanding total* means the sum of all benefit payments received by an RDFI from an agency after the death or legal incapacity of a recipient or the death of a beneficiary, minus any amount returned to, or recovered by, the Federal Government.

(o) *Recipient* means a natural person, corporation, or other public or private entity that is authorized to receive a Federal payment from an agency.

(p) *Service* means the Bureau of the Fiscal Service, Department of the Treasury.

(q) *Treasury* means the United States Department of the Treasury.

(r) *Treasury Financial Manual* means the manual issued by the Service containing procedures to be observed by all agencies and Federal Reserve Banks with respect to central accounting, financial reporting, and other Federal Government-wide fiscal responsibilities of the Treasury.

[64 FR 17478, Apr. 9, 1999, as amended at 65 FR 18869, Apr. 7, 2000; 66 FR 10580, Feb. 16, 2001; 67 FR 17902, Apr. 11, 2002; 68 FR 33829, June 5, 2003; 70 FR 67366, Nov. 7, 2005; 73 FR 52584, Sept. 10, 2008; 76 FR 59030, Sept. 23, 2011]

§ 210.3 Governing law.

(a) *Federal law*. The rights and obligations of the United States and the Federal Reserve Banks with respect to all Government entries, and the rights of any person or recipient against the United States and the Federal Reserve Banks in connection with any Government entry, are governed by this part, which has the force and effect of Federal law.

(b) *Incorporation by reference—applicable ACH Rules*. (1) This part incorporates by reference the applicable ACH Rules, including rule changes with an effective date on or before September 18, 2009, as published in Parts IV, V, and VII of the ''2009 ACH Rules: A Complete Guide to Rules & Regulations Governing the ACH Network.'' The Director of the Federal Register approves this incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies of the ''ACH Rules'' are available from NACHA—The Electronic Payments Association, 13450 Sunrise Valley Drive, Suite 100, Herndon, Virginia 20171. You may inspect a copy at the Bureau of the Fiscal Service, 401 14th Street, SW., Room 400A, Washington, DC 20227 or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, visit *http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html* or call 202–741–6030.

(2) Any amendment to the applicable ACH Rules that is approved by NACHA—The Electronic Payments Association after January 1, 2009, shall not apply to Government entries unless the Service expressly accepts such amendment by publishing notice of acceptance of the amendment to this part in the FEDERAL REGISTER. An amendment to the ACH Rules that is accepted by the Service shall apply to Government entries on the effective date of the rulemaking specified by the Service in the FEDERAL REGISTER notice expressly accepting such amendment.

(c) *Application of this part*. Any person or entity that originates or receives a Government entry agrees to be bound by this part and to comply with all instructions and procedures issued by the Service under this part, including the Treasury Financial Manual and the Green Book. The Treasury Financial Manual is available for downloading at the Service's web site at *http://www.fiscal.treasury.gov/* or by calling (202) 874–9940 or writing the Directives

Management Branch, Bureau of the Fiscal Service, Department of the Treasury, 3700 East West Highway, Room 500C, Hyattsville, MD 20782. The Green Book is available for downloading at the Service's web site at *http://www.fiscal.treasury.gov/fmsnews.html* or by calling (202) 874–6540 or writing the Product Promotion Division, Bureau of the Fiscal Service, Department of the Treasury, 401 14th Street, SW., Room 309, Washington, DC 20227.

[64 FR 17478, Apr. 9, 1999, as amended at 65 FR 18869, Apr. 7, 2000; 66 FR 10580, Feb. 16, 2001; 67 FR 17903, Apr. 11, 2002; 68 FR 33830, June 5, 2003; 69 FR 18803, Apr. 9, 2004; 70 FR 67367, Nov. 7, 2005; 73 FR 52584, Sept. 10, 2008; 76 FR 59030, Sept. 23, 2011]

Subpart A—General

§ 210.4 Authorizations and revocations of authorizations.

(a) *Requirements for authorization.* Each debit and credit entry subject to this part shall be authorized in accordance with the applicable ACH Rules and the following additional requirements:

(1) The agency or the RDFI that accepts the recipient's authorization shall verify the identity of the recipient and, in the case of a written authorization requiring the recipient's signature, the validity of the recipient's signature.

(2) Unless authorized in writing, or similarly authenticated, by an agency, no person or entity shall initiate or transmit a debit entry to that agency, other than a reversal of a credit entry previously sent to the agency.

(b) *Terms of authorizations.* By executing an authorization for an agency to initiate entries, a recipient agrees:

(1) To the provisions of this part;

(2) To provide accurate information;

(3) To verify the recipient's identity to the satisfaction of the RDFI or agency, whichever has accepted the authorization;

(4) That any new authorization inconsistent with a previous authorization shall supersede the previous authorization; and

(5) That the Federal Government may reverse any duplicate or erroneous entry or file as provided in § 210.6(f) of this part.

(c) *Termination and revocation of authorizations.* An authorization shall remain valid until it is terminated or revoked by:

(1) With respect to a recipient of benefit payments, a change in the recipient's ownership of the deposit account as reflected in the deposit account records, including the removal of the name of the recipient, the addition of a power of attorney, or any action which alters the interest of the recipient;

(2) The death or legal incapacity of a recipient of benefit payments or the death of a beneficiary;

(3) The closing of the recipient's account at the RDFI by the recipient or by the RDFI. With respect to a recipient of benefit payments, if an RDFI closes an account to which benefit payments currently are being sent, it shall provide 30 calendar days written notice to the recipient prior to closing the account, except in cases of fraud; or

(4) The RDFI's insolvency, closure by any state or Federal regulatory authority or by corporate action, or the appointment of a receiver, conservator, or liquidator for the RDFI. In any such event, the authorization shall remain valid if a successor is named. The Federal Government may temporarily transfer authorizations to a consenting RDFI. The transfer is valid until either a new authorization is executed by the recipient, or 120 calendar days have elapsed since the insolvency, closure, or appointment, whichever occurs first.

§ 210.5 Account requirements for Federal payments.

(a) Notwithstanding ACH Rules 2.1.2, 4.1.3, and Appendix Two, section 2.2 (listing general ledger and loan accounts as permissible transaction codes), an ACH credit entry representing a Federal payment other than a vendor payment shall be deposited into a deposit account at a financial institution. For all payments other than vendor payments, the account at the financial institution shall be in the name of the recipient, except as provided in paragraph (b) of this section.

(b)(1) Where an authorized payment agent has been selected, the Federal

payment shall be deposited into an account titled in accordance with the regulations governing the authorized payment agent.

(2) Where a Federal payment is to be deposited into an investment account established through a securities broker or dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, or an investment account established through an investment company registered under the Investment Company Act of 1940 or its transfer agent, such payment may be deposited into an account designated by such broker or dealer, investment company, or transfer agent.

(3) Where an agency is issuing part or all of an employee's travel reimbursement payment to the official travel card issuing bank, as authorized or required by Office of Management and Budget guidance or the Federal Travel Regulation, the ACH credit entry representing the payment may be deposited to the account of the travel card issuing bank for credit to the employee's travel card account at the bank.

(4) Where a Federal payment is to be disbursed through a debit card, stored value card, prepaid card or similar payment card program established by the Service, the Federal payment may be deposited to an account at a financial institution designated by the Service as a financial or fiscal agent. The account title, access terms and other account provisions may be specified by the Service.

(5)(i) Where a Federal payment is to be deposited to an account accessed by the recipient through a prepaid card that meets the following requirements:

(A) The account is held at an insured financial institution;

(B) The account is set up to meet the requirements for pass-through deposit or share insurance such that the funds accessible through the card are insured for the benefit of the recipient by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund in accordance with applicable law (12 CFR part 330 or 12 CFR part 745);

(C) The account is not attached to a line of credit or loan agreement under which repayment from the account is triggered upon delivery of the Federal payments; and

(D) The issuer of the card complies with all of the requirements, and provides the holder of the card with all of the consumer protections, that apply to a payroll card account under the rules implementing the Electronic Fund Transfer Act, as amended.

(ii) No person or entity may issue a prepaid card that receives Federal payments in violation of this subsection, and no financial institution may maintain an account for or on behalf of an issuer of a prepaid card that receives Federal payments if the issuer violates this paragraph.

(iii) For the purposes of this paragraph (b)(5), the term—

(A) ''Payroll card account'' shall have the same meaning as that term is defined in the rules implementing the Electronic Fund Transfer Act;

(B) ''Prepaid card'' means a card, code, or other means of access to funds of a recipient; and

(C) ''Issuer'' means a person or entity that issues a prepaid card.

(6) Where a Federal payment is disbursed to a resident of a nursing facility, as defined in 42 U.S.C. 1396r, the payment may be deposited into a resident trust or patient fund account established by the nursing facility pursuant to requirements under Federal law relating to the protection of such funds.

(7) Where a Federal payment is disbursed to a member of a religious order who has taken a vow of poverty, the payment may be deposited to an account established by the religious order. As used in this paragraph, the phrase ''member of a religious order who has taken a vow of poverty'' is defined as it would be by the Internal Revenue Service for Federal tax purposes.

(8) The Secretary of the Treasury may waive the requirements of paragraph (a) of this section in any case or class of cases.

[64 FR 17478, Apr. 9, 1999, as amended at 65 FR 18869, Apr. 7, 2000; 73 FR 52584, Sept. 10, 2008; 75 FR 80339, Dec. 22, 2010; 76 FR 59031, Sept. 23, 2011]

§ 210.6 Agencies.

Notwithstanding ACH Rules 2.2.3, 2.4.5, 2.5.2, 4.2, and 8.7.2, agencies shall be subject to the obligations and liabilities set forth in this section in connection with Government entries.

(a) *Receiving entries.* An agency may receive ACH debit or credit entries only with the prior written authorization of the Service.

(b) *Liability to a recipient.* An agency will be liable to the recipient for any loss sustained by the recipient as a result of the agency's failure to originate a credit or debit entry in accordance with this part. The agency's liability shall be limited to the amount of the entry(ies).

(c) *Liability to an originator.* An agency will be liable to an originator or an ODFI for any loss sustained by the originator or ODFI as a result of the agency's failure to credit an ACH entry to the agency's account in accordance with this part. The agency's liability shall be limited to the amount of the entry(ies).

(d) *Liability to an RDFI or ACH association.* Except as otherwise provided in this part, an agency will be liable to an RDFI for losses sustained in processing duplicate or erroneous credit and debit entries originated by the agency. An agency's liability shall be limited to the amount of the entry(ies), and shall be reduced by the amount of the loss resulting from the failure of the RDFI to exercise due diligence and follow standard commercial practices in processing the entry(ies). This section does not apply to credits received by an RDFI after the death or legal incapacity of a recipient of benefit payments or the death of a beneficiary as governed by subpart B of this part. An agency shall not be liable to any ACH association.

(e) *Acquittance of the agency.* The final crediting of the amount of an entry to a recipient's account shall constitute full acquittance of the Federal Government.

(f) *Reversals.* An agency may reverse any duplicate or erroneous entry, and the Federal Government may reverse any duplicate or erroneous file. In initiating a reversal, an agency shall certify to the Service that the reversal complies with applicable law related to the recovery of the underlying payment. An agency that reverses an entry shall indemnify the RDFI as provided in the applicable ACH Rules, but the agency's liability shall be limited to the amount of the entry. If the Federal Government reverses a file, the Federal Government shall indemnify the RDFI as provided in the applicable ACH Rules, but the extent of such liability shall be limited to the amount of the entries comprising the duplicate or erroneous file. Reversals under this section shall comply with the time limitations set forth in the applicable ACH Rules.

(g) *Point-of-purchase debit entries.* An agency may originate a Point-of-Purchase (POP) entry using a check drawn on a consumer or business account and presented at a point-of-purchase unless the Receiver opts out in accordance with the ACH Rules. The requirements of ACH Rules 2.1.2 and 3.12 shall be met for such an entry if the Receiver presents the check at a location where the agency has posted the notice required by the ACH Rules and has provided the Receiver with a copy of the notice.

(h) *Returned item service fee.* An agency that has authority to collect returned item service fees may do so by originating an ACH debit entry to collect a one-time service fee in connection with an ARC, POP or BOC entry that is returned due to insufficient funds. An entry originated pursuant to this paragraph shall meet the requirements of ACH Rules 2.1.2 and 3.5 if the agency includes the following statement in the required notice(s) to the Receiver: ''If the electronic fund transfer cannot be completed because there are insufficient funds in your account, we may impose a one-time fee of $ [_____] against your account, which we will also collect by electronic fund transfer.''

[64 FR 17487, Apr. 9, 1999, as amended at 67 FR 17903, Apr. 11, 2002; 69 FR 13189, Mar. 19, 2004; 70 FR 67367, Nov. 7, 2005; 73 FR 52584, Sept. 10, 2008]

§ 210.7 Federal Reserve Banks.

(a) *Fiscal Agents.* Each Federal Reserve Bank serves as Fiscal Agent of the Treasury in carrying out its duties as the Federal Government's ACH Operator under this part. As Fiscal Agent,

each Federal Reserve Bank shall be responsible only to the Treasury and not to any other party for any loss resulting from the Federal Reserve Bank's action, notwithstanding Section 11.5 and Article 8 of the ACH Rules. Each Federal Reserve Bank may issue operating circulars not inconsistent with this part which shall be binding on financial institutions.

(b) *Routing numbers*. All routing numbers issued by a Federal Reserve Bank to an agency require the prior approval of the Service.

§ 210.8 Financial institutions.

(a) *Status as a Treasury depositary*. The origination or receipt of an entry subject to this part does not render a financial institution a Treasury depositary. A financial institution shall not advertise itself as a Treasury depositary on such basis.

(b) *Liability*. Notwithstanding ACH Rules 2.2.3, 2.4.5, 2.5.2, 4.2, and 8.7.2, if the Federal Government sustains a loss as a result of a financial institution's failure to handle an entry in accordance with this part, the financial institution shall be liable to the Federal Government for the loss, up to the amount of the entry, except as otherwise provided in this section. A financial institution shall not be liable to any third party for any loss or damage resulting directly or indirectly from an agency's error or omission in originating an entry. Nothing in this section shall affect any obligation or liability of a financial institution under Regulation E, 12 CFR part 205, or the Electronic Funds Transfer Act, 12 U.S.C. 1693 *et seq*.

(1) An ODFI that transmits a debit entry to an agency without the prior written or similarly authenticated authorization of the agency, shall be liable to the Federal Government for the amount of the transaction, plus interest. The Service may collect such funds using procedures established in the applicable ACH Rules or by instructing a Federal Reserve Bank to debit the ODFI's account at the Federal Reserve Bank or the account of its designated correspondent. The interest charge shall be at a rate equal to the Federal funds rate plus two percent, and shall be assessed for each calendar day, from the day the Treasury General Account (TGA) was debited to the day the TGA is recredited with the full amount due.

(2) An RDFI that accepts an authorization in violation of § 210.4(a) shall be liable to the Federal Government for all credits or debits made in reliance on the authorization. An RDFI that transmits to an agency an authorization containing an incorrect account number shall be liable to the Federal Government for any resulting loss, up to the amount of the payment(s) made on the basis of the incorrect number. If an agency determines, after appropriate investigation, that a loss has occurred because an RDFI transmitted an authorization or notification of change containing an incorrect account number, the agency may instruct the Service to direct a Federal Reserve Bank to debit the RDFI's account for the amount of the payment(s) made on the basis of the incorrect number. The agency shall notify the RDFI of the results of its investigation and provide the RDFI with a reasonable opportunity to respond before initiating such a debit.

(c) *Acquittance of the financial institution*. The final crediting of the correct amount of an entry received and processed by the Federal Reserve Bank and posted to the TGA shall constitute full acquittance of the ODFI and the originator for the amount of the entry. Full acquittance shall not occur if the entries do not balance, are incomplete, are incorrect, or are incapable of being processed. In the case of funds collected by an agency through origination of a debit entry, full acquittance shall not occur until the underlying payment becomes final.

(d) *Notice of misdirected payment*. If an RDFI becomes aware that an agency has originated an ACH credit entry to an account that is not owned by the payee whose name appears in the ACH payment information, the RDFI shall promptly notify the agency. An RDFI that originates a Notification of Change (NOC) entry with the correct account and/or Routing and Transit Number information, or returns the original ACH credit entry to the agency with an appropriate return reason

code, shall be deemed to have satisfied this requirement.

[64 FR 17487, Apr. 9, 1999, as amended at 69 FR 13189, Mar. 19, 2004; 70 FR 67367, Nov. 7, 2005]

Subpart B—Reclamation of Benefit Payments

§ 210.9 Parties to the reclamation.

(a) *Agreement of RDFI.* An RDFI's acceptance of a benefit payment pursuant to this part shall constitute its agreement to this subpart. By accepting a benefit payment subject to this part, the RDFI authorizes the debiting of the Federal Reserve Bank account utilized by the RDFI in accordance with the provisions of § 210.10(e).

(b) *The Federal Government.* In processing reclamations pursuant to this subpart, the Service shall act pursuant to the direction of the agency that certified the benefit payment(s) being reclaimed.

§ 210.10 RDFI liability.

(a) *Full liability.* An RDFI shall be liable to the Federal Government for the total amount of all benefit payments received after the death or legal incapacity of a recipient or the death of a beneficiary unless the RDFI has the right to limit its liability under § 210.11 of this part. An RDFI shall return any benefit payments received after the RDFI becomes aware of the death or legal incapacity of a recipient or the death of a beneficiary, regardless of the manner in which the RDFI discovers such information. If the RDFI learns of the death or legal incapacity of a recipient or death of a beneficiary from a source other than notice from the agency issuing payments to the recipient, the RDFI shall immediately notify the agency of the death or incapacity. The proper use of the R15 or R14 return reason code shall be deemed to constitute such notice.

(b) *Notice of reclamation.* Upon receipt of a notice of reclamation, an RDFI shall provide the information required by the notice of reclamation and return the amount specified in the notice of reclamation in a timely manner.

(c) *Exception to liability rule.* An RDFI shall not be liable for post-death benefit payments sent to a recipient acting as a representative payee or fiduciary on behalf of a beneficiary, if the beneficiary was deceased at the time the authorization was executed and the RDFI did not have actual or constructive knowledge of the death of the beneficiary.

(d) *Time limits.* An agency that initiates a request for a reclamation must do so within 120 calendar days after the date that the agency first has actual or constructive knowledge of the death or legal incapacity of a recipient or the death of a beneficiary. An agency may not reclaim any post-death or post-incapacity payment made more than six years prior to the date of the notice of reclamation; provided, however, that if the account balance at the time the RDFI receives the notice of reclamation exceeds the total amount of post-death or post-incapacity payments made by the agency during such six-year period, this limitation shall not apply and the RDFI shall be liable for the total amount of all post-death or post-incapacity payments made, up to the amount in the account at the time the RDFI receives the notice of reclamation and has had a reasonable opportunity to act on the notice (not to exceed one business day).

(e) *Debit of RDFI's account.* If an RDFI does not return the full amount of the outstanding total or any other amount for which the RDFI is liable under this subpart in a timely manner, the Federal Government will collect the amount outstanding by instructing the appropriate Federal Reserve Bank to debit the account utilized by the RDFI. The Federal Reserve Bank will provide advice of the debit to the RDFI.

[64 FR 17487, Apr. 9, 1999, as amended at 69 FR 13189, Mar. 19, 2004]

§ 210.11 Limited liability.

(a) *Right to limit its liability.* If an RDFI does not have actual or constructive knowledge of the death or legal incapacity of a recipient or the death of a beneficiary at the time it receives one or more benefit payments on behalf of the recipient, the RDFI's liability to the agency for those payments shall be limited to:

(1) An amount equal to:

(i) The amount in the account at the time the RDFI receives the notice of reclamation and has had a reasonable opportunity (not to exceed one business day) to act on the notice, plus any additional benefit payments made to the account by the agency before the RDFI responds in full to the notice of reclamation, or

(ii) The outstanding total, whichever is less; plus

(2) If the agency is unable to collect the entire outstanding total, an additional amount equal to:

(i) The benefit payments received by the RDFI from the agency within 45 days after the death or legal incapacity of the recipient or death of the beneficiary, or

(ii) The balance of the outstanding total, whichever is less.

(b) *Qualification for limited liability*. In order to limit its liability as provided in this section, an RDFI shall:

(1) Certify that at the time the benefit payments were credited to or withdrawn from the account, the RDFI had no actual or constructive knowledge of the death or legal incapacity of the recipient or death of the beneficiary;

(2) Certify the date the RDFI first had actual or constructive knowledge of the death or legal incapacity of the recipient or death of the beneficiary, regardless of how and where such information was obtained;

(3)(i) Provide the name, last known address and phone number, as shown on the RDFI's records, of the following person(s):

(A) The recipient and any co-owner(s) of the recipient's account;

(B) All other person(s) authorized to withdraw funds from the recipient's account; and

(C) All person(s) who withdrew funds from the recipient's account after the death or legal incapacity of the recipient or death of the beneficiary.

(ii) If persons are not identified for any of these subcategories, the RDFI must certify that no such information is available and why no such information is available; and

(4) Fully and accurately complete all certifications on the notice of reclamation and comply with the requirements of this part.

(c) *Payment of limited liability amount*. If the RDFI qualifies for limited liability under this subpart, it shall immediately return to the Federal Government the amount specified in § 210.11(a)(1). The agency will then attempt to collect the amount of the outstanding total not returned by the RDFI. If the agency is unable to collect that amount, the Federal Government will instruct the appropriate Federal Reserve Bank to debit the account utilized by the RDFI at that Federal Reserve Bank for the amount specified in § 210.11(a)(2).

(d) *Violation of subpart B*. An RDFI that fails to comply with any provision of this subpart in a timely and accurate manner, including but not limited to the certification requirements at § 210.11(b) and the notice requirements at § 210.13, shall be liable to the Federal Government for any loss resulting from its act or omission. Any such liability shall be in addition to the amount(s) for which the RDFI is liable under § 210.10 or § 210.11, as applicable.

[64 FR 17487, Apr. 9, 1999, as amended at 69 FR 13189, Mar. 19, 2004; 76 FR 59031, Sept. 23, 2011]

§ 210.12 RDFI's rights of recovery.

(a) *Matters between the RDFI and its customer*. This subpart does not authorize or direct an RDFI to debit or otherwise affect the account of a recipient. Nothing in this subpart shall be construed to affect the right an RDFI has under state law or the RDFI's contract with a recipient to recover any amount from the recipient's account.

(b) *Liability unaffected*. The liability of the RDFI under this subpart is not affected by actions taken by the RDFI to recover any portion of the outstanding total from any party.

§ 210.13 Notice to account owners.

Provision of notice by RDFI. Upon receipt by an RDFI of a notice of reclamation, the RDFI immediately shall mail to the last known address of the account owner(s) or otherwise provide to the account owner(s) a copy of any notice required by the Service to be provided to account owners as specified in the Green Book. Proof that this notice was sent may be required by the Service.

§210.14 Erroneous death information.

(a) *Notification of error to the agency.* If, after the RDFI responds fully to the notice of reclamation, the RDFI learns that the recipient or beneficiary is not dead or legally incapacitated or that the date of death is incorrect, the RDFI shall inform the agency that certified the underlying payment(s) and directed the Service to reclaim the funds in dispute.

(b) *Resolution of dispute.* The agency that certified the underlying payment(s) and directed the Service to reclaim the funds will attempt to resolve the dispute with the RDFI in a timely manner. If the agency determines that the reclamation was improper, in whole or in part, the agency shall notify the RDFI and shall return the amount of the improperly reclaimed funds to the RDFI. Upon certification by the agency of an improper reclamation, the Service may instruct the appropriate Federal Reserve Bank to credit the account utilized by the RDFI at the Federal Reserve Bank in the amount of the improperly reclaimed funds.

[64 FR 17487, Apr. 9, 1999, as amended at 69 FR 13189, Mar. 19, 2004]

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 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; 66 FR 63623, Dec. 10, 2001]

§ 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 212—GARNISHMENT OF ACCOUNTS CONTAINING FEDERAL BENEFIT PAYMENTS

Sec.

212.1 Purpose.
212.2 Scope.
212.3 Definitions.
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APPENDIX A TO PART 212—MODEL NOTICE TO ACCOUNT HOLDER
APPENDIX B TO PART 212—FORM OF NOTICE OF RIGHT TO GARNISH FEDERAL BENEFITS
APPENDIX C TO PART 212—EXAMPLES OF THE LOOKBACK PERIOD AND PROTECTED AMOUNT

AUTHORITY: 5 U.S.C. 8346; 5 U.S.C. 8470; 5 U.S.C. 1103; 31 U.S.C. 321; 31 U.S.C. 3321; 31 U.S.C. 3332; 38 U.S.C. 5301(a); 38 U.S.C. 501(a); 42 U.S.C. 405(a); 42 U.S.C. 407; 42 U.S.C. 659; 42 U.S.C. 1383(d)(1); 45 U.S.C. 231f(b); 45 U.S.C. 231m; 45 U.S.C. 352(e); 45 U.S.C. 362(1).

SOURCE: 76 FR 9955, Feb. 23, 2011, unless otherwise noted.

§ 212.1 Purpose.

The purpose of this part is to implement statutory provisions that protect Federal benefits from garnishment by establishing procedures that a financial institution must follow when served a garnishment order against an account holder into whose account a Federal benefit payment has been directly deposited.

§ 212.2 Scope.

This part applies to:

(a) *Entities.* All financial institutions, as defined in § 212.3.

(b) *Funds.* Federal benefit payments protected from garnishment pursuant to the following authorities:

(1) SSA benefit payments protected under 42 U.S.C. 407 and 42 U.S.C. 1383(d)(1);

(2) VA benefit payments protected under 38 U.S.C. 5301(a);

(3) RRB benefit payments protected under 45 U.S.C. 231m(a) and 45 U.S.C. 352(e); and

(4) OPM benefit payments protected under 5 U.S.C. 8346 and 5 U.S.C. 8470.

§ 212.3 Definitions.

For the purposes of this part, the following definitions apply.

Account means an account, including a master account or sub account, at a

financial institution and to which an electronic payment may be directly routed.

Account holder means a natural person against whom a garnishment order is issued and whose name appears in a financial institution's records as the direct or beneficial owner of an account.

Account review means the process of examining deposits in an account to determine if a benefit agency has deposited a benefit payment into the account during the lookback period.

Benefit agency means the Social Security Administration (SSA), the Department of Veterans Affairs (VA), the Office of Personnel Management (OPM), or the Railroad Retirement Board (RRB).

Benefit payment means a Federal benefit payment referred to in § 212.2(b) paid by direct deposit to an account with the character ''XX'' encoded in positions 54 and 55 of the Company Entry Description field and the number ''2'' encoded in the Originator Status Code field of the Batch Header Record of the direct deposit entry.

Federal banking agency means the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration.

Financial institution means a bank, savings association, credit union, or other entity chartered under Federal or State law to engage in the business of banking.

Freeze or *account freeze* means an action by a financial institution to seize, withhold, or preserve funds, or to otherwise prevent an account holder from drawing on or transacting against funds in an account, in response to a garnishment order.

Garnish or *garnishment* means execution, levy, attachment, garnishment, or other legal process.

Garnishment fee means any service or legal processing fee, charged by a financial institution to an account holder, for processing a garnishment order or any associated withholding or release of funds.

Garnishment order or *order* means a writ, order, notice, summons, judgment, levy or similar written instruction issued by a court, a State or State agency, a municipality or municipal corporation, or a State child support enforcement agency, including a lien arising by operation of law for overdue child support or an order to freeze the assets in an account, to effect a garnishment against a debtor.

Lookback period means the two month period that begins on the date preceding the date of account review and ends on the corresponding date of the month two months earlier, or on the last date of the month two months earlier if the corresponding date does not exist. Examples illustrating the application of this definition are included in appendix C to this part.

Protected amount means the lesser of the sum of all benefit payments posted to an account between the close of business on the beginning date of the lookback period and the open of business on the ending date of the lookback period, or the balance in an account when the account review is performed. Examples illustrating the application of this definition are included in Appendix C to this part.

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, or the United States Virgin Islands.

State child support enforcement agency means the single and separate organizational unit in a State that has the responsibility for administering or supervising the State's plan for child and spousal support pursuant to Title IV, Part D, of the Social Security Act, 42 U.S.C. 654.

United States means:

(1) A Federal corporation,

(2) An agency, department, commission, board, or other entity of the United States, or

(3) An instrumentality of the United States, as set forth in 28 U.S.C. 3002(15).

[76 FR 9955, Feb. 23, 2011, as amended at 78 FR 32109, May 29, 2013]

§ 212.4 Initial action upon receipt of a garnishment order.

(a) *Examination of order for Notice of Right to Garnish Federal Benefits.* Prior to taking any other action related to a

garnishment order issued against a debtor, and no later than two business days following receipt of the order, a financial institution shall examine the order to determine if the United States or a State child support enforcement agency has attached or included a Notice of Right to Garnish Federal Benefits, as set forth in Appendix B to this part.

(b) *Notice of Right to Garnish Federal Benefits is attached to or included with the order*. If a Notice of Right to Garnish Federal Benefits is attached to or included with the garnishment order, then the financial institution shall follow its otherwise customary procedures for handling the order and shall not follow the procedures in § 212.5 and § 212.6.

(c) *No Notice of Right to Garnish Federal Benefits*. If a Notice of Right to Garnish Federal Benefits is not attached to or included with the garnishment order, then the financial institution shall follow the procedures in § 212.5 and § 212.6.

§ 212.5 Account review.

(a) *Timing of account review*. When served a garnishment order issued against a debtor, a financial institution shall perform an account review:

(1) No later than two business days following receipt of (A) the order, and (B) sufficient information from the creditor that initiated the order to determine whether the debtor is an account holder, if such information is not already included in the order; or

(2) In cases where the financial institution is served a batch of a large number of orders, by a later date that may be permitted by the creditor that initiated the orders, consistent with the terms of the orders. The financial institution shall maintain records on such batches and creditor permissions, consistent with § 212.11(b),

(b) *No benefit payment deposited during lookback period*. If the account review shows that a benefit agency did not deposit a benefit payment into the account during the lookback period, then the financial institution shall follow its otherwise customary procedures for handling the garnishment order and shall not follow the procedures in § 212.6.

(c) *Benefit payment deposited during lookback period*. If the account review shows that a benefit agency deposited a benefit payment into the account during the lookback period, then the financial institution shall follow the procedures in § 212.6.

(d) *Uniform application of account review*. The financial institution shall perform an account review without consideration for any other attributes of the account or the garnishment order, including but not limited to:

(1) The presence of other funds, from whatever source, that may be commingled in the account with funds from a benefit payment;

(2) The existence of a co-owner on the account;

(3) The existence of benefit payments to multiple beneficiaries, and/or under multiple programs, deposited in the account;

(4) The balance in the account, provided the balance is above zero dollars on the date of account review;

(5) Instructions to the contrary in the order; or

(6) The nature of the debt or obligation underlying the order.

(e) *Priority of account review*. The financial institution shall perform the account review prior to taking any other actions related to the garnishment order that may affect funds in the account.

(f) *Separate account reviews*. The financial institution shall perform the account review separately for each account in the name of an account holder against whom a garnishment order has been issued. In performing account reviews for multiple accounts in the name of one account holder, a financial institution shall not trace the movement of funds between accounts by attempting to associate funds from a benefit payment deposited into one account with amounts subsequently transferred to another account.

§ 212.6 Rules and procedures to protect benefits.

The following provisions apply if an account review shows that a benefit agency deposited a benefit payment into an account during the lookback period.

(a) *Protected amount.* The financial institution shall immediately calculate and establish the protected amount for an account. The financial institution shall ensure that the account holder has full and customary access to the protected amount, which the financial institution shall not freeze in response to the garnishment order. An account holder shall have no requirement to assert any right of garnishment exemption prior to accessing the protected amount in the account.

(b) *Separate protected amounts.* The financial institution shall calculate and establish the protected amount separately for each account in the name of an account holder, consistent with the requirements in § 212.5(f) to conduct distinct account reviews.

(c) *No challenge of protection.* A protected amount calculated and established by a financial institution pursuant to this section shall be conclusively considered to be exempt from garnishment under law.

(d) *Funds in excess of the protected amount.* For any funds in an account in excess of the protected amount, the financial institution shall follow its otherwise customary procedures for handling garnishment orders, including the freezing of funds, but consistent with paragraphs (f) and (g) of this section.

(e) *Notice.* The financial institution shall issue a notice to the account holder named in the garnishment order, in accordance with § 212.7.

(f) *One-time account review process.* The financial institution shall perform the account review only one time upon the first service of a given garnishment order. The financial institution shall not repeat the account review or take any other action related to the order if the same order is subsequently served again upon the financial institution. If the financial institution is subsequently served a new or different garnishment order against the same account holder, the financial institution shall perform a separate and new account review.

(g) *No continuing or periodic garnishment responsibilities.* The financial institution shall not continually garnish amounts deposited or credited to the account following the date of account review, and shall take no action to freeze any funds subsequently deposited or credited, unless the institution is served with a new or different garnishment order, consistent with the requirements of this part.

(h) *Impermissible garnishment fee.* The financial institution may not charge or collect a garnishment fee against a protected amount. The financial institution may charge or collect a garnishment fee up to five business days after the account review if funds other than a benefit payment are deposited to the account within this period, provided that the fee may not exceed the amount of the non-benefit deposited funds.

[76 FR 9955, Feb. 23, 2011, as amended at 78 FR 32109, May 29, 2013]

§ 212.7 Notice to the account holder.

A financial institution shall issue the notice required by § 212.6(e) in accordance with the following provisions.

(a) *Notice requirement.* The financial institution shall send the notice in cases where:

(1) A benefit agency deposited a benefit payment into an account during the lookback period;

(2) The balance in the account on the date of account review was above zero dollars and the financial institution established a protected amount; and

(3) There are funds in the account in excess of the protected amount.

(b) *Notice content.* The financial institution shall notify the account holder named in the garnishment order of the following facts and events in readily understandable language.

(1) The financial institution's receipt of an order against the account holder.

(2) The date on which the order was served.

(3) A succinct explanation of garnishment.

(4) The financial institution's requirement under Federal regulation to ensure that account balances up to the protected amount specified in § 212.3 are protected and made available to the account holder if a benefit agency deposited a benefit payment into the account in the last two months.

(5) The account subject to the order and the protected amount established by the financial institution.

(6) The financial institution's requirement pursuant to State law to freeze other funds in the account to satisfy the order and the amount frozen, if applicable.

(7) The amount of any garnishment fee charged to the account, consistent with § 212.6.

(8) A list of the Federal benefit payments subject to this part, as identified in § 212.2(b).

(9) The account holder's right to assert against the creditor that initiated the order a further garnishment exemption for amounts above the protected amount, by completing exemption claim forms, contacting the court of jurisdiction, or contacting the creditor, as customarily applicable for a given jurisdiction.

(10) The account holder's right to consult an attorney or legal aid service in asserting against the creditor that initiated the order a further garnishment exemption for amounts above the protected amount.

(11) The name of the creditor, and, if contact information is included in the order, means of contacting the creditor.

(c) *Optional notice content*. The financial institution may notify the account holder named in the garnishment order of the following facts and events in readily understandable language.

(1) Means of contacting a local free attorney or legal aid service.

(2) Means of contacting the financial institution,

(3) By issuing the notice required by this part, the financial institution is not providing legal advice.

(d) *Amending notice content*. The financial institution may amend the content of the notice to integrate information about a State's garnishment rules and protections, for the purposes of avoiding potential confusion or harmonizing the notice with State requirements, or providing more complete information about an account.

(e) *Notice delivery*. The financial institution shall issue the notice directly to the account holder, or to a fiduciary who administers the account and receives communications on behalf of the account holder, and only information and documents pertaining to the garnishment order, including other notices or forms that may be required under State or local government law, may be included in the communication.

(f) *Notice timing*. The financial institution shall send the notice to the account holder within 3 business days from the date of account review.

(g) *One notice for multiple accounts*. The financial institution may issue one notice with information related to multiple accounts of an account holder.

(h) *Not legal advice*. By issuing a notice required by this part, a financial institution creates no obligation to provide, and shall not be deemed to be offering, legal advice.

[76 FR 9955, Feb. 23, 2011, as amended at 78 FR 32109, May 29, 2013]

§ 212.8 Other rights and authorities.

(a) *Exempt status*. Nothing in this part shall be construed to limit an individual's right under Federal law to assert against a creditor a further exemption from garnishment for funds in excess of the protected amount, or to alter the exempt status of funds that may be protected from garnishment under Federal law.

(b) *Account agreements*. Nothing in this part shall be construed to invalidate any term or condition of an account agreement between a financial institution and an account holder that is not inconsistent with this part.

§ 212.9 Preemption of State law.

(a) *Inconsistent law preempted*. Any State or local government law or regulation that is inconsistent with a provision of this part is preempted to the extent of the inconsistency. A State law or regulation is inconsistent with this part if it requires a financial institution to take actions or make disclosures that contradict or conflict with the requirements of this part or if a financial institution cannot comply with the State law or regulation without violating this part.

(b) *Consistent law not preempted*. This regulation does not annul, alter, affect, or exempt any financial institution from complying with the laws of any State with respect to garnishment practices, except to the extent of an inconsistency. A requirement under

State law to protect benefit payments in an account from freezing or garnishment at a higher protected amount than is required under this part is not inconsistent with this part if the financial institution can comply with both this part and the State law requirement.

§ 212.10 Safe harbor.

(a) *Protection during examination and pending review.* A financial institution that complies in good faith with this part shall not be liable to a creditor that initiates a garnishment order, or for any penalties under State law, contempt of court, civil procedure, or other law for failing to honor a garnishment order, for account activity during:

(1) The two business days following the financial institution's receipt of a garnishment order during which the financial institution must determine if the United States or a State child support enforcement agency has attached or included a Notice of Right to Garnish Federal Benefits, as set forth in § 212.4; or

(2) The time between the financial institution's receipt of the garnishment order and the date by which the financial institution must perform the account review, as set forth in § 212.5.

(b) *Protection when protecting or freezing funds.* A financial institution that complies in good faith with this part shall not be liable to a creditor that initiates a garnishment order for any protected amounts, to an account holder for any frozen amounts, or for any penalties under State law, contempt of court, civil procedure, or other law for failing to honor a garnishment order in cases where:

(1) A benefit agency has deposited a benefit payment into an account during the lookback period, or

(2) The financial institution has determined that the order was obtained by the United States or issued by a State child support enforcement agency by following the procedures in § 212.4.

(c) *Protection for providing additional information to account holder.* A financial institution shall not be liable for providing in good faith any optional information in the notice to the account holder, as set forth in § 212.7(c) and (d).

(d) *Protection for financial institutions from other potential liabilities.* A financial institution that complies in good faith with this part shall not be liable for:

(1) Bona fide errors that occur despite reasonable procedures maintained by the financial institution to prevent such errors in complying with the provisions of this part;

(2) Customary clearing and settlement adjustments that affect the balance in an account, including a protected amount, such as deposit reversals caused by the return of unpaid items, or debit card transactions settled for amounts higher than the amounts originally authorized; or

(3) Honoring an account holder's express written instruction, that is both dated and provided by the account holder to the financial institution following the date on which it has been served a particular garnishment order, to use an otherwise protected amount to satisfy the order.

§ 212.11 Compliance and record retention.

(a) *Enforcement.* Federal banking agencies will enforce compliance with this part.

(b) *Record retention.* A financial institution shall maintain records of account activity and actions taken in response to a garnishment order, sufficient to demonstrate compliance with this part, for a period of not less than two years from the date on which the financial institution receives the garnishment order.

§ 212.12 Amendment of this part.

This part may be amended only by a rulemaking issued jointly by Treasury and all of the benefit agencies as defined in § 212.3.

APPENDIX A TO PART 212—MODEL NOTICE TO ACCOUNT HOLDER

A financial institution may use the following model notice to meet the requirements of § 212.7. Although use of the model notice is not required, a financial institution using it properly is deemed to be in compliance with § 212.7.

Information in brackets should be completed by the financial institution. Where

the bracketed information indicates a choice of words, as indicated by a slash, the financial institution should either select the appropriate words or provide substitute words suitable to the garnishment process in a given jurisdiction.

Parenthetical wording in italics represents instructions to the financial institution and should not be printed with the notice. In most cases, this wording indicates that the model language either is optional for the financial institution, or should only be included if some condition is met.

MODEL NOTICE:

[Financial institution name, city, and State, shown as letterhead or otherwise printed at the beginning of the notice]

IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

Date:
Notice to:
Account Number:

Why am I receiving this notice?

On [date on which garnishment order was served], [Name of financial institution] received a garnishment order from a court to [freeze/remove] funds in your account. The amount of the garnishment order was for $[amount of garnishment order]. We are sending you this notice to let you know what we have done in response to the garnishment order.

What is garnishment?

Garnishment is a legal process that allows a creditor to remove funds from your [bank]/[credit union] account to satisfy a debt that you have not paid. In other words, if you owe money to a person or company, they can obtain a court order directing your [bank]/[credit union] to take money out of your account to pay off your debt. If this happens, you cannot use that money in your account.

What has happened to my account?

On [date of account review], we researched your account and identified one or more Federal benefit payments deposited in the last 2 months. In most cases, Federal benefit payments are protected from garnishment. As required by Federal regulations, therefore, we have established a ''protected amount'' of funds that will remain available to you and that will not be [frozen/removed] from your account in response to the garnishment order.

(Conditional paragraph if funds have been frozen) Your account contained additional money that may not be protected from garnishment. As required by law, we have [placed a hold on/removed] these funds in the amount of $[amount frozen] and may have to turn these funds over to your creditor as directed by the garnishment order.

The chart below summarizes this information about your account(s):

ACCOUNT SUMMARY AS OF [DATE OF ACCOUNT REVIEW]

Account number	Amount in account	Amount protected	Amount subject to garnishment (now [frozen/removed])	Garnishment fee charged

(If the account holder has multiple accounts, add a row for each account.)

Please note that these amount(s) may be affected by deposits or withdrawals after the protected amount was calculated on [date of account review].

Do I need to do anything to access my protected funds?

You may use the ''protected amount'' of money in your account as you normally would. *There is nothing else that you need to do to make sure that the ''protected amount'' is safe.*

Who garnished my account?

The creditor who obtained a garnishment order against you is [name of creditor].

What types of Federal benefit payments are protected from garnishment?

In most cases, you have protections from garnishment if the funds in your account include one or more of the following Federal benefit payments:

- Social Security benefits
- Supplemental Security Income benefits
- Veterans benefits
- Railroad retirement benefits
- Railroad Unemployment Insurance benefits
- Civil Service Retirement System benefits
- Federal Employees Retirement System benefits

(Conditional section if funds have been frozen) What should I do if I think that additional funds in my account are from Federal benefit payments?

If you believe that additional funds in your account(s) are from Federal benefit payments and should not have been [frozen/removed], there are several things you can do.

(Conditional sentence if applicable for the jurisdiction) You can fill out a garnishment exemption form and submit it to the court.

You may contact the creditor that garnished your account and explain that additional funds are from Federal benefit payments and should be released back to you. *(Conditional sentence if contact information is in the garnishment order)* The creditor may be contacted at [contact information included in the garnishment order].

You may also consult an attorney (lawyer) to help you prove to the creditor who garnished your account that additional funds are from Federal benefit payments and cannot be taken. If you cannot afford an attorney, you can seek assistance from a free attorney or a legal aid society. (*Optional sentences)* [Name of State, local, or independent legal aid service] is an organization that provides free legal aid and can be reached at [contact information]. You can find information about other free legal aid programs at [insert ''*http://www.lawhelp.org*'' or other legal aid programs website].

(Optional section) How to contact [name of financial institution].

This notice contains all the information that we have about the garnishment order. However, if you have a question about your account, you may contact us at [contact number].

APPENDIX B TO PART 212—FORM OF NOTICE OF RIGHT TO GARNISH FEDERAL BENEFITS

The United States, or a State child support enforcement agency, certifying its right to garnish Federal benefits shall attach or include with a garnishment order the following Notice, on official organizational letterhead.

Information in brackets should be completed by the United States or a State child support enforcement agency, as applicable. Where the bracketed information indicates a choice of words, as indicated by a slash, the appropriate words should be selected from the options.

NOTICE OF RIGHT TO GARNISH FEDERAL BENEFITS

Date: _____

[Garnishment Order Number]/[State Case ID]: _____

The attached garnishment order was [obtained by the United States, pursuant to the Federal Debt Collection Procedures Act, 28 U.S.C. §3205, or the Mandatory Victims Restitution Act, 18 U.S.C. §3613, or other Federal statute]/[issued by (name of the State child support enforcement agency), pursuant to authority to attach or seize assets of noncustodial parents in financial institutions in the State of (name of State), 42 U.S.C. §666].

Accordingly, the garnishee is hereby notified that the procedures established under 31 CFR part 212 for identifying and protecting Federal benefits deposited to accounts at financial institutions do not apply to this garnishment order.

The garnishee should comply with the terms of this order, including instructions for withholding and retaining any funds deposited to any account(s) covered by this order, pending further order of [name of the court]/[the name of the State child support enforcement agency].

APPENDIX C TO PART 212—EXAMPLES OF THE LOOKBACK PERIOD AND PROTECTED AMOUNT

The following examples illustrate this definition of *lookback period*.

Example 1: Account review performed same day garnishment order is served. A financial institution receives garnishment order on Wednesday, March 17. The financial institution performs account review the same day on Wednesday, March 17. The lookback period begins on Tuesday, March 16, the date preceding the date of account review. The lookback period ends on Saturday, January 16, the corresponding date two months earlier.

Example 2: Account review performed the day after garnishment order is served. A financial institution receives garnishment order on Wednesday, November 17. The financial institution performs account review next business day on Thursday, November 18. The lookback period begins on Wednesday, November 17, the date preceding the date of account review. The lookback period ends on Friday, September 17, the corresponding date two months earlier.

Example 3: No corresponding date two months earlier. A financial institution receives garnishment order on Tuesday, August 30. The financial institution performs the account review two business days later on Thursday, September 1. The lookback period begins on Wednesday, August 31, the date preceding the date of account review. The lookback period ends on Wednesday, June 30, the last date of the month two months earlier, since June 31 does not exist to correspond with August 31.

Example 4: Weekend between receipt of garnishment order and account review. A financial institution receives garnishment order on Friday, December 10. The financial institution performs the account review two business days later on Tuesday, December 14. The lookback period begins on Monday, December 13, the date preceding the date of account review. The lookback period ends on Wednesday, October 13, the corresponding date two months earlier.

The following examples illustrate the definition of *protected amount*.

Example 1: Account balance less than sum of benefit payments. A financial institution receives a garnishment order against an account holder for $2,000 on May 20. The date of account review is the same day, May 20, and the balance in the account when the review is performed is $1,000. The lookback period begins on May 19, the date preceding the date of account review, and ends on March 19, the corresponding date two months earlier. The account review shows that two Federal benefit payments were deposited to the account during the lookback period totaling $2,500, one for $1,250 on Friday, April 30 and one for $1,250 on Tuesday, April 1. Since the $1,000 balance in the account when the account review is performed is less than the $2,500 sum of benefit payments posted to the account during the lookback period, the financial institution establishes the protected amount at $1,000. The financial institution is not required to send a notice to the account holder.

Example 2: Three benefit payments during lookback period. A financial institution receives a garnishment order against an account holder for $8,000 on December 2. The date of account review is the same day, December 2, and the balance in the account when the account review is performed is $5,000. The lookback period begins on December 1, the date preceding the date of account review, and ends on October 1, the corresponding date two months earlier. The account review shows that three Federal benefit payments were deposited to the account during the lookback period totaling $4,500, one for $1,500 on December 1, another for $1,500 on November 1, and a third for $1,500 on October 1. Since the $4,500 sum of the three benefit payments posted to the account during the lookback period is less than the $5,000 balance in the account when the account review is performed, the financial institution establishes the protected amount at $4,500 and seizes the remaining $500 in the account consistent with State law. The financial institution is required to send a notice to the account holder.

Example 3: Intraday transactions. A financial institution receives a garnishment order against an account holder for $4,000 on Friday, September 10. The date of account review is Monday, September 13, when the opening balance in the account is $6,000. A cash withdrawal for $1,000 is processed after the open of business on September 13, but before the financial institution has performed the account review, so that the balance in the account is $5,000 when the financial institution initiates an automated program to conduct the account review. The lookback period begins on Sunday, September 12, the date preceding the date of account review, and ends on Monday, July 12, the corresponding date two months earlier. The account review shows that two Federal benefit payments were deposited to the account during the lookback period totaling $3,000, one for $1,500 on Wednesday, July 21, and the other for $1,500 on Wednesday, August 18. Since the $3,000 sum of the two benefit payments posted to the account during the lookback period is less than the $5,000 balance in the account when the account review is performed, the financial institution establishes the protected amount at $3,000 and, consistent with State law, freezes the $2,000 remaining in the account after the cash withdrawal. The financial institution is required to send a notice to the account holder.

Example 4: Benefit payment on date of account review. A financial institution receives a garnishment order against an account holder for $5,000 on Thursday, July 1. The date of account review is the same day, July 1, when the opening balance in the account is $3,000, and reflects a Federal benefit payment of $1,000 posted that day. The lookback period begins on Wednesday, June 30, the date preceding the date of account review, and ends on Friday, April 30, the corresponding date two months earlier. The account review shows that two Federal benefit payments were deposited to the account during the lookback period totaling $2,000, one for $1,000 on Friday, April 30 and one for $1,000 on Tuesday, June 1. Since the $2,000 sum of the two benefit payments posted to the account during the lookback period is less than the $3,000 balance in the account when the account review is performed, the financial institution establishes the protected amount at $2,000 and places a hold on the remaining $1,000 in the account in accordance with State law. The financial institution is required to send a notice to the account holder.

Example 5: Account co-owners with benefit payments. A financial institution receives a garnishment order against an account holder for $3,800 on March 22. The date of account review is the same day, March 22, and the balance in the account is $7,000. The lookback period begins on March 21, the date preceding the date of account review, and ends on January 21, the corresponding date two months earlier. The account review shows that four Federal benefit payments were deposited to the account during the lookback period totaling $7,000. Two of these benefit payments, totaling $3,000, were made to the account holder against whom the garnishment order was issued. The other two payments, totaling $4,000, were made to a co-owner of the account. Since the financial institution must perform the account review based only on the presence of benefit payments, without regard to the existence of co-owners on the account or payments to multiple beneficiaries or under multiple programs, the financial institution establishes the protected amount at $7,000, equal to the

sum of the four benefit payments posted to the account during the lookback period. Since $7,000 is also the balance in the account at the time of the account review, there are no additional funds in the account which can be frozen. The financial institution is not required to send a notice to the account holder.

[76 FR 9955, Feb. 23, 2011, as amended at 78 FR 32109, May 29, 2013]

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

Subpart A—General Information

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Subpart B—Procedures

215.3 Procedures for entering into a Withholding Agreement.
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AUTHORITY: 5 U.S.C. 5516, 5517, 5520; E.O. 11997, 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 Withholding Agreement which the Secretary will enter into with any State, city or county which qualifies to have the tax withheld.

[71 FR 2150, Jan. 13, 2006]

§ 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 (1) individuals in active duty status (as defined in 10 U.S.C. 101(d)(1)) in regular and reserve components of the Army, Navy, Air Force, Marine Corps, and Coast Guard, and (2) 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. 10147.

(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 or his designee.

(m) *State* means a State, territory, possession, or commonwealth of the United States, or the District of Columbia.

(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; 71 FR 2150, Jan. 13, 2006]

Subpart B—Procedures

§215.3 Procedures for entering into a Withholding Agreement.

(a) Subpart C of this part is the Withholding Agreement which the Secretary will enter into with a State, city or county. A State, city or county which does not have an existing withholding agreement with the Secretary and wishes to enter into such an agreement shall indicate in a letter its consent to be bound by the provisions of subpart C. The letter shall be sent to the Secretary by addressing the request to: Assistant Commissioner, Payment Management, Bureau of the Fiscal Service, Department of the Treasury, 401 14th Street, SW., Washington, DC 20227. The letter shall 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 Secretary will, by letter, notify the State, city or county:

(1) That a Withholding Agreement has been entered into as of the date of the Secretary's letter, or

(2) That a Withholding Agreement cannot be entered into with the State, city or county and the reason for that determination.

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

[71 FR 2150, Jan. 13, 2006, as amended at 75 FR 51374, Aug. 20, 2010]

§215.4 Relationship of Withholding Agreement to prior agreements.

Jurisdictions which requested from Treasury an agreement other than the Withholding Agreement set forth in subpart C (formerly known as the Standard Agreement) within 90 days after July 1, 1977, which request Treasury subsequently approved, will continue to be governed by such agreement. For all other jurisdictions, the Withholding Agreement set forth in subpart C replaced all prior agreements between the Secretary and a taxing jurisdiction for the withholding of income or employment taxes from the compensation of Federal employees, and any jurisdiction which was a party to a prior agreement is presumed to have consented to be bound by the Withholding Agreement set forth in subpart C.

[71 FR 2150, Jan. 13, 2006]

Subpart C—Withholding Agreement

§215.5 In general.

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

[42 FR 33731, July 1, 1977. Redesignated and amended at 71 FR 2150, Jan. 13, 2006]

§215.6 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).

[42 FR 33731, July 1, 1977. Redesignated at 71 FR 2150, Jan. 13, 2006]

§215.7 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. Redesignated at 71 FR 2150, Jan. 13, 2006]

§ 215.8 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.

[42 FR 33731, July 1, 1977. Redesignated at 71 FR 2150, Jan. 13, 2006]

§ 215.9 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.

[42 FR 33731, July 1, 1977. Redesignated at 71 FR 2150, Jan. 13, 2006]

§ 215.10 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.

[42 FR 33731, July 1, 1977. Redesignated at 71 FR 2150, Jan. 13, 2006]

§ 215.11 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. Redesignated at 71 FR 2150, Jan. 13, 2006]

§ 215.12 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.

[42 FR 33731, July 1, 1977. Redesignated at 71 FR 2150, Jan. 13, 2006]

PART 223—SURETY COMPANIES DOING BUSINESS WITH THE UNITED STATES

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223.22 Fees for services of the Treasury Department.

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, Bureau of the Fiscal 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 and 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 Bureau of the Fiscal 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 CORPORATIONS

Sec.

224.1 What does this part cover?
224.2 Definitions.
224.3 When may a surety corporation provide a bond without appointing a process agent?
224.4 When must a surety corporation appoint a process agent?
224.5 Who may a surety corporation appoint to be a process agent?
224.6 Where can I find a sample power of attorney form?
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224.8 When must a surety corporation appoint a new process agent?

AUTHORITY: 31 U.S.C. 9306 and 9307.

SOURCE: 71 FR 60848, Oct. 7 2006, unless otherwise noted.

§ 224.1 What does this part cover?

This part provides guidance on when a surety corporation must appoint a service of process agent and how the

surety corporation complies with this requirement.

§ 224.2 Definitions.

For purposes of this regulation:

(a) *Principal* means the person or entity required to provide a surety bond.

(b) *Process agent* means a resident agent for service of process.

(c) *State* means a State, the District of Columbia, or a territory or possession of the United States.

§ 224.3 When may a surety corporation provide a bond without appointing a process agent?

A surety corporation may provide a bond without appointing a process agent when the State where the bond is filed, the State where the principal resides, and the State where the surety corporation is incorporated are the same.

§ 224.4 When must a surety corporation appoint a process agent?

A surety corporation must appoint a process agent when either the State where the bond is filed or the State where the principal resides is different from the State where the surety corporation is incorporated. In such a case, the surety corporation must appoint a process agent in each such State that is different from the State where the surety is incorporated.

§ 224.5 Who may a surety corporation appoint to be a process agent?

A surety corporation may appoint either of the following as process agent—

(a) An official of the State who is authorized or appointed under the law of that jurisdiction to receive service of process on the surety corporation; or

(b) An individual who resides in the jurisdiction of the district court for the district in which a surety bond is filed and who is appointed by the surety corporation by means of a power of attorney. A certified copy of the power of attorney must be filed with the clerk of the district court for the district in which a surety bond is to be provided. In addition, the surety corporation must provide the clerk of the United States District Court at the main office in each judicial district with the required number of authenticated copies of the power of attorney for each divisional office of the court within that judicial district.

§ 224.6 Where can I find a sample power of attorney form?

The Surety Bond Branch provides a sample form on its Web page located at: *http://www.fiscal.treasury.gov/c570*. While use of the sample form is not required, any power of attorney provided should be substantially the same as the sample form.

§ 224.7 Where can I find a list of United States district court offices?

A list of the divisional offices of the court in each judicial district may be obtained from the Federal Judiciary, U.S. Courts Web page at *http://www.uscourts.gov*, or by mail by writing to: Office of Public Affairs, Administrative Office of the U.S. Courts, Washington, DC 20544.

§ 224.8 When must a surety corporation appoint a new process agent?

The surety corporation must immediately appoint a new process agent whenever the authority of a process agent is terminated by reason of revocation, disability, removal from the district, or any other cause.

PART 225—ACCEPTANCE OF BONDS SECURED BY GOVERNMENT OBLIGATIONS IN LIEU OF BONDS WITH SURETIES

Sec.

225.1 Scope.
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225.10 Other agency practices and authorities.
225.11 Courts.

AUTHORITY: 12 U.S.C. 391; 31 U.S.C. 321, 9301 and 9303.

SOURCE: 64 FR 4763, Jan. 29, 1999, unless otherwise noted.

§ 225.1 Scope.

The regulation in this part applies to Government agencies accepting bonds secured by Government obligations in lieu of bonds with sureties. The Bureau of the Fiscal Service (Fiscal Service) is the representative of the Secretary of the Treasury (Secretary) in all matters concerning this part unless otherwise specified. The Commissioner of the Fiscal Service may issue procedural instructions implementing this regulation.

§ 225.2 Definitions.

For purposes of this part:

Agency means a department, agency, or instrumentality of the United States Government.

Authenticate instructions means to verify that the instructions received are from a bond official.

Bearer means that ownership of a Government obligation is not recorded. Title to such an obligation passes by delivery without endorsement and without notice. A bearer obligation is payable on its face to the holder at either maturity or call.

Bond means an executed written instrument, which guarantees the fulfillment of an obligation to the United States and sets forth the terms, conditions, and stipulations of the obligation.

Bond official means an agency official having authority under Federal law or regulation to approve a bond with surety or sureties and to approve a bond secured by Government obligations.

Book-entry means that the issuance and maintenance of a Government obligation is represented by an accounting entry or electronic record and not by a certificate.

Custodian means a Federal Reserve Bank or an entity within the United States designated by such Federal Reserve Bank under terms and conditions prescribed by such Federal Reserve Bank, a depositary specifically designated by the Secretary of the Treasury for purposes of this part, or such other entities as the Secretary of the Treasury may designate for purposes of this part.

Definitive means that a Government obligation is issued in engraved or printed form.

Depositary includes, but is not limited to:

(1) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(2) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(3) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(4) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union which is eligible to make application to become an insured credit union under section 201 of such Act (12 U.S.C. 1781);

(5) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) which is an insured depository institution (as defined in such Act) (12 U.S.C. 1811 *et seq.*) or is eligible to apply to become an insured depository institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*); and

(6) Any agency or branch of a foreign bank as defined in section 1(b) of the International Banking Act, as amended (12 U.S.C. 3101).

Federal Reserve means a Federal Reserve Bank and its branches.

Government obligation means a public debt obligation of the United States Government and an obligation whose principal and interest is unconditionally guaranteed by the United States Government.

Obligor includes, but is not limited to, an individual, a trust, an estate, a partnership, a corporation, and a sole proprietor.

Officer authorized to certify assignment means the individual identified as a

certifying individual at part 306, subpart F of this title.

Person means an individual, a trust, an estate, a partnership, and a corporation.

Pledge means a transfer of security interest in a Government obligation to a bond official's agency as collateral in lieu of a bond with a surety or sureties.

Procedural instructions means the Treasury Financial Manual, as amended, published by the Bureau of the Fiscal Service.

Registered means that ownership of a definitive Government obligation is listed in the issuer's records, and that the obligation is payable at maturity or call to the person in whose name the obligation is inscribed or to that person's assignee.

Secretary means the Secretary of the Treasury.

§ 225.3 Pledge of Government obligations in lieu of a bond with surety or sureties.

(a) *General.* An obligor required by Federal law or regulation to furnish a bond with surety or sureties may give in lieu thereof to a bond official any security acceptable under 31 U.S.C. 9301, as amended. The Secretary will designate classes of Government obligations acceptable under this part.

(b) *Bond.* The bond, at a minimum, shall irrevocably authorize the bond official to collect, sell, assign, or transfer such Government obligations and any interest retained therefrom in the event of the obligor's default in performing any of the terms, conditions, or stipulations of such bond. Unless otherwise provided by law, the bond shall authorize the bond official to apply the proceeds from the sale, assignment, or transfer of such Government obligations, in whole or in part, to satisfy any costs incurred by the United States related to the default, and to apply any excess proceeds to satisfy any other claim of the United States against the obligor. The bond shall not include any obligations on custodians which are inconsistent with, or in addition to, the obligations in this part. The bond will provide that the bond official may retain any interest accruing upon any Government obligations, or direct that such interest be retained by the custodian.

(c) *Amount of Government obligations.* The obligor shall pledge to the bond official Government obligations valued as required by 31 U.S.C. 9303, as amended.

(d) *Avoiding frequent substitutions.* To avoid the frequent substitution of Government obligations, the bond official may reject Government obligations which mature, or are redeemable, within one year from the date they are pledged to the bond official.

(e) *Acceptable Government obligations.* Types and valuations of acceptable collateral security are addressed in 31 CFR part 380. For a current list of acceptable classes of securities and instruments described in 31 CFR part 380 and their valuations, see the Bureau of the Fiscal Service's web site at *www.publicdebt.treas.gov.*

[64 FR 4763, Jan. 29, 1999, as amended at 65 FR 55430, Sept. 13, 2000]

§ 225.4 Pledge of book-entry Government obligations.

(a) *General.* Except as otherwise provided by the Secretary in procedural instructions, an obligor, or a depositary acting as agent or sub-agent for the obligor, or the bond official, shall arrange a pledge pursuant to the prior agreement and approval of the bond official, of book-entry Government obligations. The Government obligations must be transferred to an account for the benefit of the bond official. The custodian holding the Government obligations is not required to establish that the agreement and approval of the bond official has been obtained prior to such a transfer.

(b) *Receipt.* Upon the transfer of Government obligations to an account for the benefit of the bond official, the custodian will promptly issue a receipt or an activity statement, or both, to the bond official and to the obligor or a depositary acting as agent or sub-agent for the obligor.

(c) *Effect of the transfer.* Book-entry Government obligations credited to an account for the benefit of the bond official shall have the effect as provided in part 357 of this title, or in other applicable regulations.

§ 225.5 Pledge of definitive Government obligations.

(a) *Type and assignment.* Definitive Government obligations may be in bearer or registered form, and shall be owned by the obligor.

(1) *Bearer Government obligations.* The obligor shall pledge bearer Government obligations to the bond official with all unmatured interest coupons attached.

(2) *Registered Government obligations; assignment.* The obligor shall pledge registered Government obligations in the obligor's name to the bond official by assignment in accordance with subpart F of part 306 of this title and other codified procedures for issuers that apply to assignment of the registered Government obligations, except that, when so authorized under such procedures, all assignments shall be made in blank.

(b) *Delivery to bond official; receipt.* All deliveries of definitive Government obligations from the obligor to the bond official under this part shall be made at the risk and expense of the obligor. Upon receipt of definitive Government obligations, the bond official will issue the obligor a receipt.

(c) *Risk of loss; safekeeping.* All definitive Government obligations held by the bond official will be held at the risk of the bond official. The bond official will keep safe all definitive Government obligations and may place them with a custodian.

(d) *Delivery to custodian; receipt.* If the bond official is in receipt of definitive Government obligations, and then places those obligations with a custodian, the expense and risk of loss in delivery will rest with the bond official. Upon the placement of definitive Government obligations with a custodian, the custodian will issue the bond official a receipt. All definitive Government obligations held by the custodian will be held at the risk of the custodian.

(e) *Conversion to book-entry.* (1) Treasury bonds, notes, certificates of indebtedness, or bills deposited with a Federal Reserve Bank under this part may be converted into book-entry Treasury obligations in accordance with part 306 of this title, and the pertinent provisions of that part shall apply to such Treasury obligations.

(2) When converting definitive Government obligations to book-entry form, a Federal Reserve Bank will act pursuant to, and in accordance with, book-entry procedures for issuers that apply to the definitive Government obligations pledged to the bond official's agency, including those set forth in part 306 of this title.

§ 225.6 Payment of interest.

(a) *General.* Except as otherwise provided in this section and § 225.7(b), interest accruing upon Government obligations pledged to a bond official's agency in accordance with this part will be remitted to the obligor or a depositary acting as agent or sub-agent for the obligor.

(b) *Default.* If the bond official determines that the obligor has defaulted, the bond official will retain any interest accruing upon Government obligations pledged to the bond official's agency or direct the custodian, in accordance with this part, to retain such interest. Unless otherwise provided by law, such interest will be available to satisfy any costs incurred by the United States related to the default, and any excess proceeds will be available to satisfy any other claim of the United States against the obligor.

§ 225.7 Custodian duties and responsibilities.

(a) *General.* A custodian shall authenticate instructions received from a bond official and shall act in accordance with such authenticated instructions. The custodian assumes no liability and is without liability of any kind for acting in accordance with such authenticated instructions, except for the custodian's failure to exercise ordinary care. By providing a bond secured by Government obligations in lieu of a bond with surety or sureties, an obligor agrees not to hold either the custodian or the Secretary liable or responsible for the actions or inactions of a bond official or for carrying out a bond official's authenticated instructions.

(b) *Interest.* Absent authenticated instructions from the bond official to retain interest, interest received by the custodian on Government obligations pledged to the bond official's agency in

accordance with this part will be remitted in the regular course of business to the obligor or to a depositary acting as agent or sub-agent for the obligor.

(c) *Principal.* Absent authenticated instructions from the bond official to retain the proceeds of matured Government obligations, a custodian will release to the obligor proceeds from matured Government obligations only if the obligor has deposited Government obligations acceptable under 31 U.S.C. 9301, as amended, in substitution for those which have matured.

(d) *Liquidation of Government obligations.* A custodian will collect, sell, assign, or transfer Government obligations, including any interest therefrom, only in accordance with a bond official's authenticated instructions.

(e) *Application of proceeds of liquidated Government obligations.* A custodian will apply the proceeds from the collection, sale, assignment, or transfer of Government obligations only in accordance with a bond official's authenticated instructions.

§ 225.8 Bond official duties and responsibilities.

The bond official's duties and responsibilities are as follows:

(a) Approving the bond secured by Government obligations after determining its sufficiency;

(b) Verifying ownership of any registered definitive Government obligations given, and ensuring that those Government obligations are properly assigned;

(c) Approving establishment of a book-entry account for the benefit of the bond official;

(d) Providing the custodian, when appropriate, with clear and concise instructions;

(e) Taking all reasonable and appropriate steps to ensure that all procedures or transactions conform with the provisions of this part; and

(f) Notifying the Secretary of the Treasury, or his designee, upon an obligor's default, and, unless otherwise provided by law, applying any part of the proceeds in excess of the amount required to assure payment of any costs incurred by the United States related to the default to satisfy any claim of the United States against the obligor.

§ 225.9 Return of Government obligations to obligor.

(a) *General.* Except as provided in paragraph (b) of this section or as otherwise provided in this part, the bond official will return the Government obligations, and any interest retained therefrom, to the obligor, without written application from the obligor, when the bond official determines that the Government obligations are no longer required under the terms of the bond.

(b) *Miller Act payment bonds.* The bond official will not return Government obligations to an obligor who has furnished to the bond official a payment bond if:

(1) A person, who supplied the obligor with labor or materials and whom the obligor has not paid, files with the United States Government the application and affidavit provided for in the Miller Act (Act), as amended (40 U.S.C. 270a–270d), and the time provided in the Act for the person to commence suit against the obligor on the payment bond has not expired; or

(2) A person commences a suit against the obligor within the time provided for in the Act, in which case the bond official will hold the Government obligations subject to the order of the court having jurisdiction of the suit; or

(3) The bond official has actual knowledge of a claim against the obligor on the basis of the payment bond, in which case the bond official may return the Government obligations to the obligor when the bond official deems it appropriate.

(c) *Claim of the United States unaffected.* Nothing in this section shall affect or impair the priority of any claim of the United States against Government obligations, or any right or remedy granted by the Miller Act or by this part to the United States in the event of an obligor's default on any term, condition, or stipulation of a bond.

(d) *Return of definitive Government obligations; risk of loss.* Definitive Government obligations to be returned to the

obligor will be forwarded at the obligor's risk and expense, either by the bond official, or by a custodian upon receipt of a bond official's authenticated instructions.

§ 225.10 Other agency practices and authorities.

(a) *Agency practices*. Nothing in this part shall be construed as modifying the existing practices or duties of agencies in handling bonds, except to the extent made necessary under the terms of this part by reason of the acceptance of bonds secured by Government obligations.

(b) *Agency authorities*. Nothing contained in this part shall affect the authority of agencies to receive Government obligations for security in cases authorized by other provisions of law.

§ 225.11 Courts.

Nothing contained in this part shall affect the authority of a court over a Government obligation given as security in a civil action.

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, Bureau of the Fiscal 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, Bureau of the Fiscal 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 Bureau of the Fiscal 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

Sec.
240.1 Scope of regulations.
240.2 Definitions.
240.3 Electronic checks and substitute checks.
240.4 Presentment guarantees.
240.5 Limitations on payment; cancellation and distribution of proceeds of checks.
240.6 Provisional credit; first examination; declination; final payment.
240.7 Declination protest.
240.8 Reclamation of amounts of paid checks.
240.9 Reclamation procedures; reclamation protests.
240.10 Offset.
240.11 Treasury Check Offset.
240.12 Processing of checks.

INDORSEMENT OF CHECKS

240.13 Indorsement by payees.
240.14 Checks issued to incompetent payees.
240.15 Checks issued to deceased payees.

240.16 Checks issued to minor payees.
240.17 Powers of attorney.
240.18 Lack of authority to shift liability.
240.19 Reservation of rights.

APPENDIX A TO PART 240—OPTIONAL FORMS FOR POWERS OF ATTORNEY AND THEIR APPLICATION

AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 321, 3327, 3328, 3331, 3334, 3343, 3711, 3712, 3716, 3717; 332 U.S. 234 (1947); 318 U.S. 363 (1943).

SOURCE: 69 FR 61568, Oct. 19, 2004, unless otherwise noted.

GENERAL PROVISIONS

§ 240.1 Scope of regulations.

(a) 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 based on claims arising from the breach of presentment guarantees by presenting banks and other indorsers of Treasury checks when checks bearing material defects or alterations or forged disbursing officer (drawer) signatures are presented for payment and are paid.

(b) Standards contained in this regulation supersede existing Federal common law to the extent that they are inconsistent with Federal common law rules relating to counterfeit checks. Under the provisions of this regulation, the risk of loss on certain counterfeit checks is placed on presenting banks and other indorsers unless Treasury fails to timely reclaim on a check payment in accordance with 31 U.S.C. 3712(a) and § 240.8 of this regulation. Treasury will reclaim on counterfeit checks that are deemed paid under § 240.6(d) of this regulation when a presenting bank or other indorser fails to make all reasonable efforts to ensure that a check is an authentic Treasury check.

(c) Nothing in this regulation supercedes the rights or obligations of Treasury or any other person that are set forth in Regulation CC, 12 CFR part 229, with respect to substitute checks, as defined therein.

(d) A financial institution's indorsement or presentment of a U.S. Treasury check shall constitute its agreement to this part. The financial institution hereby authorizes its servicing Federal Reserve Bank to debit the financial institution's Federal Reserve Master Account for the amount of the reclamation and any accrued interest, penalties and/or administrative costs in accordance with the provisions of § 240.9.

[69 FR 61568, Oct. 19, 2004, as amended at 76 FR 57909, Sept. 19, 2011]

§ 240.2 Definitions.

(a) *Administrative offset* or *offset*, for purposes of this section, has the same meaning as defined in 31 U.S.C. 3701(a)(1) and 31 CFR part 285.

(b) *Agency* means any agency, department, instrumentality, office, commission, board, service, or other establishment of the United States authorized to issue Treasury checks or for which checks drawn on the United States Treasury are issued.

(c) *Certifying agency* means an agency authorizing the issuance of a payment by a disbursing official in accordance with 31 U.S.C. 3325.

(d) *Check or checks* means an original check or checks; an electronic check or checks; or a substitute check or checks.

(e) *Check payment* means the amount paid to a presenting bank by a Federal Reserve Bank.

(f) *Counterfeit check* means a document that purports to be an authentic check drawn on the United States Treasury, but in fact is not an authentic check.

(g) *Days* means calendar days. For purposes of computation, the last day of the period will be included unless it is a Saturday, Sunday, or Federal holiday; the first day is not included. For example, if a reclamation was issued on July 1, the 90 day protest period under § 240.9(b) would begin on July 2. If the 90th day fell on a Saturday, Sunday or Federal holiday, the protest would be accepted if received on the next business day.

(h) *Declination* means the process by which Treasury refuses to make final payment on a check, i.e., declines payment, by instructing a Federal Reserve Bank to reverse its provisional credit to a presenting bank.

(i) *Declination date* means the date on which the declination is issued by Treasury.

(j) *Disbursing official* means an official, including an official of the Department of the Treasury, the Department of Defense, any Government corporation (as defined in 31 U.S.C. 9101), or any official of the United States designated by the Secretary of the Treasury, authorized to disburse public money pursuant to 31 U.S.C. 3321 or another law.

(k) *Drawer's signature* means the signature of a disbursing official placed on the front of a Treasury check as the drawer of the check.

(l) *Electronic check* means an electronic image of a check drawn on the United States Treasury, together with information describing that check, that meets the technical requirements for sending electronic items to a Federal Reserve Bank as set forth in the Federal Reserve Banks' operating circulars.

(m) *Federal Reserve* Bank means a Federal Reserve Bank (FRB) or a branch of a Federal Reserve Bank.

(n) *Federal Reserve Processing Center* means a Federal Reserve Bank center that images Treasury checks for archiving check information and transmitting such information to Treasury.

(o) *Financial institution* means:

(1) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(2) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(3) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(4) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union which is eligible to make application to become an insured credit union under section 201 of such Act (12 U.S.C. 1781);

(5) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) which is an insured depositary institution (as defined in such Act) (12 U.S.C. 1811 *et seq.*) or is eligible to apply to become an insured depositary institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*); and

(6) Any financial institution outside of the United States if it has been designated by the Secretary of the Treasury as a depositary of public money and has been permitted to charge checks to the General Account of the United States Treasury.

(p) *First examination* means Treasury's initial review of a check that has been presented for payment. The initial review procedures, which establish the authenticity and integrity of a check presented to Treasury for payment, may include reconciliation; retrieval and inspection of the check or the best available image thereof; and other procedures Treasury deems appropriate to specific circumstances.

(q) *Forged or unauthorized drawer's signature* means a drawer's signature that has been placed on the front of a Treasury check by a person other than:

(1) A disbursing official; or

(2) A person authorized to sign on behalf of a disbursing official.

(r) *Forged or unauthorized indorsement* means:

(1) An indorsement of the payee's name by another person who is not authorized to sign for the payee; or

(2) An indorsement of the payee's name made by another person who has been authorized by the payee, but who has not indorsed the check in accordance with §§ 240.4 and 240.13 through 240.17; or

(3) An indorsement added by a financial institution where the financial institution had no authority to supply the indorsement; or

(4) A check bearing an altered payee name that is indorsed using the payee name as altered.

(s) *Guarantor* means a financial institution that presents a check for payment and any prior indorser(s) of a check.

(t) *Master Account* means the record of financial rights and obligations of an account holder and the Federal Reserve Bank with respect to each other, where opening, intraday, and closing balances are determined.

(u) *Material defect or alteration* means:

(1) The counterfeiting of a check; or

(2) Any physical change on a check, including, but not limited to, a change in the amount, date, payee name, or other identifying information printed on the front or back of the check (but not including a forged or unauthorized drawer's signature); or

(3) Any forged or unauthorized indorsement appearing on the back of the check.

(v) *Minor* means the term minor as defined under applicable State law.

(w) *Monthly statement* means a statement prepared by Treasury which includes the following information regarding each outstanding reclamation:

(1) The reclamation date;

(2) The reclamation number;

(3) Check identifying information; and

(4) The balance due, including interest, penalties, and administrative costs.

(x) *Original check* means the first paper check drawn on the United States Treasury with respect to a particular payment transaction.

(y) *Payee* means the person that the certifying agency designated to receive payment pursuant to 31 U.S.C. 3528.

(z) *Person* means an individual, institution, including a financial institution, or any other type of entity; the singular includes the plural.

(aa) *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 Treasury's General Account and present them to Treasury for payment through a designated Federal Reserve Bank.

(bb) *Provisional credit* means the initial credit provided to a presenting bank by a Federal Reserve Bank. Provisional credit may be reversed by Treasury until the completion of first examination or final payment is deemed made pursuant to § 240.6(d).

(cc) *Reasonable efforts* means, at a minimum, verifying the existence of the Treasury watermark on an original check. Based upon the facts at hand, including whether a check is an original check, a substitute check or an electronic check, reasonable efforts may require the verification of other security features.

(dd) *Reclamation* means a demand for the amount of a check for which Treasury has requested an immediate refund.

(ee) *Reclamation date* means the date on which a reclamation is issued by Treasury. Normally, demands are sent to presenting banks or other indorsers within two business days of the reclamation date.

(ff) *Reclamation debt* means the amount owed as a result of Treasury's demand for refund of a check payment, and includes interest, penalties and administrative costs assessed in accordance with § 240.8.

(gg) *Reclamation debtor* means a presenting bank or other indorser of a check from whom Treasury has demanded a refund in accordance with §§ 240.8 and 240.9. The reclamation debtor does not include a presenting bank or other indorser who may be liable for a reclamation debt, but from which Treasury has not demanded a refund.

(hh) *Recurring benefit payment* includes but is not limited to a payment of money for any Federal Government entitlement program or annuity.

(ii) *Substitute check* means a paper reproduction of a check drawn on the United States Treasury that meets the definitional requirements set forth at 12 CFR 229.2(aaa).

(jj) *Treasury* means the United States Department of the Treasury, or when authorized, an agent designated by the Secretary of the Treasury or his delegee.

(kk) *Treasury Check Offset* means the collection of an amount owed by a presenting bank in accordance with 31 U.S.C. 3712(e).

(ll) *Truncate* means to remove a paper check from the forward collection or return process and send to a recipient, in lieu of such paper check, a substitute check or an electronic check.

(mm) *U.S. securities* means securities of the United States and securities of Federal agencies and Government corporations for which Treasury acts as the transfer agent.

(nn) *Writing* includes electronic communications when specifically authorized by Treasury in implementing instructions.

[69 FR 61568, Oct. 19, 2004, as amended at 76 FR 57909, Sept. 19, 2011]

§ 240.3 Electronic checks and substitute checks.

(a) *Legal equivalence of electronic checks.* An electronic check for which a presenting bank has provided the guarantees described in § 240.4 is the legal equivalent of an original or substitute check for purposes of this part if the electronic check accurately represents all of the information on the front and back of the check that the presenting bank truncated. If a financial institution presents an electronic check for payment and the check is subject to return, Treasury may effect the return using an electronic check, but this part does not create any right for the presenting bank to return the check to the payee or any other person using an electronic check.

(b) *Safekeeping of original checks.* Any financial institution that creates a substitute check or electronic check shall prevent unauthorized access to the original or substitute check that was truncated by storing the check, until it is destroyed, in a manner consistent with federal banking agency guidelines for safeguarding customer information.

§ 240.4 Presentment guarantees.

The guarantors of a check presented to the Treasury for payment are deemed to guarantee to the Treasury all of the following:

(a) *Indorsements.* That all prior indorsements are genuine, whether or not an express guarantee 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 to the Treasury, in addition to other guarantees, that the person who so indorsed had unqualified capacity and authority to indorse the check on behalf of the payee.

(b) *Alterations.* That the check has not been materially altered.

(c) *Drawer's signature.* That the guarantors have no knowledge that the signature of the drawer is forged or unauthorized.

(d) *Authenticity.* That the guarantors have made all reasonable efforts to ensure that a check is an authentic Treasury check, not a counterfeit check.

(e) *Electronic check.* If the check is an electronic check, that—

(1) The check accurately represents all of the information on the front and back of the original or substitute check that was truncated and meets the technical requirements for sending electronic items to a Federal Reserve Bank as set forth in the Federal Reserve Banks' operating circulars;

(2) Treasury will not receive presentment of, or otherwise be charged for, the electronic check, the original check, or a substitute check (or a paper or electronic reproduction of any of the foregoing) such that Treasury will be asked to make payment based on a check it already has paid; and

(3) Treasury's receipt of the electronic check instead of the original or substitute check will not result in the loss of Treasury's ability to determine whether the check contains a material defect or alteration.

(f) *Substitute check.* If the check is a substitute check, that the guarantors make the warranties set forth at 12 CFR 229.52(a)(1) and (2) and the indemnity set forth at 12 CFR 229.53.

§ 240.5 Limitations on payment; cancellation and distribution of proceeds of checks.

(a) *Limitations on payment.* (1) Treasury shall not be required to pay any check that is not negotiated to a financial institution within 12 months after the date on which the check was issued.

(2) All checks 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 checks. The legend, or the inadvertent lack thereof, does not limit, or

otherwise affect, the rights of Treasury under the law.

(b) *Cancellation and distribution of proceeds of checks.* (1) Any check that has not been paid and remains outstanding for more than 12 months after the issue date will be canceled by Treasury.

(2) The proceeds from checks canceled pursuant to paragraph (b)(1) of this section will be returned to the payment certifying or authorizing agency for ultimate credit to the appropriation or fund account initially charged for the payment.

(3) On a monthly basis, Treasury will provide to each agency that authorizes the issuance of checks a list of those checks issued for such agency which were canceled during the preceding month pursuant to paragraph (b)(1) of this section.

§ 240.6 Provisional credit; first examination; declination; final payment.

(a) Any credit issued by a Federal Reserve Bank to a financial institution shall be a provisional credit until Treasury completes first examination of the check, or as provided in paragraph (d) of this section.

(b) Treasury shall have the right as a drawee to complete first examination of checks presented for payment, to reconcile checks, and, when appropriate, to make a declination on any check.

(c) Treasury will decline payment on a check when first examination by Treasury establishes that:

(1) The check has a material defect or alteration;

(2) The check bears a forged or unauthorized drawer's signature;

(3) Treasury has already received presentment of, and made payment on, a substitute check, electronic check or original check relating to the check being presented, such that Treasury is being requested to make payment on a check it has already paid;

(4) In the case of an electronic check, Treasury cannot determine whether the check contains a material defect or alteration without examining the original check or a better quality image of the check and Treasury is on notice of a question of law or fact about whether the check is properly payable; or

(5) In the case of a substitute check, Treasury has a warranty or indemnity claim arising under 12 CFR 229.52 or 229.53.

(d) Treasury shall have a reasonable amount of time to complete first examination. However, except as provided in paragraph (e) of this section, if Treasury has not declined payment on a check within 60 days after the check is presented to a Federal Reserve Processing Center for payment, Treasury will be deemed to have made final payment on the check.

(e) Notwithstanding the provisions of paragraph (d) of this section, in accordance with 31 U.S.C. 3328(a)(2), if, upon presentment for payment, Treasury is on notice of a question of law or fact about whether a check is properly payable, Treasury may defer final payment until the question is settled.

(f) If a Federal Reserve Bank debits a financial institution's reserve account as a result of an erroneous declination, Treasury will promptly refund the amount of the payment.

§ 240.7 Declination protest.

(a) *Who may protest.* Only a presenting bank may protest the declination of a check that it has presented to a Federal Reserve Bank for payment.

(b) *Basis for protest.* Where Treasury, in accordance with § 240.6, has made a declination of a check presented for payment and a Federal Reserve Bank has reversed its provisional credit to the presenting bank, the presenting bank may file a protest challenging the factual basis for such declination. Protests may be filed challenging the following determinations:

(1) *Counterfeit checks.* The presenting bank may offer evidence that the check is not a counterfeit.

(2) *Altered checks.* The presenting bank may offer evidence that the check is not altered.

(3) *Checks bearing forged or unauthorized drawer's signatures.* The presenting bank may offer evidence that the drawer's signature was authentic or was authorized.

(4) *Checks bearing a forged or unauthorized indorsement.* The presenting bank may offer evidence that an indorsement on the back of the check

was not forged or was otherwise authorized in accordance with the requirements of §§ 240.13 through 240.17.

(5) *Prior presentment.* The presenting bank may offer evidence that the check or a paper or electronic representation thereof has not already been presented to, and paid by, Treasury.

(6) *Adequacy of substitute check or electronic check.* The presenting bank may offer an original check or a copy of the check that is sufficient to support a determination that the check does not contain a material defect or alteration.

(c) *Procedures for filing a protest.* A declination protest must be in writing, and must be sent to: Department of the Treasury, Bureau of the Fiscal Service, Branch Manager, Financial Processing Division, Check Reconciliation Branch, Room 700–A, 3700 East-West Highway, Hyattsville, MD 20782, or to such other address as Treasury may publish in the Treasury Financial Manual, which can be found at *http://www.fiscal.treasury.gov*. Treasury will not consider any protest unless it is received within 90 days from the declination date.

(d) *Review of a declination protest.* The responsible Fiscal Service Director, or an authorized designee, will make every effort to decide any protest properly submitted under this section within 60 days, and will notify the presenting bank of Treasury's decision. In those cases where it is not possible to render a decision within 60 days, the responsible Fiscal Service Director, or an authorized designee, will notify the presenting bank of the delay. Neither the responsible Fiscal Service Director, nor an authorized designee, will have any involvement in the decision to deny payment of a check under § 240.6 of this part.

(1) If, based on the evidence provided, the responsible Fiscal Service Director, or an authorized designee, finds that the presenting bank has met, by a preponderance of the evidence, the criteria in paragraph (b) of this section, Treasury will reverse its decision to decline payment on the check by directing a Federal Reserve Bank to provide credit in the amount of the check to the presenting bank.

(2) If, based on the evidence provided, the responsible Fiscal Service Director, or an authorized designee, finds that the presenting bank has failed to meet, by a preponderance of the evidence, the criteria in paragraph (b) of this section, the declination will not be reversed.

[69 FR 61568, Oct. 19, 2004, as amended at 76 FR 57909, Sept. 19, 2011]

§ 240.8 Reclamation of amounts of paid checks.

(a) If, after making final payment in accordance with § 240.6, Treasury determines that any guarantor has breached a presentment guarantee listed in § 240.4, the guarantor shall be liable to Treasury for the full amount of the check payment. Treasury may reclaim the amount of the check payment from any such guarantor prior to:

(1) The end of the 1-year period beginning on the date that a check is processed for payment by a Federal Reserve Processing Center; or

(2) The expiration of the 180-day period beginning on the close of the period described in paragraph (a)(1) of this section if a timely claim under 31 U.S.C. 3702 is presented to the certifying agency.

(b) Treasury will not reclaim on a check that bears a forged or unauthorized drawer's signature unless it has evidence that the reclamation debtor had knowledge of the forged or unauthorized drawer's signature.

(c) Treasury will not reclaim on a counterfeit check unless the reclamation debtor has failed to make all reasonable efforts to ensure that a check is an authentic check and not a counterfeit check. Guidance on the key security features found on U.S. Treasury checks is available on the Fiscal Service website at: *http://www.fiscal.treasury.gov/checkclaims/check_security_new.pdf*. Institutions may contact the Fiscal Service Questioned Documents Branch at (202) 874–7640 for additional information about these security features or to request training.

(d) Reclamation debts are due to be paid upon receipt of the reclamation by

the reclamation debtor. Interest, penalties, and administrative costs associated with unpaid balances will accrue as follows:

(1) *Interest*. Treasury will assess interest on the unpaid principal of the reclamation debt beginning on the 61st day following the reclamation date, and will calculate interest based on the rate published annually by Treasury in accordance with 31 U.S.C. 3717. Interest will continue to accrue until the full amount of the reclamation is paid or Treasury determines that payment is not required.

(2) *Penalties*. Treasury will assess a penalty beginning on the 91st day following the reclamation date. The penalty will be assessed in accordance with 31 U.S.C. 3717 on the unpaid principal of the reclamation debt, and will continue to accrue until the full amount of the reclamation debt is paid or Treasury determines that payment is not required.

(3) *Administrative costs*. Treasury will assess administrative costs associated with the unpaid reclamation debt beginning on the 61st day following the reclamation date. Administrative costs will continue to accrue until the full amount of the reclamation debt is paid or Treasury determines that payment is not required.

(e) If Treasury is unable to fully collect a reclamation debt from a reclamation debtor, after pursuing all appropriate means of collection (including, but not limited to, administrative offset in accordance with § 240.10 and Treasury Check Offset in accordance with § 240.11), Treasury will discharge the unpaid reclamation debt. See 31 CFR 903.5 (Discharge of indebtedness; reporting requirements). Treasury or the certifying agency will report the amount of the unpaid reclamation debt to the Internal Revenue Service in accordance with the requirements of 26 U.S.C. 6050P and 26 CFR 1.6050P–1.

§ 240.9 Reclamation procedures; reclamation protests.

(a) *Reclamation procedures*. (1) Treasury will send a ''NOTICE OF DIRECT DEBIT (RECLAMATION)'' to the reclamation debtor in accordance with § 240.8(a). This notice will advise the reclamation debtor of the amount demanded and the reason for the demand. Treasury will provide notice to the reclamation debtor that:

(i) If the reclamation debt is not paid within 30 days after the reclamation date, Treasury intends to collect the amount outstanding by instructing the appropriate Federal Reserve Bank to debit on the 31st day the Master Account used by the reclamation debtor. The Federal Reserve Bank will provide advice of the debit to the reclamation debtor;

(ii) The reclamation debtor has an opportunity to inspect and copy Treasury's records with respect to the reclamation debt;

(iii) The reclamation debtor may, by filing a protest in accordance with § 240.9(b), request Treasury to review its decision that the reclamation debtor is liable for the reclamation debt. If such a protest is filed within 30 days after the reclamation date, Treasury will not instruct the appropriate Federal Reserve Bank to debit the Master Account used by the reclamation debtor while the protest is still pending; and

(iv) The reclamation debtor has an opportunity to enter into a written agreement with Treasury for the repayment of the reclamation debt. A request for a repayment agreement must be accompanied by documentary proof that satisfies Treasury that the reclamation debtor is unable to repay the entire amount owed when due.

(2) Requests by a reclamation debtor for an appointment to inspect and copy Treasury's records with respect to a reclamation debt and requests to enter into repayment agreements must be sent in writing to the address provided on the Check Claims Web site at *http://www.fiscal.treasury.gov/checkclaims* or to such other address as Treasury may publish in the Goldbook: The Check Reclamation Guide, which can be found at *http://www.fiscal.treasury.gov*.

(3) If Treasury determines a reclamation debt is due and the Federal Reserve Bank is unable to debit the financial institution's Master Account, Fiscal Service will assess interest, penalties, and administrative costs in accordance with § 240.8. Additionally, Treasury will proceed to collect the

reclamation debt through offset in accordance with § 240.10 and Treasury Check Offset in accordance with § 240.11.

(4) If Treasury determines a reclamation has been made in error, Treasury will abandon the reclamation. If Treasury already has collected the amount of the reclamation from the reclamation debtor, Treasury will promptly refund to the reclamation debtor the amount of its payment.

(b) *Reclamation protests*—(1) *Who may protest*. Only a reclamation debtor may protest a reclamation.

(2) *Basis for protest*. Where Treasury, in accordance with § 240.8 and paragraph (a) of this section, reclaims the amount of a check payment, the reclamation debtor may file a protest challenging such reclamation. Protests may be filed challenging the following determinations:

(i) *Counterfeit checks*. The reclamation debtor may offer evidence that it made all reasonable efforts to ensure that a check is authentic. The reclamation debtor must include evidence that the check was examined for a watermark as required under §§ 240.2(bb) and 240.4. Depending on the circumstances, Fiscal Service may require evidence that the reclamation debtor also examined the check for evidence of additional security features as described in guidance provided by Treasury or on Treasury's behalf.

(ii) *Altered checks*. The reclamation debtor may offer evidence that the check is not altered.

(iii) *Checks bearing forged or unauthorized drawer's signatures*. The reclamation debtor may offer evidence that the reclamation debtor did not have knowledge of the forged or unauthorized drawer's signature.

(iv) *Checks bearing a forged or unauthorized indorsement*. The reclamation debtor may offer evidence that the indorsement was not forged or was otherwise authorized in accordance with the requirements of §§ 240.13 through 240.17.

(v) *Prior presentment*. The presenting bank may offer evidence that the check or a paper or electronic representation thereof has not already been presented to, and paid by, Treasury.

(vi) *Adequacy of substitute check or electronic check*. The presenting bank may offer an original check or a copy of the check that is sufficient to support a determination that the check does not contain a material defect or alteration.

(3) *Procedures for filing a protest*. A reclamation protest must be sent in writing to the address provided on the Check Claims Web site at *http://www.fiscal.treasury.gov/checkclaims* or to such other address as Treasury may publish in the Goldbook: The Check Reclamation Guide, which can be found at *http://www.fiscal.treasury.gov*.

(i) The reclamation protest must include supporting documentation (including, but not limited to, affidavits, account agreements, and signature cards) for the purpose of establishing that the reclamation debtor is not liable for the reclamation debt.

(ii) Treasury will not consider reclamation protests received more than 60 days after the reclamation date.

(iii) Treasury may, at its discretion, consider information received from a guarantor other than the reclamation debtor. However, in so doing, Treasury does not waive any of its rights under this part, nor does Treasury grant rights to any guarantor that are not otherwise provided in this part.

(4) *Review of a reclamation protest*. The responsible Fiscal Service Director, or an authorized designee, will make every effort to decide any protest properly submitted under this section within 60 days, and will notify the reclamation debtor of Treasury's decision. In those cases where it is not possible to render a decision within 60 days, the responsible Fiscal Service Director, or an authorized designee, will notify the reclamation debtor of the delay. Neither the responsible Fiscal Service Director, nor an authorized designee, will have any involvement in the process of making determinations under § 240.8(a) of this part or sending a ''REQUEST FOR REFUND (CHECK RECLAMATION)'' under § 240.9(a) of this part.

(i) Treasury will refrain from the collection activities identified in §§ 240.10 and 240.11 while a timely protest is being considered. However, interest, penalties, and administrative costs will continue to accrue and will be added to

the reclamation debt until a final determination on the protest has been made.

(ii) If, based on the evidence provided, the responsible Fiscal Service Director, or an authorized designee, finds that the reclamation debtor has met, by a preponderance of the evidence, the criteria in paragraph (b)(2) of this section, Treasury will notify the reclamation debtor, in writing, of his or her decision to terminate collection and will refund any amounts previously collected for the reclamation debt. Treasury may refund the amount either by applying the amount to another reclamation debt owed by the reclamation debtor in accordance with this part or other applicable law, or by returning the amount to the reclamation debtor.

(iii) If the responsible Fiscal Service Director, or an authorized designee, finds, by a preponderance of the evidence, the reclamation debtor is liable for the reclamation debt, Treasury will notify the reclamation debtor of his or her decision in writing. If the reclamation debtor has not paid the reclamation in full, Treasury will direct the Federal Reserve Bank to debit the financial institution's Master Account immediately, provided at least 30 days have passed after the date of the NOTICE OF DIRECT DEBIT (RECLAMATION). If at least 30 days have not yet passed after the date of the NOTICE OF DIRECT DEBIT (RECLAMATION), Treasury will direct the Federal Reserve Bank to debit the financial institution's Master Account on the 31st day after the date of the NOTICE OF DIRECT DEBIT (RECLAMATION). The Federal Reserve Bank will provide advice of the debit to the reclamation debtor. If the appropriate Federal Reserve Bank is unable to debit a reclamation debtor's Master Account, Treasury will proceed to collect the reclamation debt through offset in accordance with § 240.10 and § 240.11.

(5) *Effect of protest decision.* The notice provided to the reclamation debtor under paragraph (b)(4)(iii) of this section shall serve as the final agency determination under the Administrative Procedure Act (5 U.S.C. 701, *et seq.*). No civil suit may be filed until the reclamation debtor has filed a protest under this section, and Treasury has provided notice of its final determination.

[69 FR 61568, Oct. 19, 2004, as amended at 76 FR 57909, Sept. 19, 2011]

§ 240.10 Offset.

(a) If a reclamation debt remains unpaid for 120 days after the reclamation date, Treasury will refer the reclamation debt, if eligible, to Treasury's centralized offset program (see 31 CFR part 285) or another Federal agency for offset in accordance with 31 U.S.C. 3716. Prior to making a referral for offset, Treasury, in accordance with § 240.9(a)(3), will send at least one monthly statement to the reclamation debtor informing the reclamation debtor that Treasury intends to collect the reclamation debt by administrative offset and Treasury Check Offset.

(b) If a reclamation debtor wishes to make payment on a reclamation debt referred for offset, the reclamation debtor should contact Treasury at the address listed in § 240.9(b) to resolve the debt and avoid offset.

(c) If Treasury is unable to collect a reclamation debt by use of the offset described in paragraph (a) of this section, Treasury shall take such action against the reclamation debtor as may be necessary to protect the interests of the United States, including, but not limited to, Treasury Check Offset in accordance with § 240.11, or referral to the Department of Justice.

(d) If Treasury effects offset under this section and it is later determined that the reclamation debtor already had paid the amount of the reclamation debt, or that a reclamation debtor which had timely filed a protest was not liable for the amount of the reclamation, Treasury will promptly refund to the reclamation debtor the amount of its payment. Treasury may refund the amount either by applying the amount to another reclamation debt owed by the reclamation debtor in accordance with this part or other applicable law, or by returning the amount to the reclamation debtor.

§ 240.11 Treasury Check Offset.

(a) If Treasury is unable to effect collection pursuant to § 240.8, § 240.9, or

§ 240.10, of this part, Treasury will collect the amount of the reclamation debt through Treasury Check Offset. Treasury Check Offset occurs when, at the direction of the Treasury, a Federal Reserve Bank withholds, that is, offsets, credit from a presenting bank. The amount of credit offset is applied to the reclamation debt owed by the presenting bank. By presenting Treasury checks for payment, the presenting bank is deemed to authorize Treasury Check Offset.

(b) If Treasury effects offset under this section and it is later determined that the presenting bank paid the reclamation debt in full, or that a presenting bank was not liable for the amount of the reclamation debt, Treasury will promptly refund to the presenting bank the amount of its overpayment. Treasury may refund the amount either by applying the amount to another reclamation debt in accordance with this part or other applicable law, or by returning the amount to the presenting bank.

(c) Treasury Check Offset is used for the purpose of collecting debt owed by a presenting bank to the Federal Government. As a consequence, presenting banks shall not be able to use the fact that Treasury checks have not been paid as the basis for a claim against Treasury, a Federal Reserve Bank, or other persons or entities, including payees or other indorsers of checks, for the amount of the credit offset pursuant to 31 U.S.C. 3712(e) and this section.

(d) This section does not apply to a claim based upon a reclamation that has been outstanding for more than 10 years from the date of delinquency.

§ 240.12 Processing of checks.

(a) *Federal Reserve Banks.* (1) Federal Reserve Banks must cash checks for Government disbursing officials when such checks are drawn by the disbursing officials to their own order, except that payment of such checks must be refused if:

(i) A check bears a material defect or alteration;

(ii) A check was issued more than one year prior to the date of presentment; or

(iii) The Federal Reserve Bank has been notified by Treasury, in accordance with § 240.15(c), that a check was issued to a deceased payee.

(2) Federal Reserve Banks are not required to cash checks presented directly to them by the general public.

(3) As a depositary 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 provisional credit therefore in accordance with their current Time Schedules and charge the amount of the checks cashed or otherwise received to the General Account of the United States Treasury, subject to first examination and payment by Treasury;

(iii) Forward payment records and requested checks to Treasury; and

(iv) Release the original checks and substitute checks to a designated Regional Records Services Facility upon notification from Treasury.

(4) If a check is to be declined under § 240.6, Treasury will provide the Federal Reserve Bank with notice of declination upon the completion of first examination. Federal Reserve Banks must give immediate credit therefor to Treasury's General Account, thereby reversing the previous charge to the General Account for such check.

(5) Treasury authorizes each Federal Reserve Bank to release a copy of the check to the presenting bank when payment is declined.

(b) *Treasury General Account (TGA) designated depositaries outside the United States.* (1) Financial institutions outside the United States designated by Treasury as depositaries of public money in accordance with 31 U.S.C. 3303 and permitted to charge checks to the General Account of the United States Treasury in accordance with Treasury implementing instructions shall be governed by the operating instructions contained in the letter of authorization to them from Treasury and are, as presenting banks, subject to the provisions of §§ 240.4, 240.8, and 240.9.

(2) If a check is to be declined under § 240.6, Treasury will provide the presenting bank with notice of declination

upon the completion of first examination and will provide the presenting bank with a copy or image of the check. Such presenting bank must give immediate credit therefore to the General Account of the United States Treasury, thereby reversing the previous charge to the Account for such check. Treasury authorizes the designated Federal Reserve Bank to return to such presenting bank the original check when payment is declined in accordance with § 240.5(a) or § 240.15(c).

(3) To ensure complete recovery of the amount due, reclamation refunds require payment in United States dollars with checks drawn on or payable through United States financial institutions located in the United States. Reclamation refunds initiated by financial institutions outside of the United States must be sent through their headquarters or U.S. correspondent financial institution only. The payments should be accompanied by documentation identifying the check that was the subject of the reclamation (such as a copy of the reclamation notice or the current monthly statement). Reclamation refunds shall not be deposited to Treasury's General Account.

(4) Additional information relating to designated depositaries outside the United States may be found in Volume VI, Chapter 2000, of the Treasury Financial Manual, which can be found at *http://www.fiscal.treasury.gov*.

INDORSEMENT OF CHECKS

§ 240.13 Indorsement by payees.

(a) *General requirements.* Checks shall be indorsed by the named payee or by another on behalf of such named payee as set forth in this part.

(b) *Acceptable indorsements.* (1) A check is properly indorsed when:

(i) The check is indorsed by the payee in a form recognized by general principles of law and commercial usage for negotiation, transfer or collection of negotiable instruments.

(ii) The check is indorsed by another on behalf of the named payee, and sufficiently indicates that the indorser has indorsed the check on behalf of the payee 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, §§ 240.14, 240.15, and 240.17(f) specify the addition of an indication in specified situations of the actual capacity in which the person other than the named payee is indorsing.

(iii) Absent a signature, the check is indorsed ''for collection'' or ''for deposit only to the credit of the within named payee or payees.'' The presenting bank shall be deemed to guarantee good title to checks without signatures to all subsequent indorsers and to Treasury.

(iv) The check is indorsed by a financial institution under the payee's authorization.

(2) *Indorsement of checks by a duly authorized fiduciary or representative.* The individual or institution accepting a check from a person other than the named payee is responsible for determining whether 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 Treasury in the event of a dispute.

(3) *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 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 instructions. XYZ [Name of financial institution].'' 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, under the payee's 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.

(4) *Indorsement of checks drawn in favor of financial institutions.* All checks drawn in favor of a financial institution, for credit to the account of a person designating payment so to be made, must be indorsed in the name of the financial institution as payee in the usual manner. However, no check

drawn in favor of a financial institution for credit to the account of a payee may be negotiated by the financial institution after the death of the payee.

(c) *Unacceptable indorsements.* (1) A check is not properly indorsed when the check is signed or otherwise is indorsed by a person without the payee's consent or authorization.

(2) Failure to include the signature of the person signing the check as required by paragraph (b)(1)(ii) of this section will create a rebuttable presumption that the indorsement is a forgery and is unacceptable.

(3) Failure to include sufficient indication of the indorser's authority to act on behalf of the payee as required by paragraph (b)(1)(ii) of this section will create a rebuttable presumption that the indorsing person is not authorized to indorse a check for the payee.

§ 240.14 Checks issued to incompetent payees.

(a) *Handling of checks when a guardian or other fiduciary has been appointed.* (1) A guardian appointed in accordance with applicable State law, or a fiduciary appointed in accordance with other applicable law, may indorse checks issued for the following classes of payments the right to which under law does not terminate with the death of the payee: payments for the redemption of currencies or for principal and/or interest on U.S. securities; payments for tax refunds; and payments for goods and services.

(i) A guardian or other fiduciary indorsing any such check on behalf of an incompetent payee, must include, as part of the indorsement, an indication of the capacity in which the guardian or fiduciary is indorsing. An example would be: ''John Jones by Mary Jones, guardian of John Jones.''

(ii) When a check indorsed in this fashion is presented for payment by a financial institution, it will be paid by Treasury without submission 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 Treasury in the event of a dispute.

(2) A guardian or other fiduciary may not indorse a check issued for any class of payment other than one specified in paragraph (a)(1) of this section. When a check other than one specified in paragraph (a)(1) of this section is received by a guardian or other fiduciary, the check must be returned to the certifying agency with information as to the incompetence of the payee and documentary evidence showing the appointment of the guardian or other fiduciary in order that a replacement check, and future checks, may be drawn in favor of the guardian or other fiduciary.

(b) *Handling of checks when a guardian or other fiduciary has not been appointed.* If a guardian or other fiduciary has not been appointed, all checks issued to an incompetent payee must be returned to the certifying agency for determination as to whether, under applicable law, payment is due and to whom it may be made.

(c) *Handling of certain checks by an attorney-in-fact.* Notwithstanding paragraph (a)(2) of this section, if a check was issued for a class of payments the right to which under law terminates upon the death of the beneficiary, such as a recurring benefit payment or annuity, the check may be negotiated under a durable special power of attorney or springing durable special power of attorney subject to the restrictions enumerated in § 240.17. After the end of the six-month period provided in §§ 240.17(d) and (e), such checks must be handled in accordance with paragraph (a)(2) of this section.

§ 240.15 Checks issued to deceased payees.

(a) *Handling of checks when an executor or administrator has been appointed.* (1) An executor or administrator of an estate that has been appointed in accordance with applicable State law may indorse checks issued for the following classes of payments the right to which under law does not terminate with the death of the payee: payments for the redemption of currencies or for principal and/or interest on U.S. securities; payments for tax refunds; and payments for goods and services.

(i) An executor or administrator indorsing any such check must 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.''

(ii) When a check indorsed in this fashion is presented for payment by a financial institution, it will be paid by 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 Treasury in the event of a dispute.

(2) An executor or administrator of an estate may not indorse a check issued for any class of payment other than one specified in paragraph (a)(1) of this section. Other checks, such as recurring benefit payments and annuity payments, may not be negotiated after the death of the payee. Such checks must be returned to the certifying agency for determination as to whether, under applicable law, payment is due and to whom it may be made.

(b) *Handling of checks when an executor or administrator has not been appointed.* If an executor or administrator has not been appointed, all checks issued to a deceased payee must be returned to the certifying agency for determination as to whether, under applicable law, payment is due and to whom it may be made.

(c) *Handling of checks when a certifying agency learns, after the issuance of a recurring benefit payment check, that the payee died prior to the date of issuance.* (1) A recurring benefit payment check, issued after a payee's death, is not payable. As a consequence, when a certifying agency learns that a payee has died, the certifying agency must give immediate notice to Treasury, as prescribed at Volume I, Part 4, Chapter 7000 of the Treasury Financial Manual, which can be found at *http://www.fiscal.treasury.gov*. Upon receipt of such notice from a certifying agency, Treasury will instruct the Federal Reserve Bank to refuse payment of the check upon presentment. Upon receipt of such instruction from Treasury, the Federal Reserve Bank will make every appropriate effort to intercept the check. If the check is successfully intercepted, the Federal Reserve Bank will refuse payment, and will return the check unpaid to the presenting bank with an annotation that the payee is deceased. If a financial institution learns that a date of death triggering action under this section is erroneous, the financial institution must advise the payee to contact the payment certifying agency.

(2) Nothing in this section shall limit the right of Treasury to institute reclamation proceedings under the provisions of §§ 240.8 and 240.9 with respect to a check issued to a deceased payee that has been negotiated and paid over a forged or unauthorized indorsement.

§ 240.16 Checks issued to minor payees.

(a) Checks in payment of principal and/or interest on U.S. securities that are issued to minors may be indorsed by:

(1) Either parent with whom the minor resides; or

(2) If the minor does not reside with either parent, by the person who furnishes the minor's chief support.

(b) The parent or other person indorsing on behalf of the minor must present with the check the indorser's signed statement giving the minor's age, and stating that the payee either resides with the parent or receives his or her chief support from the person indorsing on the minor's behalf and that the proceeds of the check will be used for the minor's benefit.

§ 240.17 Powers of attorney.

(a) *Specific powers of attorney.* Any check may be negotiated under a specific power of attorney executed in accordance with applicable State or Federal law after the issuance of the check and describing the check in full (check serial and symbol numbers, date of issue, amount, and name of payee).

(b) *General powers of attorney.* Checks may be negotiated under a general power of attorney executed, in accordance with applicable State or Federal law, in favor of a person for the following classes of payments:

(1) Payments for the redemption of currencies or for principal and/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(c); and

(3) Payments for goods and services.

(c) *Special powers of attorney*. Checks issued for classes of payments other than those specified in paragraph (b) of this section, such as a recurring benefit payment, may be negotiated under a special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-in-fact, and recites that the special power of attorney is not given to carry into effect an assignment of the right to receive such payment, either to the attorney-in-fact or to any other person.

(d) *Durable special powers of attorney*. A durable special power of attorney is a special power of attorney that continues despite the principal's later incompetency, and is created by the principal's use of words explicitly stating such intent. Classes of checks other than those specified in paragraph (b) of this section may be negotiated under a durable special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-in-fact, and recites that the special power of attorney is not given to carry into effect an assignment of the right to receive such payment, either to the attorney-in-fact or to any other person. For the purpose of negotiating Treasury checks, durable special powers of attorney are effective only during the six-month period following a determination that the named payee is incompetent.

(e) *Springing durable special powers of attorney*. A springing durable special power of attorney is similar to a durable power of attorney except that its terms do not become effective until the principal's subsequent incompetence. As with a durable special power of attorney, a springing durable special power of attorney is created by the principal's use of language explicitly stating that its terms become effective at such time as the principal is determined to be incompetent. Classes of checks other than those specified in paragraph (b) of this section may be negotiated under a springing durable special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-in-fact, and recites that the springing durable special power of attorney 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. For the purpose of negotiating Treasury checks, springing durable special powers of attorney are effective only during the six-month period following a determination that the named payee is incompetent.

(f) *Proof of authority*. Checks indorsed by an attorney-in-fact must 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 financial institution, will be paid by 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 Treasury in the event of a dispute.

(g) *Revocation of powers of attorney*. Notwithstanding any other law, for purposes of negotiating Treasury checks, all powers of attorney are deemed revoked by the death of the principal and may also be deemed revoked by notice from the principal to the parties known, or reasonably expected, to be acting on the power of attorney.

(h) *Optional use forms*. Optional use power of attorney forms are listed in the appendix to this part. These forms are available on the Fiscal Service website at: *http://www.fiscal.treasury.gov/ checkclaims/ regulations.html*.

§ 240.18 Lack of authority to shift liability.

(a) This part neither authorizes nor directs a financial institution to debit

the account of any person or to deposit any funds from any account into a suspense account or escrow account or the equivalent. Nothing in this part shall be construed to affect a financial institution's contract with its depositor(s) under authority of state law.

(b) A financial institution's liability under this part is not affected by any action taken by it to recover from any person the amount of the financial institution's liability to the Treasury.

§ 240.19 Reservation of rights.

The Secretary of the Treasury reserves the right, in the Secretary's discretion, to waive any provision(s) of this regulation not otherwise required by law.

APPENDIX A TO PART 240—OPTIONAL FORMS FOR POWERS OF ATTORNEY AND THEIR APPLICATION

Fiscal Service Form 231—General Power of Attorney (Individual). This general power of attorney form may be executed by an individual, unincorporated partnership, 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.

Fiscal Service Form 232—Specific Power of Attorney (Individual). This specific power of attorney form may be executed by an individual, unincorporated partnership, or sole owner to authorize the indorsement of any class of check drawn on the United States Treasury. To be valid, the form must be executed after the issuance of the check and must describe the check in full, including the check serial and symbol numbers, date of issue, amount, and name of the payee.

Fiscal Service Form 233—Special Power of Attorney (Individual). This special power of attorney form may be executed by an individual, unincorporated partnership, or sole owner, to authorize the indorsement of payments other than those listed under Fiscal Service Form 231, such as recurring benefit payments. It may name any person (as the term person is defined in 31 CFR part 240) as attorney-in-fact, but must describe the purpose for which the checks are issued and recite 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. A special power of attorney is not effective for purposes of negotiating checks issued after the payee is determined to be incompetent, unless the payee has indicated that the special power of attorney is to: (1) Remain effective following a determination that the principal is incompetent (a durable special power of attorney); or (2) become effective following a determination that the principal is incompetent (a springing durable special power of attorney). In no instance may a special power of attorney be used as the basis for negotiation of a check drawn on the United States Treasury more than six months after a determination that the principal is incompetent.

Fiscal Service Form 234—Specific Power of Attorney (Corporation). This general power of attorney form may be executed by a corporation to authorize the indorsement by an attorney-in-fact for the classes of payments listed under Fiscal Service Form 231. When authority is given to an officer of the corporation to execute a power of attorney authorizing a third person to indorse and collect checks drawn on the United States Treasury in the name of the corporation, the power of attorney on Fiscal Service Form 234 should be accompanied by Fiscal Service Form 235 (Resolution by Corporation Conferring Authority Upon an Officer to Execute a Power of Attorney for the Collection of Checks Drawn on the Treasurer of the United States), executed by the officer authorized herein to execute such a power.

Fiscal Service Form 236—Specific Power of Attorney (Corporation). This specific power of attorney form may be executed by a corporation to authorize the indorsement by an attorney-in-fact of any class of check drawn on the United States Treasury. To be valid, the form must be executed after the issuance of the check and must describe the check in full, including the check serial and symbol numbers, date of issue, amount, and name of the payee. When authority is given to an officer of the corporation to execute a power of attorney authorizing a third person to indorse and collect checks drawn on the United States Treasury in the name of the corporation, the power of attorney on Fiscal Service Form 236 should be accompanied by Fiscal Service Form 235 (Resolution by Corporation Conferring Authority Upon an Officer to Execute a Power of Attorney for the Collection of Checks Drawn on the Treasurer of the United States), executed by the officer authorized herein to execute such a power.

PART 245—CLAIMS ON ACCOUNT OF TREASURY CHECKS

Sec.

245.1 Introductory.
245.2 Definitions.
245.3 Time limit for check claims.
245.4 Advice of nonreceipt or loss.
245.5 Recertification of payment.
245.6 Claim by an indorser.
245.7 Check status inquiry.
245.8 Receipt or recovery of original check.
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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 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.

ACTION TO BE TAKEN BY CLAIMANTS

248.3 Advice of nonreceipt or loss.
248.4 Undertaking of indemnity.
248.5 Exception to requirement of undertaking of indemnity Form 2244.
248.6 Recovery of original check.
248.7 Claims requiring settlement action.
248.8 Inquiries.
248.9 Amendments and waivers.

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 Bureau of the Fiscal 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

Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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—OBTAINING PAYMENTS FROM THE JUDGMENT FUND AND UNDER PRIVATE RELIEF BILLS

Subpart A—General Information

Sec.

256.0 What does this part cover?
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Subpart G—Private Relief Bills

256.60 How do I get paid for a Private Relief Bill?

AUTHORITY: 31 U.S.C. 1304, 3728; 41 U.S.C. 612; 5 U.S.C. 2301 note.

SOURCE: 71 FR 60849, Oct. 17, 2006, unless otherwise noted.

Subpart A—General Information

§ 256.0 What does this part cover?

This part applies to payments made by the U.S. Department of the Treasury (Treasury) pursuant to the Judgment Fund statute, 31 U.S.C. 1304.

§ 256.1 What is Treasury's role in paying awards and settlements from the Judgment Fund?

(a) The Judgment Fund is a permanent, indefinite appropriation which is available to pay many judicially and administratively ordered monetary awards against the United States. In addition, amounts owed under compromise agreements negotiated by the U.S. Department of Justice in settlement of claims arising under actual or imminent litigation are normally paid

from the Judgment Fund, if a judgment on the merits would be payable from the Judgment Fund. Treasury's Bureau of the Fiscal Service (Fiscal Service) certifies payments from the Judgment Fund when the following four tests have been met:

(1) Awards or settlements are final;

(2) Awards or settlements are monetary;

(3) One of the authorities specified in 31 U.S.C. 1304(a)(3) provides for payment of the award or settlement; and

(4) Payment may not legally be made from any other source of funds.

(b) Additionally, Fiscal Service requires that requests for payment identify the statute that forms the basis of the underlying claim. The award or settlement must comply with the statutory and regulatory requirements that authorize the award or settlement. For example, interest is payable on Judgment Fund awards only if there is an express statutory provision, contractual agreement or constitutional waiver of sovereign immunity authorizing the assessment of interest against the United States. Also, a tort under the Federal Tort Claims Act (FTCA) is payable from the Judgment Fund only when the award amount exceeds $2,500 (for administrative awards) and is in compliance with the regulatory requirements at 28 CFR part 14.

§ 256.2 Where can I find more information about, and forms for, Judgment Fund payments?

Detailed information related to Judgment Fund payments, including copies of all forms, can be found in the Treasury Financial Manual (TFM), Volume I, Part 6, Chapter 3100. The TFM is available on the Judgment Fund Web site at *http://www.fiscal.treasury.gov/judgefund*. Contact information for the Judgment Fund Branch is also available on the Web site.

Subpart B—Requesting Payments

§ 256.10 Who may request payment from the Judgment Fund?

(a) *Court judgments and settlements of litigation*. The Department of Justice must normally submit the request for payment from the Judgment Fund. Agencies that have independent litigating authority may submit a request for payment themselves if the Department of Justice is not responsible for the case.

(b) *Administrative awards*. The program agency that is authorized to approve the award must submit the request for payment.

§ 256.11 How do agencies request payments?

Agencies must submit requests for payments from the Judgment Fund on Fiscal Service's Judgment Fund payment request forms or by using other approved methods as provided for on the Judgment Fund Web site at *http://www.fiscal.treasury.gov/judgefund*. Fiscal Service provides forms and detailed information about Judgment Fund payments in the TFM, Volume I, Part 6, Chapter 3100. The TFM is also available on the Judgment Fund Web site. The submitting agency must complete and sign all required Judgment Fund forms and must attach all required supporting documents.

§ 256.12 What supporting documentation must agencies submit to Fiscal Service when requesting a payment from the Judgment Fund?

(a) *All payments*. The submitting agency must submit a copy of the judgment or settlement agreement, as applicable, in addition to the request for payment from the Judgment Fund. The request for payment must be on the appropriate Judgment Fund payment request forms.

(b) *Awards to minors*. For awards to claimants that are minors, the submitting agency must include in its submission to Fiscal Service documentation establishing that the payee, if different from the claimant, is legally authorized to act on behalf of the claimant. Documentation of court approvals (Federal, State, or foreign) that are legally required for payment must be submitted along with the request for payment from the Judgment Fund. State law typically specifies when money awards to minors require the appointment of a guardian. Agencies must list the appropriate controlling state law citation on the payment request forms.

(c) *Awards of costs.* For awards of costs, the submitting agency must include a copy of the ''bill of costs'' or the Court's order awarding costs. Only those items expressly enumerated under the cost statute, 28 U.S.C. 1920, or other governing statute specific to the award, are payable from the Judgment Fund.

(d) *Payments to multiple claimants/payees in a single award.* For awards where multiple payees are to receive separate payments, the submitting agency must complete separate Judgment Fund Vouchers for Payment for each payee. When there are multiple claimants in an administrative tort matter, each claimant's award must independently exceed the mandatory $2,500 threshold in order for payment to be made from the Judgment Fund. A claimant's threshold can be satisfied by combining amounts awarded for personal and property damage under the FTCA.

(e) *Awards of back pay.* For awards of back pay where the judgment does not specifically state the principal amounts to be paid and withholdings to be made, the submitting agency must include a spreadsheet indicating precisely which amounts are allocable to net pay, deductions, and interest.

§ 256.13 Are agencies required to supply a taxpayer identification number (TIN) when submitting a request for payment?

Yes, agencies must include a valid TIN on all requests for payments, unless the situation meets one of the exceptions listed in the Fiscal Service TIN Policy, which may be found on the Fiscal Service Web site at: *http://www.fiscal.treasury.gov/tinpolicy/regulations.html.* For an individual, the TIN is the Social Security Number. For a business, the TIN is the Employer Identification Number issued by IRS. The TIN provided must be for the party entitled to the payment, whether or not that party is the payee. Failure to include a required TIN results in an incomplete request for payment.

§ 256.14 What happens if I submit an incomplete request for payment?

Fiscal Service may return, without action, any request for payment that is incomplete. If a request for payment is returned for lack of necessary information, the submitting agency may resubmit the request for payment once all the required information is available.

Subpart C—Debt Collection

§ 256.20 How does an agency indicate that a debt is to be offset from a Judgment Fund payment?

The submitting agency must identify on the appropriate Judgment Fund form any known debt owed to the United States that Fiscal Service is expected to collect by setoff against the award. Such a debt will be offset pursuant to the provisions of 31 U.S.C. 3728.

§ 256.21 Are Judgment Fund payments offset to collect administrative debts?

Yes, separate and apart from its role as administrator of the Judgment Fund, Fiscal Service, in its capacity as disbursing official for the executive branch, offsets Judgment Fund payments to collect delinquent, nontax Federal debts through the Treasury Offset Program (TOP). This rule applies only to the setoff of Judgment Fund payments prior to payment certification, pursuant to 31 U.S.C. 3728, and not to disbursing official offsets pursuant to other authorities. (See 31 CFR 285.5 for requirements for disbursing official offset of past-due delinquent, nontax debts pursuant to the authority set forth in 31 U.S.C. 3716.)

§ 256.22 How does Fiscal Service set off an award under 31 U.S.C. 3728?

The setoff statute establishes a two-step process to collect debts that are owed to the United States. If an agency notifies Fiscal Service of a debt for which a court has issued a judgment against a debtor in favor of the United States, or for which the IRS has issued a tax levy pursuant to 26 U.S.C. 6331, then Fiscal Service will automatically set off the debt from the payment. If the debt owed to the United States has not been judicially determined, then Fiscal Service must notify the claimant of the debt and request the debtor's consent to a setoff. If the debtor consents, then Fiscal Service will set off the debt. If the debtor does not consent, then Fiscal Service will withhold

from payment an amount equal to the debt. Fiscal Service also may withhold an amount sufficient to pay the cost of litigating the debt to judgment. Fiscal Service then will consult with the underlying agency and the Department of Justice regarding the necessity for a civil action to reduce the debt to judgment. If litigation proceeds and is successful, Fiscal Service will set off the debt. If the suit is unsuccessful, Fiscal Service will pay the withheld amount with interest accruing from the date when payment would have been made.

Subpart D—Interest and Litigation Costs

§ 256.30 When does the Judgment Fund pay interest?

Interest is paid when it is ordered in the judgment pursuant to a statutory, contractual or constitutional waiver of sovereign immunity. Such waivers may include interest as set forth under 41 U.S.C. 611 (Contract Disputes Act), 5 U.S.C. 5596 (Back Pay Act), or Title VII, 42 U.S.C. 2000e–16 (Civil Rights Act of 1991). In addition, post-judgment interest is paid on awards eligible for interest under 31 U.S.C. 1304(b) (unsuccessful appeal by the Government).

§ 256.31 How does Fiscal Service compute interest on payments?

Fiscal Service computes interest according to the terms of the statute that waives sovereign immunity for interest to be awarded against the Federal government. The statute that allows interest must be cited on the appropriate Judgment Fund form.

§ 256.32 What documentation must be submitted to the Judgment Fund Branch to preserve the right to seek interest under 31 U.S.C. 1304(b) in a case where the government has taken an appeal?

31 U.S.C. 1304(b) specifies that a ''transcript of the judgment'' must be filed with the Secretary of the Treasury. This means that a copy of the judgment must be filed with the Judgment Fund Branch for interest to accrue on a judgment of a federal district court, the Court of Appeals for the Federal Circuit, or the United States Court of Federal Claims. By practice, the successful plaintiff files a copy of the judgment. Whoever submits the judgment should include a cover letter explaining that it is being submitted to preserve interest rights under 31 U.S.C. 1304. A copy of the judgment and cover letter must be sent to the Bureau of the Fiscal Service, Judgment Fund Branch, at the address indicated on the Judgment Fund Web site at *http://www.fiscal.treasury.gov/judgefund*.

§ 256.33 For what period of time is interest computed under 31 U.S.C. 1304(b)?

Interest is computed from the date that Fiscal Service receives the copy of the judgment until the date preceding the appellate court's affirmative ruling. If the United States files a Notice of Appeal which it later withdraws, interest is paid on the award through the date before the withdrawal of the Notice of Appeal.

§ 256.34 Does the Judgment Fund pay all litigation costs?

Fiscal Service certifies for payment only those costs that are enumerated in the cost statute, 28 U.S.C. 1920, or as set forth under a statute that specifically governs payment of the award.

Subpart E—Reimbursements to the Judgment Fund

§ 256.40 When must an agency reimburse the Judgment Fund?

Agencies are required to reimburse the Judgment Fund for payments made pursuant to the Contract Disputes Act (CDA), 41 U.S.C. 612, and payments made pursuant to the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002 (No FEAR), 5 U.S.C. 2301 note. The TFM, available on the Judgment Fund Web site at *http://www.fiscal.treasury.gov/judgefund*, contains more information about how Fiscal Service bills agencies and collects such reimbursements.

§ 256.41 When is reimbursement due for CDA and No FEAR payments?

Reimbursement for a CDA or No FEAR payment should be made promptly upon notification from Fiscal Service of the amount due. If the agency is unable to timely reimburse Fiscal

Service, the agency must contact Fiscal Service to establish a reimbursement plan. Under Office of Personnel Management (OPM) regulations, No FEAR reimbursements or payment reimbursement plans must be made within 45 days of the request for reimbursement. See 5 CFR part 724. Agencies that do not meet this requirement will be listed on Fiscal Service's public Web site.

Subpart F—Additional Provisions

§ 256.50 How does Fiscal Service process back pay awards?

The submitting agency may request one of two methods to process back pay awards.

(a) One method has three parts. The first part is a payment of net back pay (and interest if authorized), which is sent to the plaintiff or to the plaintiff's attorney, as directed by the submitting agency. The second part is a payment to the agency of deductions from the net back pay. The third part is a payment of attorney fees, which is sent directly to the attorney.

(b) Under the second method, Fiscal Service pays the entire back pay award to the agency out of whose actions the claim arose. The agency then issues amounts representing back pay (and interest if authorized) to the plaintiff and retains amounts representing deductions. Fiscal Service pays the attorney fees directly to the attorney.

[71 FR 60849, Oct. 17, 2006; 71 FR 62050, Oct. 20, 2006]

§ 256.51 Does Fiscal Service report Judgment Fund payments to the IRS as income to the payee on IRS Form 1099?

No, Fiscal Service does not report Judgment Fund payments as potential taxable income to the IRS. Fiscal Service does not have sufficient information about the payment to determine if a Form 1099 must be issued or to prepare such a form when required. To the extent any Form 1099 needs to be issued, it is the responsibility of the agency submitting the payment request to do so.

§ 256.52 How does Fiscal Service issue a payment?

Pursuant to 31 CFR part 208, Judgment Fund payments are to be made by electronic funds transfer (EFT). Fiscal Service will issue an electronic payment to the payee's account as specified on the appropriate Judgment Fund form. If a submitting agency determines that a waiver (in accordance with 31 CFR part 208) to the requirement for payment by EFT is appropriate, Fiscal Service will issue a payment by check. The Voucher for Payment must direct payment to the payee designated in the judgment or settlement agreement.

§ 256.53 How does the submitting agency know when payment is made?

Fiscal Service will e-mail the agency contact when payment is disbursed, if the agency contact has provided an email address on the appropriate Judgment Fund form. Also, Fiscal Service maintains an on-line payment status system that the submitting agency can access to determine the status of a payment. The payment reporting system can be accessed from the Judgment Fund Web site at *http://www.fiscal.treasury.gov/judgefund*.

§ 256.54 What happens if Fiscal Service denies a request for payment?

Fiscal Service must deny any request for payment that fails to satisfy the requirements of 31 U.S.C. 1304. The submitting agency may request reconsideration of a payment denial. The submitting agency must provide an explanation of how the request for payment meets the four tests contained in section 256.1 of this part. If applicable, requests for reconsideration must contain a reference to the agency's program authority and include specific funding provisions that pertain to the program activity that resulted in the claim. If, upon reconsideration, Fiscal Service determines that payment from the Judgment Fund is appropriate, and the agency has already made payment to the plaintiff or claimant, Fiscal Service will reimburse the agency from the Judgment Fund.

Subpart G—Private Relief Bills

§ 256.60 How do I get paid for a Private Relief Bill?

You may apply for payment by sending a request letter along with supporting documentation, to include a copy of the private relief act and proof of your identity, to the address specified on the Fiscal Service Web site at *http://www.fiscal.treasury.gov/privaterelief*.

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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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, Bureau of the Fiscal 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 Bureau of the Fiscal 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 Bureau of the Fiscal 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.
285.3 Offset of tax refund payments to collect past-due support.
285.4 Offset of Federal benefit payments to collect past-due, legally enforceable nontax debt.
285.5 Centralized offset of Federal payments to collect nontax debts owed to the United States.
285.6 Administrative offset under reciprocal agreements with states.
285.7 Salary offset.
285.8 Offset of tax refund payments to collect certain debts owed to States.

Subpart B—Authorities Other Than Offset

285.11 Administrative wage garnishment.
285.12 Transfer of debts to Treasury for collection.
285.13 Barring delinquent debtors from obtaining Federal loans or loan insurance or guarantees.

AUTHORITY: 5 U.S.C. 5514; 26 U.S.C. 6402; 31 U.S.C. 321, 3701, 3711, 3716, 3719, 3720A, 3720B, 3720D; 42 U.S.C. 664; E.O. 13019, 61 FR 51763, 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.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury. Fiscal Service 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. The term child as used in this definition is not limited to minor children.

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), or the State is enforcing support pursuant to a cooperative agreement with or by an Indian tribal government.

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*. Fiscal Service 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 Fiscal Service 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*. Fiscal Service may enter into reciprocal agreements with States for disbursing officials of Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service of past-due support*. (1) States notifying Fiscal Service of past-due support must do so in the manner and format prescribed by Fiscal Service. States notifying HHS of past-due support must do so in the manner and format prescribed by HHS. HHS shall notify Fiscal Service 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 Fiscal Service 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) Fiscal Service 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.* Fiscal Service 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 Fiscal Service to ensure that the cost of collection does not exceed the debt.

(f) *Limitations.* Debts properly submitted to Fiscal Service 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 Fiscal Service or HHS of past-due support shall, in the manner and in the time frames provided by Fiscal Service or HHS, notify Fiscal Service or HHS of deletions or decreases in the amount of a debt referred for collection by administrative offset. The State may notify Fiscal Service 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 Fiscal Service or HHS on behalf of the State, if the State requests and Fiscal Service 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 Fiscal Service 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.

(5) At the time the past-due support debt is submitted for offset, the State shall advise Fiscal Service or HHS if the maximum amount of a Federal salary payment that may be offset is less than the amount described under this paragraph.

(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 Fiscal Service has determined to be sufficient to reimburse Fiscal Service for the full cost of the offset procedure, shall be deducted from each offset amount. Fiscal Service will notify the States, annually and in advance, of the amount of the fee to be charged for each offset.

(m) *Offsetting payments*—(1) *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 Fiscal Service 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.

(2) *Disposition of amounts collected.* Fiscal Service will transmit amounts collected for debts, less fees charged under paragraph (l) of this section, to HHS or to the appropriate State. If Fiscal Service learns that an erroneous offset payment has been made to HHS or any State, Fiscal Service will notify HHS or the appropriate State that an erroneous offset payment has been made. Fiscal Service may deduct the amount of the erroneous offset payment from amounts payable to HHS or the State, as the case may be. Alternatively, upon Fiscal Service' request, the State shall return promptly to the affected payee or Fiscal Service an amount equal to the amount of the erroneous payment (unless the State previously has paid such amounts, or any portion of such amounts, to the affected payee). HHS and States shall notify Fiscal Service any time HHS or a State returns an erroneous offset payment to an affected payee. Fiscal Service and HHS, or the appropriate State, will adjust their debtor records accordingly.

(n) *Administrative offset priorities.* (1) A levy pursuant to the Internal Revenue Code of 1986 shall take precedence over deductions under this section.

(2) Offsets will be applied first to past-due support being enforced by the State before any other offsets under this part.

(o) *Notification of offset.* (1) Disbursing officials of Fiscal Service 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.

(2) Disbursing officials of Fiscal Service or any other disbursing official which conducts an offset under this section will share with HHS, upon request by the Secretary of HHS, information contained in payment certification records of persons who are delinquent in child support obligations that would assist in the collection of such debts. When no offset is conducted, disbursing officials of Fiscal Service or any other disbursing official, will provide such information to HHS to the extent such information is available from offset activities conducted by Fiscal Service and other disbursing officials.

(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, as amended at 63 FR 46145, Aug. 28, 1998; 74 FR 27433, June 10, 2009]

§ 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.

Fiscal Service means the Bureau of the Fiscal 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 Fiscal Service 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 Fiscal Service of the amount of such debt for collection by tax refund offset.

(2) Fiscal Service will compare tax refund payment records, as certified by the IRS, with records of debts submitted to Fiscal Service. 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, Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service for tax refund offset, the agency will certify to Fiscal Service that:

(i) The debt is past-due and legally enforceable in the amount submitted

to Fiscal Service and that the agency will ensure that collections are properly credited to the debt;

(ii) The creditor agency has made reasonable efforts to obtain payment of the debt in that the agency has:

(A) Submitted the debt to Fiscal Service 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 Fiscal Service 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;

(iii) The debt is at least $25; and

(iv) 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 Fiscal Service in the time and manner prescribed by Fiscal Service. 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 Fiscal Service 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 Fiscal Service, or if an agency receives a payment or credits a payment to the account of a debtor referred to Fiscal Service for offset, or if the debt amount is otherwise incorrect, the agency shall promptly notify Fiscal Service 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) Fiscal Service 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.

(6)(i) Creditor agencies may submit debts to Fiscal Service for collection by tax refund offset irrespective of the amount of time the debt has been outstanding. Accordingly, all nontax debts, including debts that were delinquent for ten years or longer prior to December 28, 2009 may be collected by tax refund offset.

(ii) For debts outstanding more than ten years on or before December 28, 2009, creditor agencies must certify to Fiscal Service that the notice of intent to offset described in paragraph (d)(1)(ii)(B) of this section was sent to the debtor after the debt became ten years delinquent. This requirement will apply even in a case where notice was also sent prior to the debt becoming ten years delinquent, but does not apply to any debt that could be collected by offset without regard to any time limitation prior to December 28, 2009.

(e) *Post-offset notice to the debtor, the creditor agency, and the IRS.* (1)(i) Fiscal Service 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 (e)(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 (f) of this section.

(2) Fiscal Service 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. Fiscal Service 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, Fiscal Service will notify the creditor agency and furnish the name and address of each payee to whom the payment was payable.

(3) At least weekly, Fiscal Service 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.

(f) *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 Fiscal Service deduct that amount from amounts payable to the creditor agency. Fiscal Service and the creditor agency will adjust their debtor records accordingly.

(g) *Disposition of amounts collected.* Fiscal Service will transmit amounts collected for past-due, legally enforceable debts, less fees charged under paragraph (h) of this section, to the creditor agency's account. If an erroneous payment is made to any agency, Fiscal Service will notify the creditor agency that an erroneous payment has been made. The agency shall pay promptly to Fiscal Service an amount equal to the amount of the erroneous payment (without regard to whether any other amounts payable to such agency have been paid).

(h) *Fees.* The creditor agency will reimburse Fiscal Service and the IRS for the full cost of administering the tax refund offset program. Fiscal Service 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.

(i) *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, Fiscal Service 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.

(j) *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 Fiscal Service. 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.

(k) *Effective date.* This section applies to tax refund payments payable under 26 U.S.C. 6402 after January 1, 1998.

[62 FR 34179, June 25, 1997, as amended at 74 FR 27433, June 10, 2009; 74 FR 68538, Dec. 28, 2009; 75 FR 746, Jan. 4, 2010]

§ 285.3 Offset of tax refund payments to collect past-due support.

(a) *Definitions.* For purposes of this section:

Debt as used in this section is synonymous with the term past-due support unless otherwise indicated.

Debtor as used in this section means a person who owes past-due support.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury.

HHS means the Department of Health and Human Services, Office of Child Support Enforcement.

IRS means the Internal Revenue Service, a bureau of the Department of the Treasury.

Past-due support means the amount of support, determined under a court order, or an order of an administrative process 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, as defined in 42 U.S.C. 664(c).

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.

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 Federal tax on the part of the person who made the overpayment.

(b) *General rule.* (1) Past-due support will be collected by tax refund offset upon notification to Fiscal Service in accordance with 26 U.S.C. 6402(c), 42 U.S.C. 664 and this section. Collection by offset under 26 U.S.C. 6402(c) is a collection procedure separate from the collection procedures provided by 26 U.S.C. 6305 and 26 CFR 301.6305–1, relating to the assessment and collection of certain child and spousal support liabilities. Tax refund offset may be used separately or in conjunction with the collection procedures provided in 26 U.S.C. 6305, as well as other collection procedures.

(2) Fiscal Service will compare tax refund payment records, as certified by the IRS, with records of debts submitted to Fiscal Service. A match will occur when the taxpayer identifying number (as that term is used in 26 U.S.C. 6109) and name of a payment

certification record are the same as the taxpayer identifying number and name of a delinquent debtor record. When a match occurs and all other requirements for tax refund offset have been met, Fiscal Service will reduce the amount of any tax refund payment payable to a debtor by the amount of any past-due support debt owed by the debtor. Any amounts not offset will be paid to the payee(s) listed in the payment certification record.

(c) *Notification of past-due support*—(1) *Past-due support eligible for tax refund offset.* Past-due support qualifies for tax refund offset if:

(i)(A) There has been an assignment of the support obligation to a State and the amount of past-due support is not less than $25.00, or such higher amount as HHS rules may allow, whichever is greater; or

(B) A State agency is providing support collection services under 42 U.S.C. 654(4) and the amount of the past-due support is not less than $500.00; and

(ii) A notification of liability for past-due support has been received by Fiscal Service as prescribed by paragraphs (c)(2) or (c)(3) of this section.

(2) *Notification of liability for past-due support and transmission of information to Fiscal Service by HHS.* States notifying HHS of past-due support shall do so in the manner and format prescribed by HHS. The notification of liability shall be accompanied by a certification that the State has complied with the requirements contained in paragraph (c)(4) of this section and with any requirements applicable to the offset of Federal tax refunds to collect past-due support imposed by State law or procedures. HHS shall consolidate and transmit to Fiscal Service the information contained in the notifications of liability for past-due support submitted by the States provided that the State has certified that the requirements of paragraph (c)(4) of this section have been met.

(3) *Notification of liability for past-due support transmitted directly to Fiscal Service by States.* States must notify HHS of past-due support in accordance with the provisions of paragraph (c)(2) of this section unless HHS rules authorize notification to Fiscal Service directly. If authorized by HHS rules, States may notify Fiscal Service directly of past-due support. States notifying Fiscal Service directly of past-due support shall do so in the manner and format prescribed by Fiscal Service. The notification of liability shall be accompanied by a certification that the State has complied with the requirements contained in paragraph (c)(4) of this section and with any requirements applicable to the offset of Federal tax refunds to collect past-due support imposed by State law or procedures. Fiscal Service may reject a notification of past-due support which does not comply with the requirements of this section. Upon notification of the rejection and the reason for rejection, the State may resubmit a corrected notification.

(4) *Advance notification to debtor of intent to collect by tax refund offset.* The State, or HHS if the State requests and HHS agrees, is required to provide a written notification to the debtor, pursuant to the provisions of 42 U.S.C. 664(a)(3) and 45 CFR 303.72(e), informing the debtor that the State intends to refer the debt for collection by tax refund offset. The notice also shall:

(i) Instruct the debtor of the steps which may be taken to contest the State's determination that past-due support is owed or the amount of the past-due support;

(ii) Advise any non-debtor who may file 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; and

(iii) In cases when a debt is being enforced by more than one State, advise the debtor of his or her opportunities to request a review with the State enforcing collection or the State issuing the support order as prescribed by the provisions of 45 CFR 303.72(g).

(5) *Correcting and updating notification.* The State shall, in the manner and in the time frames provided by Fiscal Service or HHS, notify Fiscal Service or HHS of any deletion or net decrease in the amount of past-due support referred to Fiscal Service, or HHS as the case may be, for collection by tax refund offset. The State may notify Fiscal Service or HHS of any increases in the amount of the debt referred to

Fiscal Service for collection by tax refund offset provided that the State has complied with the requirements of paragraph (c)(4) of this section with regard to those debts.

(6) *Collection of past-due support enforced by multiple States.* When a State has knowledge that the debt is being enforced by more than one State, the State notifying Fiscal Service, or HHS as the case may be, of the debt shall inform any such other State involved in enforcing the debt when it receives the offset amount.

(d) *Priorities for offset.* (1) As provided in 26 U.S.C. 6402, a tax refund payment shall be reduced in the following order of priority:

(i) First, by the amount of any past-due support which is to be offset under 26 U.S.C. 6402(c) and 42 U.S.C. 464;

(ii) 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 § 285.2 of this part; and

(iii) Third, by the amount of any past-due, legally enforceable debt owed to States (other than past-due support) which is to be offset under 26 U.S.C. 6402(e) or 26 U.S.C. 6402(f).

(2) Reduction of the tax refund payment pursuant to 26 U.S.C. 6402(a), (c), (d), and (e) 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), (d), and (e) shall be refunded to the taxpayer, or applied to estimated tax, if elected by the taxpayer pursuant to IRS regulations.

(e) *Post-offset notice.* (1)(i) Fiscal Service shall notify the debtor in writing of:

(A) The amount and date of the offset to satisfy past-due support;

(B) The State to which this amount has been paid or credited; and

(C) A contact point within the State that will handle concerns or questions regarding the offset.

(ii) The notice in paragraph (e)(1)(i) of this section also will advise any non-debtor 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 (f) of this section.

(2) Fiscal Service will advise HHS of the names, mailing addresses, and identifying numbers of the debtors from whom amounts of past-due support were collected, of the amounts collected from each debtor through tax refund offset, the names of any non-debtor spouses who may have filed a joint return with the debtor, and of the State on whose behalf each collection was made. Alternatively, Fiscal Service will provide such information to each State that refers debts directly to Fiscal Service. Fiscal Service will inform HHS and each State that the payment source is a tax refund payment.

(3) At least weekly, Fiscal Service will notify the IRS of the names and taxpayer identifying numbers of the debtors from whom amounts owed for past-due support were collected from tax refund offsets and the amounts collected from each debtor.

(4) At such time and in such manner as Fiscal Service and HHS agree, but no less than annually, Fiscal Service will advise HHS of the States which have furnished notices of past-due support, the number of cases in each State with respect to which such notices have been furnished, the amount of past-due support sought to be collected by each State, and the amount of such tax refund offset collections actually made in the case of each State. As Fiscal Service and HHS may agree, Fiscal Service may provide additional offset-related information about States which have furnished notices of past-due support.

(f) *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 support 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 Fiscal Service deduct that amount from amounts payable to HHS or the State, as the case may be. Fiscal Service and HHS, or the appropriate State, will adjust their debtor records accordingly.

(g) *Disposition of amounts collected.* Fiscal Service will transmit amounts

collected for debts, less fees charged under paragraph (h) of this section, to HHS or to the appropriate State. If Fiscal Service learns that an erroneous offset payment is made to HHS or any State, Fiscal Service will notify HHS or the appropriate State that an erroneous offset payment has been made. Fiscal Service may deduct the amount of the erroneous offset payment from amounts payable to HHS or the State, as the case may be. Alternatively, upon Fiscal Service' request, the State shall return promptly to the affected taxpayer or Fiscal Service an amount equal to the amount of the erroneous payment (unless the State previously has paid such amounts, or any portion of such amounts, to the affected taxpayer). HHS and States shall notify Fiscal Service any time HHS or a State returns an erroneous offset payment to an affected taxpayer. Fiscal Service and HHS, or the appropriate State, will adjust their debtor records accordingly.

(h) *Fees*. The State will pay a fee to Fiscal Service for the full cost of administering the tax refund offset program. The fee (not to exceed $25 per case submitted) will be established annually in such amount as Fiscal Service and HHS agree to be sufficient to reimburse Fiscal Service for the full cost of the offset procedure. Fiscal Service 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. Fees will be charged only for actual tax refund offsets completed.

(i) *Review of tax refund offsets*. In accordance with 26 U.S.C. 6402(f), any reduction of a taxpayer's refund made pursuant to 26 U.S.C. 6402(c), (d), or (e) shall not be subject to review by any court of the United States or by the Secretary of the Treasury, Fiscal Service 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.

(j) *Access to and use of confidential tax information*. Access to and use of confidential tax information in connection with the tax refund offset program is permitted to the extent necessary in establishing appropriate agency records, locating any person with respect to whom a reduction under 26 U.S.C. 6402(c) is sought for purposes of collecting the debt, and in the defense of any litigation or administrative procedure ensuing from a reduction made under section 6402(c).

(k) *Effective date*. This section applies to tax refund payments payable under 26 U.S.C. 6402 after January 1, 1999.

[63 FR 72094, Dec. 30, 1998, as amended at 72 FR 59480, Oct. 22, 2007; 74 FR 27433, June 10, 2009]

§ 285.4 Offset of Federal benefit payments to collect past-due, legally enforceable nontax debt.

(a) *Scope*. (1) This section sets forth special rules applicable to the offset of Federal benefit payments payable to an individual under the Social Security Act (other than Supplemental Security Income (SSI) payments), part B of the Black Lung Benefits Act, or any law administered by the Railroad Retirement Board (other than payments that such Board determines to be tier 2 benefits) to collect delinquent nontax debt owed to the United States.

(2) As used in this section, benefit payments ''due to'' an individual, ''payable to'' an individual, and/or benefit payments ''received by'' an individual, refer to those benefit payments expected to be paid to an individual before any amounts are offset to satisfy the payee's delinquent debt owed to the United States. Nothing in these phrases, similar phrases, or this section is intended to imply or confer any new or additional rights or benefits on an individual with respect to his or her entitlement to benefit payments. The Bureau of the Fiscal Service (Fiscal Service), the Social Security Administration, the Railroad Retirement Board, and other payment agencies are not liable for the amount offset from an individual's benefit payment on the basis that the underlying obligation, represented by the payment before the offset was taken, was not satisfied. See 31 U.S.C. 3716(c)(2)(A).

(b) *Definitions*. As used in this section:

Administrative offset or *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.

Agency or *Federal 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.

Covered benefit payment means a Federal benefit payment payable to an individual under the Social Security Act (other than SSI payments), part B of the Black Lung Benefits Act, or any law administered by the Railroad Retirement Board (other than payments that such Board determines to be tier 2 benefits). The amount of the covered benefit payment payable to a debtor for purposes of this section will be the amount after reduction or deduction required under the laws authorizing the program. Reductions to recover benefit overpayments are excluded from the covered benefit payment when calculating amounts available for offset.

Creditor agency means a Federal agency owed a debt that seeks to collect that debt through administrative offset.

Debt or *claim* means 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. Debt or claim does not include a debt or claim arising under the Internal Revenue Code of 1986 or the tariff laws of the United States.

Debtor means a person who owes a debt. The term ''person'' includes any individual, organization or entity, except another Federal agency.

Disbursing official means an official who has authority to disburse public money pursuant to 31 U.S.C. 3321 or another law, including an official of the Department of the Treasury, the Department of Defense, the United States Postal Service, or any other government corporation, or any official of the United States designated by the Secretary of the Treasury to disburse public money.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury.

Monthly covered benefit payment means a covered benefit payment payable to a payee on a recurring basis at monthly intervals that is not expressly limited in duration, at the time the first payment is made, to a period of less than 12 months.

Payee means a person who is due a payment from a disbursing official. For purposes of this section, a ''payee'' is a person who is entitled to the benefit of all or part of a payment from a disbursing official.

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 generally is the individual's social security number.

(c) *Administrative offset, generally*. Disbursing officials shall offset payments to satisfy, in whole or in part, debts owed by the payee. Disbursing officials shall compare payment records with records of debts submitted to Fiscal Service for collection by administrative offset. A match will occur when the taxpayer identifying number and name of the payee (as defined in paragraph (b) of this section) on a payment record are the same as the taxpayer identifying number and name of the debtor on a debt record. 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 in part, the debt. Any amounts not offset shall be paid to the payee. Covered benefit payments, i.e., payments made to individuals under the Social Security Act (other than Supplemental Security Income (SSI) payments), part B of the Black Lung Benefits Act, or any law administered by the Railroad Retirement Board (RRB) (other than tier 2 benefit payments) are among the types of payments which may be offset to collect debts owed to the United States. Offset of covered benefit payments are subject to the limitations contained in this section. Offsets of covered benefit payments will occur only if the name and taxpayer identifying number of the person who is entitled to the benefit of

all or a part of the payment matches the name and taxpayer identifying number of the debtor.

(d) *Submission of debts to Fiscal Service for collection by administrative offset.* Creditor agencies must notify Fiscal Service of all past-due, legally enforceable debt delinquent for more than 180 days for purposes of collection by administrative offset. Creditor agencies may notify Fiscal Service of all debt delinquent for less than 180 days for purposes of collection by administrative offset. Prior to such notification, creditor agencies must certify to Fiscal Service that the debt is past-due, legally enforceable, and that the creditor agency has provided the debtor with notice and an opportunity for a review in accordance with the provisions of 31 U.S.C. 3716(a) and other applicable law.

(e) *Offset amount.* (1) The amount offset from a monthly covered benefit payment shall be the lesser of:

(i) The amount of the debt, including any interest, penalties and administrative costs;

(ii) An amount equal to 15% of the monthly covered benefit payment; or

(iii) The amount, if any, by which the monthly covered benefit payment exceeds $750.

(2) A debtor shall not receive a refund of any amounts offset if the debtor's monthly covered benefit payments are reduced, suspended, terminated, or otherwise not received for a period of 12 months.

(3) *Examples.* (i) A debtor receives monthly Social Security benefits of $850. The amount offset is the lesser of $127.50 (15% of $850) or $100 (the amount by which $850 exceeds $750). In this example, the amount offset is $100 (assuming the debt is $100 or more).

(ii) A debtor receives monthly Social Security benefits of $1250. The amount offset is the lesser of $187.50 (15% of $1250) or $500 (the amount by which $1250 exceeds $750). In this example, the amount offset is $187.50 (assuming the debt is $187.50 or more).

(iii) A debtor receives monthly Social Security payments of $650. No amount will be offset because $650 is less than $750.

(f) *Notification of offset.* (1) Before offsetting a covered benefit payment, the disbursing official will notify the payee in writing of the date offset will commence. The notice shall inform the payee of the type of payment that will be offset; the identity of the creditor agency which requested the offset; and a contact point within the creditor agency that will handle concerns regarding the offset.

(2) The disbursing official conducting the offset will notify the payee in writing of the occurrence of the offset to satisfy, in whole or in part, a delinquent debt owed to the United States. The notice shall inform the payee of the type and amount of the payment that was offset; the identity of the creditor agency which requested the offset; and a contact point within the creditor agency that will handle concerns regarding the offset.

(3) Non-receipt by the debtor of the notices described in paragraphs (f)(1) and (f)(2) of this section shall not impair the legality of the administrative offset.

(g) *Fees.* A fee which Fiscal Service has determined to be sufficient to cover the full cost of the offset procedure, shall be deducted from each offset amount. Creditor agencies may add this fee to the debt if not otherwise prohibited by law.

(h) *Disposition of amounts collected.* The disbursing official conducting the offset will transmit amounts collected for debts, less fees charged under paragraph (g) 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. The disbursing official and the creditor agency shall adjust the debtor records appropriately.

[63 FR 44988, Aug. 21, 1998]

§ 285.5 Centralized offset of Federal payments to collect nontax debts owed to the United States.

(a) *Scope.* (1) This section governs the centralized offset of Federal payments to collect delinquent, nontax debts owed to Federal agencies in accordance with 31 U.S.C. 3716, 3720A and 26 U.S.C. 6402 and applicable regulations. The Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service) administers centralized offset through the Treasury Offset Program. Offset occurs when the Federal government withholds part or all of a debtor's Federal payment to satisfy the debtor's delinquent debt owed to the government.

(2) Special rules apply to the collection of delinquent, nontax debts through the centralized offset of certain types of Federal payments, including tax refunds (31 CFR 285.2), Federal benefit payments (31 CFR 285.4), and Federal salary payments (31 CFR 285.7). While this rule applies to such payments, nothing in this rule is intended to contradict any provision of those more specific sections. To the extent any provision of this rule is inconsistent with a more specific provision of § 285.2, § 285.4 or § 285.7 of this part, the more specific provision shall apply.

(3) The receipt of collections pursuant to this section does not preclude a Federal agency from pursuing other debt collection remedies in conjunction with centralized offset. Nothing in this section precludes an agency from pursuing all available debt collection remedies simultaneously, provided that collections do not exceed the amount of the debt, including any interest, penalties, and administrative costs.

(b) *Definitions.* As used in this section:

Agency or *Federal 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 offset means the offset of Federal payments through the Treasury Offset Program to collect debts which creditor agencies have certified pursuant to 31 U.S.C. 3716(c), 3720A(a) and applicable regulations. The term ''centralized offset'' includes the Treasury Offset Program's processing of offsets of Federal payments disbursed by disbursing officials other than Fiscal Service.

Creditor agency has the same meaning as found at 31 U.S.C. 3701(e)(1) and means any Federal agency that is owed a claim or debt that seeks to collect that claim or debt through offset of Federal payments.

Debt or *claim* has the meaning contained in 31 U.S.C. 3701(b) and 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, organization, or entity, except another Federal agency. The terms ''debt'' and ''claim'' are synonymous and include 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. 1 *et seq.*), the tariff laws of the United States, or the Social Security Act (42 U.S.C. 301 *et seq.*), except to the extent provided in sections 204(f) and 1631(b)(4) of such Act (42 U.S.C. 404(f) and 1383(b)(4)(A), respectively) and 31 U.S.C. 3716(c).

Debt collection center means a Federal agency or a unit or subagency within a Federal agency that has been designated by the Secretary to collect debt owed to the United States.

Debtor means a person who owes a debt to the United States.

Delinquent or *past-due* refers to the status of a debt and means a debt has not been paid by the date specified in the agency's initial written demand for payment, or applicable agreement or instrument (including a post-delinquency payment agreement), unless other payment arrangements satisfactory to the creditor agency have been made. Nothing in this section is intended to define whether a debt is delinquent or past-due for purposes other than offset under this section.

Delinquent debt record means information about a past-due, legally enforceable debt submitted by a creditor agency to Fiscal Service for purposes of offset in accordance with the provisions of this section. Information about a

past-due, legally enforceable debt includes, but is not limited to, the amount of the debt and the debtor's name, address, and taxpayer identifying number.

Disbursing official means an official who has authority to disburse public money pursuant to 31 U.S.C. 3321 or another law, including an official of the Department of the Treasury, the Department of Defense, the United States Postal Service, or any other government corporation, or any official of the United States designated by the Secretary of the Treasury to disburse public money.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury and its disbursing office. Fiscal Service is responsible for administering centralized offset.

Legally enforceable refers to a characteristic of a debt and means there has been a final agency determination that the debt, in the amount stated, is due, and there are no legal bars to collection by offset. Debts that are not legally enforceable for purposes of this section include, but are not limited to, debts subject to the automatic stay in bankruptcy proceedings or debts covered by a statute that prohibits collection of such debt by offset. For example, if a delinquent debt is the subject of a pending administrative review process required by statute or regulation, and if collection action during the review process is prohibited, the debt is not considered legally enforceable for purposes of this section. Nothing in this section is intended to define whether a debt is legally enforceable for purposes other than offset under this section.

Match means the taxpayer identifying number and name (or derivative thereof) of the payee on a payment record are the same as the taxpayer identifying number and name of the debtor on a delinquent debt record.

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.

Past-due has the same meaning as ''delinquent'', as defined above.

Payee means a person who is due a payment from a disbursing official as certified by the payment agency. For purposes of this section, a ''payee'' is a person who is entitled to the benefit of all or part of a payment from a disbursing official.

Payment agency means any agency that transmits payment requests, in the form of certified payment vouchers or other similar forms, to a disbursing official for disbursement.

Payment record means information contained on a payment request, in the form of a certified payment voucher or other similar form, that has been transmitted to a disbursing official for disbursement in accordance with the provisions of 31 U.S.C. 3325 and 3528 or other applicable law. For purposes of matching, ''payment record'' may include information extracted from a payment request. Such information could include, but is not limited to, the amount and type of payment and the payee's name, address, and taxpayer identifying number.

Person means an individual, corporation, partnership, association, organization, State or local government, or any other type of entity other than a Federal agency.

Recurring payment means a payment to an individual that is expected to be payable to a payee at regular intervals, at least four times annually. The term ''recurring payment'' does not include payments made pursuant to a Federal contract, grant or cooperative agreement.

Representative payee means a person named as payee on the payment voucher certified by the payment agency who is acting on behalf of a person entitled to receive the benefit of all or part of the payment.

Secretary means the Secretary of the Treasury.

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 generally the individual's social security number.

(c) *General rule.* (1) Creditor agencies shall submit delinquent debts to Fiscal Service for purposes of offset in accordance with paragraph (d) of this section.

(2) Disbursing officials shall compare payment records with delinquent debt

records submitted to Fiscal Service for collection by offset. 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 payee's debt to the extent allowed by law. The disbursing official shall pay any amounts not offset to the payee. See paragraphs (e), (f), (g), and (h) of this section.

(d) *Requirements for creditor agencies*—(1) *Mandatory notification of delinquent debts*. As required by 31 U.S.C. 3716(c)(6), and in accordance with the provisions of this section, a creditor agency shall notify Fiscal Service of all legally enforceable debts over 180 days delinquent that are owed to the creditor agency. By complying with this requirement, creditor agencies will satisfy the requirement of 31 U.S.C. 3720A(a) to notify the Secretary of past due, legally enforceable debt for purposes of tax refund offset. If a debt which is over 180 days delinquent is considered not legally enforceable solely because it is under review as described in paragraph (d)(6)(ii)(C) of this section, the agency must submit the debt to Fiscal Service for collection by offset within 30 days of completing the review.

(2) *Discretionary notification of delinquent debts*. Creditor agencies may notify Fiscal Service of any debt that is less than 180 days delinquent, so long as the requirements of paragraph (d)(3) of this section are met.

(3) *Debt eligibility*. (i) A debt submitted to Fiscal Service for collection by centralized offset must be:

(A) Past-due in the amount stated by the creditor agency;

(B) Legally enforceable;

(C) More than $25, or such other amount as Fiscal Service may prescribe; and

(D) Not secured by collateral subject to a pending foreclosure action, unless the creditor agency certifies that offset will not affect the Government's rights to the secured collateral.

(ii) The creditor agency must certify that the debt is eligible for collection by offset, as required in paragraph (d)(6) of this section.

(iii) Debts owed by foreign sovereigns may be referred to Treasury Offset Program at the discretion of the creditor agency to the extent allowed by law, but are excluded from mandatory referral under paragraph (d)(1) of this section.

(iv) In accordance with 31 U.S.C. 3719 and the procedures promulgated thereunder, creditor agencies must report to Treasury the amount of debt over 180 days delinquent eligible for the Treasury Offset Program. The procedures require that such report include the amount of debt over 180 days delinquent that the creditor agency has determined is not eligible for the Treasury Offset Program and the reasons for such determination.

(v) Creditor agencies may submit nontax debts to Fiscal Service for collection by centralized offset irrespective of the amount of time the debt has been outstanding. Accordingly, all nontax debts, including debts that were outstanding for ten years or longer prior to June 11, 2009 may be collected by centralized offset.

(4) *Creditor agency regulations*. Prior to submitting a debt to Fiscal Service for purposes of offset, Federal agencies shall prescribe regulations in accordance with the requirements of 31 U.S.C. 3716(b), 31 CFR 901.3(b)(4), 31 U.S.C. 3720A(a), and 31 CFR 285.2(c). Before submitting debts to Fiscal Service for purposes of offsetting Federal salary payments, creditor agencies must also publish regulations pursuant to 5 U.S.C. 5514, 31 CFR 285.7(d)(2), and 5 CFR 550.1104.

(5) *Delinquent debt information requirements*. For each debt submitted to Fiscal Service for offset, the creditor agency shall provide the following information:

(i) Name and taxpayer identifying number of the person who owes the debt;

(ii) Debtor's address last known to the creditor agency;

(iii) The amount of the debt (including, as applicable, interest, penalties and administrative costs) and the date on which the debt became delinquent;

(iv) The address and telephone number of the contact point within the creditor agency who will handle questions, concerns or communications regarding the debt;

(v) Written certification as required in paragraph (d)(6) of this section; and

(vi) Other information as may be requested by Fiscal Service.

(6) *Creditor agency certification*. At the time the creditor agency notifies Fiscal Service of a debt for purposes of collection by offset, the creditor agency shall provide, in the manner required by Fiscal Service, written certification to Fiscal Service that:

(i) The debt meets the requirements described in paragraph (d)(3)(i) of this section;

(ii) In compliance with 31 U.S.C. 3716, 3720A, 26 U.S.C. 6402, and applicable regulations, the creditor agency has made a reasonable attempt to provide each debtor with:

(A) Written notification, at least sixty days prior to submitting the debt and at the debtor's most current address known to the agency, of the nature and the amount of the debt, the intention of the creditor agency to collect the debt through offset, and an explanation of the rights of the debtor;

(B) An opportunity to inspect and copy the records of the creditor agency with respect to the debt;

(C) An opportunity for a review within the creditor agency of the determination of indebtedness, including the opportunity to present evidence that all or part of the debt is not past-due or legally enforceable;

(D) An opportunity to enter into a written repayment agreement with the creditor agency; and

(E) In the case of Federal employees, an opportunity for a hearing prior to submitting the debt for Federal salary offset. See 5 U.S.C. 5514 and 5 CFR 550.1104. (See 31 CFR 285.7(d), which describes the authority to waive the salary offset certification as a prerequisite to referring the debt for other types of offsets.)

(iii) For debts outstanding more than ten years on or before June 11, 2009, the notice of intent to offset described in paragraph (d)(6)(ii)(A) of this section was sent to the debtor after the debt was outstanding for more than ten years, and that the debtor was afforded the rights described in paragraphs (d)(6)(ii)(B) through (E). This requirement will apply even in a case where notice was also sent prior to the debt being outstanding for ten years but does not apply to any debt that could be collected by offset without regard to any time limitation prior to June 11, 2009.

(iv) The creditor agency has complied with all statutes, regulations, and policies applicable to the creditor agency's assessment of interest, penalties and administrative costs (including, as applicable, 31 U.S.C. 3717), and that the creditor agency has provided a written notice to debtors explaining the creditor agency's requirements concerning any such charges assessed against those debtors;

(v) The individual signing the certification has the delegated authority to execute the certification on behalf of the head of the creditor agency; and

(vi) Such additional information that Fiscal Service may from time to time require in compliance with law, regulation or policy.

(7) *Updating certification*. After a debt has been submitted to Fiscal Service for purposes of collection by offset, the creditor agency shall provide, at least annually, in the manner and time frames required by Fiscal Service, written certification to Fiscal Service that:

(i) The debt continues to meet the requirements described in paragraph (d)(3) of this section; and

(ii) The creditor agency has properly credited all collections to the debt balance (other than collections received through centralized offset).

(8) *Fiscal Service instructions to creditor agencies*. Agencies will provide the certification in a form and manner prescribed by Fiscal Service. Fiscal Service will instruct agencies as to the form such written certifications will take and how certifications can be delivered to Fiscal Service, including, but not limited to, the use of electronic data transmission.

(9) *Agencies which are both creditor and disbursing officials*. A creditor agency that also designates disbursing officials pursuant to 31 U.S.C. 3321(c) is not required to certify debts arising out of its operations to Fiscal Service before such agency's disbursing officials offset to collect such claims. This paragraph (d)(9) does not apply to Fiscal Service when it submits debts which it is servicing pursuant to 31 U.S.C. 3711(g).

(10) *Correcting and updating debt information.* (i) When submitting debts for offset, the creditor agency must properly credit all collections, other than collections received from centralized offset.

(ii) The creditor agency shall update delinquent debt records, in the manner and time frames required by Fiscal Service, to reflect any amounts credited by the creditor agency to the debtor's account after submission of the debt to Fiscal Service (other than credits for amounts collected by centralized offset).

(iii) The creditor agency may update delinquent debt records to reflect any increases in the amount of the debt submitted to Fiscal Service for collection by offset provided that the creditor agency has complied with the requirements of paragraph (d)(6) of this section with regard to the increased amounts.

(iv) The creditor agency shall notify Fiscal Service 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.

(v) The creditor agency shall notify Fiscal Service if it has returned any monies to the debtor/payee.

(11) *Debts at Fiscal Service, a debt collection center, or the Department of Justice.* If a creditor agency has transferred a debt to Fiscal Service or a Treasury-designated debt collection center pursuant to 31 U.S.C. 3711(g) and 31 CFR 285.12, or if a creditor agency has referred a debt to the Department of Justice for enforced collection, then Fiscal Service, the debt collection center, or the Department of Justice, as the case may be, is responsible for submitting the debt information to Fiscal Service to satisfy the creditor agency's obligations under 31 U.S.C. 3716(c)(6) and this section.

(12) *Certification of amount to be offset if different than maximum allowed by law.* Generally, the amount of an offset will be calculated as set forth in paragraph (f)(2) of this section. If the creditor agency certifies to Fiscal Service that the creditor agency has determined the offset amount allowed by law would result in financial hardship to the debtor and that a lesser offset amount (specified either in dollar amount or as a percentage of the payment) is reasonable and appropriate based on the debtor's financial circumstances, then the disbursing official shall offset such lesser amount specified by the creditor agency.

(13) *Duplication of notices not required.* Nothing in this section requires any creditor agency to duplicate any notice or opportunity for hearing or review provided to the debtor prior to offset.

(e) *Payments made by the United States*—(1) *Payments eligible for offset.* Except as set forth in paragraph (e)(2) of this section, all Federal payments are eligible for offset under this section. Eligible Federal payments include, but are not limited to, Federal wage, salary, and retirement payments, vendor and expense reimbursement payments, certain benefit payments, travel advances and reimbursements, grants, fees, refunds, judgments (including those certified for payment pursuant to 31 U.S.C. 1304), tax refunds, and other payments made by Federal agencies.

(2) *Payments excluded from offset under this section.* This section does not apply to the following payments:

(i) Black Lung Part C benefit payments, or Railroad Retirement tier 2 payments;

(ii) Payments made under the tariff laws of the United States;

(iii) Veterans Affairs benefit payments to the extent such payments are exempt from offset pursuant to 38 U.S.C. 5301;

(iv) Payments made under any program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 for which payments are certified by the Department of Education;

(v) Payments made under any other Federal law if offset is expressly prohibited by Federal statute;

(vi) Payments made under any program for which the Secretary has granted an exemption in accordance with the provisions of 31 U.S.C. 3716(c)(3)(B) and paragraph (e)(7) of this section; and

(vii) Federal loan payments other than travel advances.

(3) *Specific rules for certain payment types.* (i) Specific rules apply with respect to the offset of the following types of payments:

(A) Social Security benefit payments (excluding Supplemental Security Income payments), Black Lung (part B) payments, and Railroad Retirement (other than tier 2) payments to the extent such payments are subject to offset under 31 U.S.C. 3716(c)(3)(A) (see 31 CFR 285.4);

(B) Federal salary payments (see 31 CFR 285.7; 5 CFR 550.1101 through 550.1108); and

(C) Tax refund payments (see 31 CFR 285.2).

(ii) This section governs the offset of such payments to the extent that this section is not inconsistent with the special rules that apply for a particular type of payment.

(4) *Payments made to joint payees.* If a payment is certified to more than one payee (i.e., joint payees), the entire payment (including a tax refund payment) will be subject to offset for a debt of either payee, unless otherwise prohibited by law or regulation. See 31 CFR 285.2(g) regarding offset of joint tax refunds and claims to return offset funds to the non-debtor, joint payee.

(5) *Payments made to representative payees.* If a payment is made to a person solely in that person's capacity as a representative payee for another person having the beneficial interest in a payment, the disbursing official shall offset that payment only to collect debts owed by the person having the beneficial interest in the payment. Payment agencies are responsible for identifying representative payees.

(6) *Assigned payments.* (i) If a person, including a Federal contractor, assigns the right to receive a Federal payment to a third party (the ''assignee''), the assigned payment will be subject to offset to collect a delinquent debt owed by the assignee.

(ii) An assigned payment will also be subject to offset to collect delinquent debts owed by the assignor unless:

(A) In accordance with 41 U.S.C. 15(e)–(f), the payment has been properly assigned to a financial institution pursuant to a Federal contract, the contract contains provisions prohibiting the payment from being reduced or offset for debts owed by the contractor, and the debt arose independently of the contract; or

(B) pursuant to 31 U.S.C. 3727, the payment is being made to the assignee as settlement or satisfaction of a claim brought by the assignee against the creditor agency based upon the contract, and the debt of the contractor arises independently of the contract; or

(C) the debtor has properly assigned the right to such payments and the debt arose after the effective date of the assignment.

(7) *Payment agency requests for exemptions from centralized offset pursuant to 31 U.S.C. 3716(c)(3)(B)*—(i) *Means-tested payments.* The Secretary will exempt from centralized offset payments made under means-tested programs when requested by the head of the agency making such payments. For purposes of this section ''means-tested programs'' are those which base eligibility on a determination that the income and/or assets of the beneficiary are inadequate to provide the beneficiary with an adequate standard of living without program assistance.

(ii) *Payments made under programs which are not means-tested.* Upon written request from the payment agency, the Secretary may exempt classes of payments which are not means-tested. Payment agencies may request that the Secretary exempt 100% of each payment in a payment class or that the Secretary exempt a specific lesser percentage. The Secretary will consider such requests under standards prescribed by the Secretary and published on the Fiscal Service Web site. *See www.fiscal.treasury.gov/debt.*

(iii) *Procedures for requesting exemptions.* The head of the payment agency must make a request for exemption in writing. The request must comply with the procedures published by Fiscal Service and made available at its Web site. *See www.fiscal.treasury.gov/debt.*

(iv) *Exemptions apply to classes of payments.* The Secretary will only exempt classes of payments. Requests for exemption of individual payments will not be considered.

(8) *Payment agency responsibilities.* (i) Payment agencies shall prepare and

submit payment vouchers in the manner prescribed by the disbursing official to ensure that all payments legally eligible for offset will be offset and all payments not eligible will not be offset. Payment agencies shall notify the disbursing agency, in the manner prescribed by Fiscal Service, that a payment is a recurring payment.

(ii) Payment agencies shall also review the nature of payments the agency certifies and notify Fiscal Service of any legal bars to centralized offset of payments.

(9) *Payment and disbursing officials have satisfied the obligation underlying the payment.* When an offset occurs, the debtor has received payment in full for the underlying obligation represented by the payment. Pursuant to 31 U.S.C. 3716(c)(2)(A), neither the disbursing official nor the payment agency shall be liable for the amount of the offset on the basis that the underlying obligation was not satisfied. For example, if an agency certifies a payment to a Federal contractor for work completed or services provided, and that payment is offset to collect a delinquent debt that the contractor owes to another Federal agency, the contractor has been paid in full for its services. When the creditor agency credits the offset amount to the contractor's delinquent debt, the contractor has received full value for the services performed under the contract.

(f) *Offset*—(1) *When offset occurs.* When a match occurs and all other requirements for offset under 31 U.S.C. 3716(c), 3720A, and applicable regulations have been met, the disbursing official shall offset the payee's Federal payment to satisfy, in whole or part, the debt owed by the debtor. Offsets will continue until the debt, including any interest, penalties, and administrative costs, is paid in full or otherwise resolved to the satisfaction of the creditor agency.

(2) *Offset amount.* (i) Except as otherwise provided in 31 CFR 285.4(e) and 285.7(g) (addressing centralized offset of certain Federal benefit payments and salary payments, respectively), the disbursing official shall offset the lesser of:

(A) The amount of the payment as shown on the payment record; or

(B) The amount of the debt, including any interest, penalties and administrative costs; or

(C) In the case of retirement annuity payments certified by the Office of Personnel Management, up to twenty-five percent of the amount of the payment as shown on the payment record.

(ii) Notwithstanding paragraph (f)(2)(i) of this section, if a creditor agency has specified another amount, either in dollars or as a percentage of the payment, pursuant to paragraph (d)(15) of this section, the disbursing official shall offset the amount specified by the creditor agency.

(3) *Priorities for collecting multiple debts owed by the payee.* (i) A levy pursuant to the Internal Revenue Code of 1986 shall take precedence over deductions under this section.

(ii) When a payment may be offset to collect more than one debt, amounts offset will be applied:

(A) First, to satisfy any past-due support that that the State is collecting under section 464 of the Social Security Act (see 285.1 and 285.3 of this part);

(B) Second, to satisfy any debts owed to Federal agencies, as described in this § 285.5; and

(C) Third, to any debts owed to States for debts other than past-due support (see §§ 285.6 and 285.8 of this part).

(g) *Notices*—(1) *Warning notice by disbursing official to payee/debtor.* Before offsetting a recurring payment, the disbursing official, or Fiscal Service on behalf of the disbursing official, will notify the payee in writing when offsets will begin (which may be stated as a number of days or number of payments from the time of the notice) and the anticipated amount of such offset (which may be stated as a percentage of the payment). Such notice shall also provide the information contained in paragraph (g)(3) of this section. Failure to send such notice does not affect the validity of the offset.

(2) *No additional warning notice when collections are suspended and resumed.* As described in paragraph (f)(3)(iii) of this section, Fiscal Service may suspend or reduce the application of collections from a recurring payment for one debt when another debt, which is owed by the same debtor and has a higher legal

priority, is submitted to Fiscal Service for collection. The disbursing official is not required to send additional warning notices when collections for the lower priority debt resume; however, pursuant to paragraph (g)(3) of this section, each offset will be accompanied by an offset notice, which explains how the offset amounts were applied.

(3) *Offset notice.* When an offset occurs under this section, the disbursing official, or Fiscal Service on behalf of the disbursing official, shall notify the payee in writing that an offset has occurred including:

(i) A description of the payment and the amount of offset taken;

(ii) The identity of the creditor agency requesting the offset; and

(iii) The address and telephone number of the contact point within the creditor agency who will handle concerns regarding the offset.

(h) *Notification to creditor and payment agencies.* (1) Fiscal Service will notify the creditor agency of all offsets made to collect the creditor agency's debts. Such notification shall include the complete name and taxpayer identifying number of each debtor/payee, the total amounts collected from each debtor/payee's payment, and the amount of any fees charged by Fiscal Service and any other disbursing official conducting offsets. Fiscal Service will not advise the creditor agency of the source of payment from which such amounts were collected.

(2) When a non-Treasury disbursing official conducts the offset, that disbursing official will transmit to Fiscal Service all of the information necessary for Fiscal Service to send notification under paragraph (h)(1) of this section, including the amount of any fees that the creditor agency is responsible for paying.

(3) Fiscal Service will make available to the payment agency the information contained in the notification of offset, so that the payment agency may direct any questions concerning the claim to the appropriate contact person in the creditor agency.

(i) *Disposition of amounts collected.* (1) Fiscal Service will transmit amounts collected for debts, less fees charged pursuant to paragraph (j) of this section, to the appropriate creditor agency or agencies. Alternatively, Fiscal Service may bill the creditor agency for any fees charged pursuant to paragraph (j) of this section.

(2) If Fiscal Service learns from a paying agency that a payment should not have been made, and thus not offset, Fiscal Service will notify the creditor agency. Fiscal Service may deduct the offset amount from future amounts payable to the creditor agency. Alternatively, upon Fiscal Service's request, the creditor agency shall return promptly to the disbursing official an amount equal to the amount of the offset (without regard to whether any other amounts payable to such disbursing official have been paid).

(3) Generally, the disbursing official is not responsible for refunding money to debtors. The creditor agency shall notify Fiscal Service any time the creditor agency returns all or any part of an offset payment to an affected payee. See paragraph (d)(10)(v) of this section. Fiscal Service and the creditor agency shall adjust the debtor records appropriately.

(j) *Fees.* Fiscal Service may charge a fee sufficient to cover the full cost of implementing the centralized offset program, including the amount of any fees charged by other disbursing officials conducting an offset under this section. Fiscal Service may deduct the fees from amounts collected by offset or may bill the creditor agencies. Fiscal Service will charge fees only for actual offsets collected.

(k) *Waiver of certain provisions under the Computer Matching Privacy and Protection Act of 1988.* As authorized by 31 U.S.C. 3716(f), Fiscal Service, under a delegation of authority from the Secretary, has waived certain requirements of the Computer Matching and Privacy Protection Act of 1988, Pub. L. No. 100–503, as amended, for matches between delinquent debt records and payment records for offset purposes upon written certification by the head of the creditor agency that the requirements of 31 U.S.C. 3716(a) have been met. Specifically, for administrative offset of Federal payments other than tax refunds, Fiscal Service 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) so long as the creditor agency provides certification to Fiscal Service in accordance with the provisions of paragraph (d)(6) of this section. Such waiver is not necessary for offset of Federal tax refunds, pursuant to 5 U.S.C. 552a(a)(8)(B). The Data Integrity Board of the Department of the Treasury shall review and include in reports under 5 U.S.C. 552a(u)(3)(D) a description of the matching activities conducted for centralized offset under this section. No other Data Integrity Board is required to take any action under 5 U.S.C. 552a(u) concerning these computerized comparisons.

[67 FR 78942, Dec. 26, 2002, as amended at 70 FR 7135, Jan. 21, 2005; 74 FR 27433, June 10, 2009; 74 FR 27708, June 11, 2009]

§ 285.6 Administrative offset under reciprocal agreements with states.

(a) *Scope.* (1) This section sets forth the rules that apply to the administrative offset of Federal nontax payments to collect delinquent debts owed to States. As set forth in 31 U.S.C. 3716(h), States may participate in administrative offset so long as they meet certain requirements, including entering into reciprocal agreements with the Secretary of the Treasury. Such reciprocal agreements may contain any requirements that the Secretary considers appropriate to facilitate offset. Participation in offset under this section is voluntary for both Fiscal Service and the States. This section prescribes the minimum requirements for such reciprocal agreements, including provisions applicable to the offset of State payments, pursuant to State law, to collect delinquent Federal debts. Such offsets are defined in this section as ''State payment offsets.''

(2) This section does not apply to the offset of Federal salary payments, Federal tax refunds (see 31 CFR 285.8), or the collection of past-due support debts (see 31 CFR 285.1 and 285.3).

(b) *Definitions.* (1) Unless otherwise defined in paragraph § 285.5(b) of this subpart.

(2) For purposes of this section:

Administrative offset has the meaning set forth in 31 U.S.C. 3701(a) and 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. The term *debt* in this definition means a State debt.

Debtor means a person who owes a debt to the United States or a State.

Federal 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, organization, or entity, except another Federal agency. The term includes debt administered by a third party acting as an agent for the Federal Government. For purposes of this section, the term ''Federal debt'' does not include debts arising under the Internal Revenue Code of 1986 (26 U.S.C. 1 *et seq.*), the tariff laws of the United States, or the Social Security Act (42 U.S.C. 301 *et seq.*), except to the extent provided in sections 204(f) and 1631(b)(4) of such Act (42 U.S.C. 404(f) and 1383(b)(4)(A), respectively) and 31 U.S.C. 3716(c).

Offset means withholding funds payable to a person to satisfy a debt owed by the payee.

Participating State means a State that has entered into a reciprocal agreement under this section.

Reciprocal agreement means a written agreement between Fiscal Service and a State, entered into pursuant to 31 U.S.C. 3716(h), which provides for administrative offset and State payment offset.

State has the meaning set forth in 31 U.S.C. 3701(b)(2) and includes the several states of the United States, 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.

State debt means any amount of money, funds or property that has been determined by an appropriate State official to be owed to that State by a person, organization, or entity, except the United States, a foreign sovereign, or another State (including local governments within a State). For purposes of this rule, the term includes debt administered by a third party acting as an agent for the State.

State payment offset means withholding funds payable by a State to, or held by a State for, a person to satisfy

a debt owed by the payee to the United States.

(c) *General rule.* Fiscal Service and other disbursing officials of the Federal Government will conduct administrative offset to collect past-due State debts certified to Fiscal Service, and participating States will conduct State payment offset to collect delinquent Federal debts in accordance with the terms of reciprocal agreements entered into between the States and Fiscal Service, acting on behalf of the Secretary. Upon notification of a delinquent State debt from a participating State to Fiscal Service, disbursing officials of the United States shall offset the Federal payments specified in the reciprocal agreement to collect the State debt. The amount offset, minus an offset fee, shall be forwarded to the State to be distributed in accordance with applicable laws and procedures. Upon notification of a delinquent Federal debt from Fiscal Service to a participating State, authorized officials of the participating State shall conduct State payment offset as specified in the applicable reciprocal agreement to collect the Federal debt.

(d) *Reciprocal agreements.* (1) Fiscal Service may enter into reciprocal agreements with States for administrative offset and State payment offset. The agreements shall contain any requirements which Fiscal Service considers appropriate to facilitate the offset and prevent duplicative efforts, and shall require States to prescribe procedures governing the collection of delinquent State debts which are substantially similar to requirements imposed on Federal agencies pursuant to 31 U.S.C. 3716(b). States may prescribe such procedures through legislation or regulations, as deemed appropriate by State officials. States which have entered into a reciprocal agreement with Fiscal Service pursuant to this section may thereafter request, in the manner prescribed in the reciprocal agreement, that administrative offsets 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 that is responsible for collecting the State debt. Reciprocal agreements must be signed by a State official authorized to enter into such agreements.

(2) Once Fiscal Service has entered into a reciprocal agreement with a State pursuant to this section, Fiscal Service may request that the State perform State payment offsets to collect delinquent Federal debts in accordance with the terms of the reciprocal agreement.

(3) A duly executed reciprocal agreement is required before a State may request an administrative offset pursuant to 31 U.S.C. 3716(h).

(e) *Requirements for submitting State debts for administrative offset*—(1) *Debt eligibility.* A State debt submitted to Fiscal Service for collection by administrative offset must meet the debt eligibility requirements of 31 CFR 285.5(d)(3)(i).

(2) *Certification.* At the time a participating State notifies Fiscal Service of a State debt for purposes of collection by administrative offset under this section, the State shall comply with the certification requirements set forth in paragraph 31 CFR 285.5(d)(6) with the following two exceptions:

(i) Paragraph (d)(6)(ii)(E)—Federal salary offset; and

(ii) Paragraph (d)(6)(iii)—Federal requirements for the assessment of interest and penalties to Federal debts. Additionally, with respect to paragraph (d)(6)(ii) of § 285.5, States shall only be required to certify that they have complied with the requirements of 31 U.S.C. 3716 (not 31 U.S.C. 3720A or 26 U.S.C. 6402) and this section 285.6. States shall also certify that they have complied with any requirements imposed by State law or procedure that may be applicable to administrative offset.

(f) *State debts submitted to Fiscal Service for tax refund offset.* A State shall be deemed to have complied with the requirements of paragraph (e)(2) of this section with respect to any State debt that the State certified to Treasury for collection pursuant to § 285.8 of this part.

(g) *Federal Payments subject to administrative offset under this section.* (1) The Federal payments that will be offset to collect a participating State's debts shall be set forth in the reciprocal agreement. Federal payments that are

excluded from administrative offset under this section include:

(i) Any payments described in 31 CFR 285.5(e)(2) ''Payments excluded from offset'';

(ii) Payments due to an individual under the Social Security Act;

(iii) Payments due an individual pursuant to part B of the Black Lung Benefits Act;

(iv) Payments due an individual pursuant to any law administered by the Railroad Retirement Board;

(v) Federal tax refunds; and

(vi) Federal salary payments.

(h) *Conducting the administrative offset.* (1) Disbursing officials shall conduct administrative offset under this section in the same manner as set forth in 31 CFR 285.5(f) through (i).

(2) When a payee owes more than one delinquent State debt which has been referred to Fiscal Service for collection, amounts will be applied to delinquent State debts under this section after any amounts offset pursuant to any other section of this subpart A and any amounts levied pursuant 26 U.S.C. 6331.

(i) *Liability of disbursing officials and payment agencies.* Neither the Federal disbursing official nor the agency authorizing the Federal payment shall be liable to a debtor 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.

(j) *Notification to a State of Federal debt.* (1) A State may set forth in the reciprocal agreement the requirements for Fiscal Service to follow when submitting a Federal debt for collection by State payment offset. Such agreements shall set forth all requirements contained in State law for the State payment offset. Such requirements, however, may not exceed the requirements for collecting Federal debts by administrative offset as set forth in § 285.5(d) of this subpart.

(2) Fiscal Service shall certify to a participating State that each debt Fiscal Service submits for State payment offset has been certified by the Federal creditor agency to be delinquent, valid, and legally enforceable in the amount stated, and that the Federal creditor agency owed the debt has complied with the requirements of 31 U.S.C. 3716(a) prior to submitting the debt for offset.

(k) *Conducting State payment offset.* (1) An official of a participating State shall conduct State payment offset pursuant to the laws and regulations of the participating State; provided that:

(i) If a payment is owed jointly to more than one payee, the entire payment shall be offset for a debt of either payee, unless otherwise prohibited by law or regulation; and

(ii) If a payment is made to a person solely in that person's capacity as a representative payee for another person having the beneficial interest in the payment, the disbursing official shall offset that payment only to collect debts owed by the person having the beneficial interest in the payment.

(2) Any prohibitions on offsetting a joint payment described in paragraph (k)(1)(i) of this section shall be set forth in the reciprocal agreement.

(3) An official of the participating State shall notify the payee of the State payment offset. The reciprocal agreement may contain detailed guidance and procedures regarding sending such notice, but shall, at a minimum require that the notice inform the payee of:

(i) The type and amount of the payment that was offset;

(ii) The identity of the Federal agency that requested the offset; and

(iii) A contact point within the Federal agency that will handle concerns regarding the offset.

(l) *Limitations.* A debt properly submitted to Fiscal Service or the State for administrative offset or State payment offset shall remain subject to collection until withdrawn by the entity that submitted the debt for collection, provided the debt remains past-due and legally enforceable for purposes of administrative offset or State payment offset, as applicable. A debt which has been reduced to a judgment shall remain legally enforceable for purposes of administrative offset and State payment offset for as long as the judgment remains enforceable against the debtor.

(m) *Fees.* Fiscal Service shall deduct a fee from each administrative offset

and State payment offset amount before transferring the balance of the offset funds to the State or Federal agency owed the debt. Pursuant to 31 U.S.C. 3716(c)(4), the fee will be in an amount that Fiscal Service has determined to be sufficient to reimburse Fiscal Service for the full cost of the offset procedure. Fiscal Service will notify the States and creditor agencies, annually and in advance, of the amount of the fee Fiscal Service will charge for each offset.

[72 FR 1286, Jan. 11, 2007, as amended at 74 FR 56721, Nov. 3, 2009]

§ 285.7 Salary offset.

(a) *Purpose and scope.* (1) This section establishes Fiscal Service's procedures for the centralized offset of Federal salary payments to collect delinquent nontax debts owed to the United States. This process is known as centralized salary offset. Rules issued by the Office of Personnel Management contain the requirements Federal agencies must follow prior to conducting centralized or non-centralized salary offset and the procedures for requesting offsets directly from a paying agency, rather than through TOP. 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 Bureau of the Fiscal Service for purposes of administrative offset as required under 31 U.S.C. 3716(c)(6). Agencies that submit their debt to Fiscal Service 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).

(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.

(6) This section does not govern the centralized offset of final salary payments or lump-sum payments made to employees who have left an agency's employ. The centralized offset of such payments is governed by § 285.5 of this part.

(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 Fiscal Service 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.

Fiscal Service means the Bureau of the Fiscal 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, Fiscal Service, 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. By notifying Fiscal Service of all past-due, legally enforceable debts delinquent for more than 180 days for purposes of 31 U.S.C. 3716(c)(6), creditor agencies shall have met the requirement set forth in 5 U.S.C. 5514(a)(1). Additionally, creditor agencies may notify Fiscal Service of past-due, legally enforceable debts delinquent for less than 180 days for purposes of centralized offset.

(2) Prior to submitting debts to Fiscal Service 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 Fiscal Service for purposes of collection by administrative offset, including salary offset, creditor agencies shall provide written certification to Fiscal Service that:

(i) The debt is past-due and legally enforceable in the amount submitted to Fiscal Service and that the creditor agency will ensure that collections (other than collections through offset) are properly credited to the debt;

(ii) 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

(iii) 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) The creditor agency is not required to submit the certification set forth in paragraph (d)(3)(iii) of this section prior to submitting a debt to Fiscal Service. However, if the creditor agency does not provide such certification initially, the creditor agency shall provide the Federal employee with the notices and opportunity for a hearing, as required by 5 U.S.C. 5514 and applicable regulations, and shall make the necessary certification before the disbursing official offsets a salary payment pursuant to this section. A creditor agency may submit a debt without the requirement set forth in paragraph (d)(3)(iii) of this section, only if the creditor agency intends to complete the certification after complying with the provisions of 5 U.S.C. 5514 and applicable regulations.

(5) The creditor agency shall notify Fiscal Service 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 Fiscal Service. The creditor agency also shall notify Fiscal Service 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.

(6) Creditor agencies may submit nontax debts to Fiscal Service for collection by centralized salary offset irrespective of the amount of time the debt has been outstanding. Accordingly, all nontax debts, including debts that were outstanding for ten years or longer prior to June 11, 2009, may be collected by centralized salary offset.

(7) For debts that were outstanding more than ten years on or before June 11, 2009, creditor agencies must certify to Fiscal Service that the notice described in paragraph (d)(3)(ii) of this section was sent to the debtor after the debt was outstanding for ten years. This requirement will apply even in a case where notice was also sent prior to the debt being outstanding for ten years but does not apply to any debt that could be collected by offset without regard to any time limitation prior to June 11, 2009.

(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), Fiscal Service, 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, Fiscal Service 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. The salary paying agency shall use such records as it deems necessary to accurately calculate disposable pay in accordance with 5 CFR 550.1103.

(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 have been applied to satisfy past-due support debts being collected by the State pursuant to Section 464 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, Fiscal Service, or a paying agency acting on behalf of Fiscal Service, may charge a fee sufficient to cover the full cost of implementing the administrative offset program. Fiscal Service 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, as amended at 70 FR 22789, May 3, 2005; 74 FR 27433, June 10, 2009; 74 FR 27708, June 11, 2009]

§ 285.8 Offset of tax refund payments to collect certain debts owed to States.

(a) *Definitions.* For purposes of this section:

Debt means past-due, legally enforceable State income tax obligation or unemployment compensation debt unless otherwise indicated.

Debtor means a person who owes a debt.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury.

IRS means the Internal Revenue Service, a bureau of the Department of the Treasury.

Past-due, legally enforceable State income tax obligation means a debt which resulted from:

(1) A judgment rendered by a court of competent jurisdiction which has determined an amount of State income tax to be due,

(2) A determination after an administrative hearing which has determined an amount of state income tax to be due and which is no longer subject to judicial review, or

(3) A State income tax assessment (including self-assessments) which has become final in accordance with State law but not collected and which has not been delinquent for more than 10 years.

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.

State income tax obligation means State income tax obligations as determined under State law. For purposes of this section, State income tax obligation includes any local income tax administered by the chief tax administration agency of the State.

Tax refund offset means withholding or reducing a tax refund overpayment by an amount necessary to satisfy a debt owed by the payee(s).

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 Federal tax on the part of the person who made the overpayment.

Unemployment compensation debt has the same meaning as the term ''covered unemployment debt'' as defined in 26 U.S.C. 6402(f)(4), and means—

(1) A past-due debt for erroneous payment of unemployment compensation due to fraud or the person's failure to report earnings which has become final under the law of a State certified by the Secretary of Labor pursuant to 26 U.S.C. 3304 and which remains uncollected;

(2) Contributions due to the unemployment fund of a State for which the State has determined the person to be liable and which remain uncollected; and

(3) Any penalties and interest assessed on such debt.

(b) *General rule.* (1) Fiscal Service will offset tax refunds to collect debt under this section in accordance with 26 U.S.C. 6402(e) and (f) and this section.

(2) Fiscal Service will compare tax refund payment records, as certified by the IRS, with records of debts submitted to Fiscal Service. A match will occur when the taxpayer identifying number (as that term is used in 26 U.S.C. 6109) and name on a payment certification record are the same as the taxpayer identifying number and name (or derivative of the name) on a delinquent debt record. When a match occurs and all other requirements for tax refund offset have been met, Fiscal Service will reduce the amount of any tax refund payment payable to a debtor by the amount of any past-due, legally enforceable State income tax obligation or unemployment compensation debt owed by the debtor. Any amounts not offset will be paid to the payee(s) listed in the payment certification record.

(3) Fiscal Service will only offset a tax refund payment for a State income tax obligation if the address shown on the Federal tax return for the taxable year of the overpayment is an address within the State seeking the offset.

(c) *Notification of past-due, legally enforceable State income tax obligations or unemployment compensation debts*—(1) *Notification.* States shall notify Fiscal

Service of debts in the manner and format prescribed by Fiscal Service. The notification of liability must be accompanied by a certification that the debt is past due and legally enforceable and that the State has complied with the requirements contained in paragraph (c)(3) of this section and with all Federal or State requirements applicable to the collection of debts under this section. With respect to State income tax obligations only, the certification must specifically state that none of the debts submitted for collection by offset are debts owed by an individual who has claimed immunity from State taxation by reason of being an enrolled member of an Indian tribe who lives on a reservation and derives all of his or her income from that reservation unless such claim has been adjudicated de novo on its merits in accordance with paragraph (c)(3). Fiscal Service may reject a notification that does not comply with the requirements of this section. Upon notification of the rejection and the reason for rejection, the State may resubmit a corrected notification.

(2) Minimum amount of past-due, legally enforceable State income tax obligations that may be submitted. Fiscal Service only will accept notification of past-due, legally enforceable State income tax obligations of $25 or more or such higher amounts as determined by Fiscal Service. States will be notified annually of any changes in the minimum debt amount.

(3)(i) *Advance notification to the debtor of the State's intent to collect by Federal tax refund offset.* The State is required to provide a written notification to the debtor informing the debtor that the State intends to refer the debt for collection by tax refund offset. The notice must give the debtor at least 60 days to present evidence, in accordance with procedures established by the State, that all or part of the debt is not past due or not legally enforceable, or, in the case of a covered unemployment compensation debt, the debt is not due to fraud or the debtor's failure to report earnings. In the case of a State income tax obligation, the notice must be sent certified mail, return receipt requested.

(ii) *Determination.* The State must, in accordance with procedures established by the State, consider any evidence presented by a debtor in response to the notice described in paragraph (c)(3)(i) of this section and determine whether an amount of such debt is past due and legally enforceable and, in the case of a covered unemployment compensation debt, the debt is due to fraud or the debtor's failure to report earnings. With respect to State income tax obligations only, where the debtor claims that he or she is immune from State taxation by reason of being an enrolled member of an Indian tribe who lives on a reservation and derives all of his or her income from that reservation, State procedures shall include de novo review on the merits, unless such claims have been previously adjudicated by a court of competent jurisdiction. States shall, upon request from the Secretary of the Treasury, make such procedures available to the Secretary of the Treasury for review.

(iii) *Reasonable efforts.* Prior to submitting a debt to Fiscal Service for collection by tax refund offset the State must make reasonable efforts to collect the debt. Reasonable efforts include making written demand on the debtor for payment and complying with any other prerequisites to offset established by the State.

(4) *Correcting and updating notification.* The State shall, in the manner and in the time frames provided by Fiscal Service, notify Fiscal Service of any deletion or decrease in the amount of past-due, legally enforceable State income tax obligation or unemployment compensation debt referred to Fiscal Service for collection by tax refund offset. The State may notify Fiscal Service of any increases in the amount of the debt referred to Fiscal Service for collection by tax refund offset provided that the State has complied with the requirements of paragraph (c)(3) of this section with regard to those debts.

(d) *Priorities for offset.* (1) As provided in 26 U.S.C. 6402, a tax refund payment shall be reduced first by the amount of any past-due support being enforced under section 464 of the Social Security Act which is to be offset under 26 U.S.C. 6402(c); 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); and third by any past-due, legally enforceable debt owed to a State (other than past-due support) which is to be offset under 26 U.S.C. 6402(e) or 26 U.S.C. 6402(f).

(2) Reduction of the tax refund payment pursuant to 26 U.S.C. 6402(a), (c), (d), (e) and (f) 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), (d), (e) and (f) shall be refunded to the taxpayer, or applied to estimated tax, if elected by the taxpayer pursuant to IRS regulations.

(3) If Fiscal Service receives notice from a State of more than one debt subject to this section that is owed by a debtor to the State, any overpayment by the debtor shall be applied against such debts in the order in which such debts accrued.

(e) *Post-offset notice.* (1) When an offset occurs, Fiscal Service shall notify the debtor in writing of:

(i) The amount and date of the offset and that the purpose of the offset was to satisfy a past-due, legally enforceable State income tax obligation or unemployment compensation debt;

(ii) The State to which this amount has been paid or credited; and

(iii) A contact point within the State that will handle concerns or questions regarding the offset.

(2) The notice in paragraph (e)(1) of this section also will advise any non-debtor spouse who may have filed a joint return with the debtor of the steps which the non-debtor spouse may take in order to secure his or her proper share of the tax refund. See paragraph (f) of this section.

(3) Fiscal Service will advise States of the names, mailing addresses, and taxpayer identifying numbers of the debtors from whom amounts of State income tax obligations or unemployment compensation debts were collected, and of the amounts collected from each debtor through tax refund offset.

(4) At least weekly, Fiscal Service will notify the IRS of the names and taxpayer identifying numbers of the debtors from whom amounts owed for past-due, legally enforceable State income tax obligations or unemployment compensation debts were collected from tax refund offsets and the amounts collected from each debtor.

(f) *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 State income tax obligation or unemployment compensation 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 Fiscal Service deduct that amount from future amounts payable to the State or that Fiscal Service otherwise obtain the funds back from the State. Fiscal Service, or the appropriate State, will adjust their debtor records accordingly.

(g) *Disposition of amounts collected.* Fiscal Service will transmit amounts collected for debts, less fees charged under paragraph (h) of this section, to the appropriate State. If Fiscal Service learns that an erroneous offset payment is made to any State, Fiscal Service will notify the appropriate State that an erroneous offset payment has been made. Fiscal Service may deduct the amount of the erroneous offset payment from future amounts payable to the State. Alternatively, upon Fiscal Service' request, the State shall return promptly to the affected taxpayer or Fiscal Service an amount equal to the amount of the erroneous payment (unless the State previously has paid such amounts, or any portion of such amounts, to the affected taxpayer). States shall notify Fiscal Service any time a State returns an erroneous offset payment to an affected taxpayer. Fiscal Service, or the appropriate State, will adjust their debtor records accordingly.

(h) *Fees.* The State will pay a fee to Fiscal Service to cover the full cost of offsets taken. The fee will be established annually in such amount as Fiscal Service determines to be sufficient to reimburse Fiscal Service for the full cost of the offset procedure. Fiscal Service 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 for purposes of collecting past-due, legally enforceable State income tax obligations or unemployment compensation debts reported to Fiscal Service by the States. Fees will be charged only for actual tax refund offsets completed.

(i) *Review of tax refund offsets.* In accordance with 26 U.S.C. 6402(g), any reduction of a taxpayer's refund made pursuant to 26 U.S.C. 6402(e) or (f) shall not be subject to review by any court of the United States or by the Secretary of the Treasury, Fiscal Service 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. This subsection does not preclude any legal, equitable, or administrative action against the State to which the amount of such reduction was paid.

(j) *Access to and use of confidential tax information.* Access to and use of confidential tax information in connection with the tax refund offset program is permitted to the extent necessary in establishing appropriate agency records, locating any person with respect to whom a reduction under 26 U.S.C. 6402(e) or (f) is sought for purposes of collecting the debt, and in the defense of any litigation or administrative procedure ensuing from a reduction made under section 6402(e) or (f).

[64 FR 71231, Dec. 20, 1999, as amended at 74 FR 27433, June 10, 2009; 76 FR 5071, Jan. 28, 2011]

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), 31 CFR parts 900–904.

(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.

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.

Debtor means an individual who owes a delinquent nontax debt to the United States.

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.

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.

Evidence of service means information retained by the agency 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. Evidence of service may be retained electronically so long as the manner of retention is sufficient for evidentiary purposes.

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 retain evidence of service indicating the date of mailing of the notice.

(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 should send, by first class mail, a withholding order to the debtor's employer:

(i) 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,

(ii) 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, or,

(iii) As soon as reasonably possible thereafter.

(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. The withholding order shall contain the signature of, or the image of the signature of, 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 retain evidence of service indicating the date of mailing of the order.

(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, as amended at 64 FR 22908, Apr. 28, 1999; 66 FR 51868, Oct. 11, 2001]

§ 285.12 Transfer of debts to Treasury for 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 section, the term ''debt'' does not include debts arising under the Internal Revenue Code of 1986.

Debt collection center means an agency or a unit or subagency within an agency that has been designated by the Secretary of the Treasury to collect debt owed to the United States. Fiscal Service is a debt collection center.

Fiscal Service means the Bureau of the Fiscal 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 Fiscal Service or another debt collection center is taking appropriate debt collection action on behalf of one or more Federal agencies or a unit or subagency thereof.

(c) *Mandatory transfer of debts to Fiscal Service*. (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 Fiscal Service 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, Fiscal Service 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 Fiscal Service, 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)(i) 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 past-due if it has not been paid by the date specified in the agency's initial written demand for payment or applicable agreement or instrument (including a post-delinquency payment agreement) unless other satisfactory payment arrangements have been made. 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 Fiscal Service and is not to be transferred even if the debt is more than 180 days past-due.

(ii) When a final agency determination is made after an administrative appeal or review process, the creditor agency must transfer such debt to Fiscal Service, if more than 180 days delinquent, within 30 days after the date of the final decision.

(iii) 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.

(4) Agencies are not required to transfer to Fiscal Service debts which are less than $25 (including interest, penalties, and administrative costs), or such other amount as Fiscal Service may determine. Agencies may transfer debts less than $25 to Fiscal Service if the creditor agency, in consultation with Fiscal Service, determines that transfer is important to ensure compliance with the agency's policies or programs. Agencies may combine individual debts of less than $25 owed by the same debtor for purposes of meeting the $25 threshold.

(d) *Exceptions to mandatory transfer.* (1) A creditor agency is not required to transfer a debt to Fiscal Service 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. A debt is being collected by internal offset if the creditor agency is withholding funds payable to the debtor by the creditor agency, or if the creditor agency has issued notice to the debtor of the creditor agency's intent to offset such funds.

(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.

(iii) Requests for exemption must be made by the head of the agency requesting the exemption, the Chief Financial Officer of the agency, or the Deputy Chief Financial Officer of the agency. For purposes of this section, the head of an agency does not include the head of a subordinate organization within a department or agency.

(6) In accordance with paragraph (d)(5)(i) of this section, debts being serviced and/or collected in accordance with applicable statutes and/or regulations by third parties, such as private lenders or guaranty agencies are exempt from the requirements in paragraph (c)(1) of this section.

(e) *Schedule of private collection contractors.* Fiscal Service will maintain a schedule of private collection contractors eligible for referral of debts from Fiscal Service, other debt collection centers, and creditor agencies for collection action. An agency with debt which has not been transferred to Fiscal Service 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 Fiscal Service' schedule of private collection contractors provided they do so in accordance with procedures established by Fiscal Service. 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 creditor agency may transfer debt that has not been transferred to Fiscal Service, such as debt less than 180 days delinquent, to a Treasury-designated debt collection center, with the consent of, and in accordance with procedures established by Fiscal Service. 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 and 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 Fiscal Service. Debt collection centers may charge fees for the debt collection services in accordance with the provisions of paragraph (j) of this section.

(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 Fiscal Service 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 Fiscal Service and Treasury-designated debt collection centers to collect debts transferred under this section. Thus, by transferring debt to Fiscal Service 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 Fiscal Service 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 Fiscal Service or, with the consent of Fiscal Service, to a Treasury-designated debt collection center for debt collection services.

(i) *Certification.* Before a debt may be transferred to Fiscal Service 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 Fiscal Service has agreed, to do so on the creditor agency's behalf. The creditor agency shall notify Fiscal Service 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.* Fiscal Service and other debt collection centers (as defined in paragraph (a) of this section) may charge fees sufficient to cover the full cost of providing debt collection services authorized by this section. Fees paid to recover amounts owed may not exceed amounts collected. Nothing in this rule precludes a creditor agency from agreeing to pay fees for debt collection services which are not based on amounts collected. Fiscal Service 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 Fiscal Service and other debt collection centers may be added to the debt as an administrative cost if authorized under 31 U.S.C. 3717(e).

[63 FR 16356, Apr. 2, 1998, as amended at 64 FR 22908, Apr. 28, 1999]

§ 285.13 Barring delinquent debtors from obtaining Federal loans or loan insurance or guarantees.

(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 or an agency thereof by a person, including debt administered by a third party as an agent for the Federal Government.

Federal financial assistance or *financial assistance* means any Federal loan (other than a disaster loan), loan insurance, or loan guarantee.

Fiscal Service means the Bureau of the Fiscal Service, a bureau of the Department of the Treasury.

Nontax debt means any debt other than a debt under the Internal Revenue Code of 1986 (26 U.S.C. 1 *et seq.*).

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) *Purpose and scope.* (1) This section prescribes standards for determining whether an outstanding nontax debt owed to the Federal Government is in delinquent status and whether such delinquency is resolved for the purpose of denying Federal financial assistance to a debtor. In addition, this section prescribes the circumstances under which the Secretary may exempt a class of debts from affecting a debtor's loan eligibility. This section also outlines the factors an agency should consider when determining whether waiver of the general rule in paragraph (c) of this section is appropriate.

(2) Additional guidance concerning debt collection and debt management is provided in ''Managing Federal Receivables'' and other Fiscal Service publications.

(3) Nothing in this section requires an agency to grant Federal financial assistance if denial otherwise is authorized by statute, regulation, or agency policies and procedures. For example, if an agency requires borrowers to have a satisfactory credit history, the agency may deny financial assistance even if a delinquent debt has been resolved.

(4) This section does not confer any new rights or benefits on persons seeking Federal financial assistance.

(5) This section applies to any person owing delinquent nontax debt and to any agency that administers a program that grants Federal financial assistance.

(c) *General rule.* (1) As required by the provisions of 31 U.S.C. 3720B, a person owing an outstanding nontax debt that is in delinquent status shall not be eligible for Federal financial assistance. This eligibility requirement applies to all persons seeking Federal financial assistance and owing an outstanding nontax debt in delinquent status, including, but not limited to, guarantors. This eligibility requirement applies to all Federal financial assistance even if creditworthiness or credit history is not otherwise a factor for eligibility purposes, e.g., student loans. A person may be eligible for Federal financial assistance only after the delinquency is resolved in accordance with this section. An agency may waive this eligibility requirement in accordance with paragraph (g) of this section.

(2) An agency from which a person seeks Federal financial assistance may determine, under standards issued by the agency, that a person is ineligible for Federal financial assistance under this section if:

(i) The person is controlled by a person owing an outstanding nontax debt that is in delinquent status (e.g., a corporation is controlled by an officer, director, or shareholder who owes a debt); or

(ii) The person controls a person owing an outstanding nontax debt that is in delinquent status (e.g., a corporation controls a wholly-owned or partially-owned subsidiary which owes a debt).

(3) A creditor agency may obtain information concerning whether or not a person seeking Federal financial assistance owes a delinquent debt from, among other sources, credit reports, information contained on credit applications, and the Department of Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS). For information about participating in the CAIVRS program, agencies should contact the Director of Information Resources Management, Policy and Management Division, Office of Information Technology, Department of Housing and Urban Development, 451 7th Street, S.W., Washington, DC 20410.

(d) *Delinquent status.* (1) Except as otherwise provided in paragraph (d)(2) of this section, a debt is in ''delinquent status'' for purposes of this section if the debt has not been paid within 90 days of the payment due date. The payment due date is the date specified in the creditor agency's initial written demand for payment or applicable agreement or instrument (including a post-delinquency repayment agreement).

(2) For purposes of this section, a debt is not in delinquent status if:

(i) The person seeking Federal financial assistance has been released by the creditor agency from any obligation to pay the debt, or there has been an adjudication or determination that such person does not owe or does not have to pay the debt;

(ii) The debtor is the subject of, or has been discharged in, a bankruptcy proceeding, and if applicable, the person seeking Federal financial assistance is current on any court authorized repayment plan; or

(iii) The existence of the debt or the agency's determination that the debt is delinquent is being challenged under an ongoing administrative appeal or contested judicial proceeding and the appeal was filed by the debtor in a timely manner. Unless otherwise prohibited, an agency may defer making a determination as to whether or not to extend credit until the appeal process is completed.

(3) Unless the provisions of paragraph (d)(2) apply, a debt is in delinquent status even if the creditor agency has suspended or terminated collection activity with respect to such debt. For example, a delinquent nontax debt that has been written off the books of the creditor agency or reported to the Internal Revenue Service as discharged (i.e., canceled) is in delinquent status for purposes of this section.

(4) Nothing in this section defines the terms ''delinquent'' or ''delinquent status'' for any purposes other than those described in this section.

(e) *Delinquency resolution.* (1) For purposes of this section, a person's delinquent debt is resolved only if the person:

(i) Pays or otherwise satisfies the delinquent debt in full;

(ii) Pays the delinquent debt in part if the creditor agency accepts such part payment as a compromise in lieu of payment in full;

(iii) Cures the delinquency under terms acceptable to the creditor agency in that the person pays any overdue payments, plus all interest, penalties, late charges, and administrative charges assessed by the creditor agency as a result of the delinquency; or

(iv) Enters into a written repayment agreement with the creditor agency to pay the debt, in whole or in part, under terms and conditions acceptable to the creditor agency.

(2) Unless the provisions of paragraph (e)(1) of this section apply, a delinquent debt is not resolved even if the creditor agency has suspended or terminated collection activity with respect to such debt. For example, a delinquent nontax debt that has been written off the books of the creditor agency or reported to the Internal Revenue Service as discharged (i.e., canceled) would not be ''resolved.'' If the provisions of paragraph (e)(1) of this section do apply, a delinquent debt is considered resolved. For example, if a portion of a debt has been written off after the person has paid the debt in part where the creditor agency accepts such part payment as a compromise in lieu of payment in full, the entire debt would be deemed ''resolved'' for purposes of this section in accordance with paragraph (e)(1)(ii) of this section.

(f) *Exemptions by the Secretary.* (1) Upon the written request and recommendation of the head of the creditor agency to which a class of debts is owed, the Secretary may exempt any class of debts from affecting a debtor's eligibility for Federal financial assistance based on the provisions of 31 U.S.C. 3720B and this section.

(2) The creditor agency recommending an exemption for a class of debts will provide the Secretary with information about:

(i) The nature of the program under which the delinquencies have arisen;

(ii) The number, dollar amount, and age of the debts in the program for which exemption is recommended;

(iii) The reasons why an exemption is justified, including why the granting of financial assistance to persons owing the type of debt for which exemption is requested would not be contrary to the Government's goal to reduce losses by requiring proper screening of potential borrowers; and,

(iv) Other information the Secretary deems necessary to consider the exemption request.

(3) The Secretary may exempt a class of debts if exemption is in the best interests of the Federal Government.

(g) *Waivers by the agency.* (1) The head of an agency from which a person seeks to obtain Federal financial assistance may waive the eligibility requirement described in paragraph (c) of this section. Waivers shall be granted only on a person by person basis. The head of the agency may delegate the waiver authority only to the Chief Financial Officer of the agency. The Chief Financial Officer may redelegate the authority only to the Deputy Chief Financial Officer of the agency.

(2) The authorized agency official should balance the following factors when deciding whether to grant a waiver under paragraph (g)(1) of this section:

(i) Whether the denial of the financial assistance to the person would tend to interfere substantially with or defeat the purposes of the financial assistance program or otherwise would not be in the best interests of the Federal Government; and

(ii) Whether the agency's granting of the financial assistance to the person

is contrary to the Government's goal to reduce losses from debt management activities by requiring proper screening of potential borrowers.

(3) When balancing the factors described in paragraph (d)(2) of this section, the authorized agency official should consider:

(i) The age, amount, and cause(s) of the delinquency and the likelihood that the person will resolve the delinquent debt; and

(ii) The amount of total debt, delinquent or otherwise, owed by the person and the person's credit history with respect to repayment of debt.

(4) Each agency shall retain a centralized record of the number and type of waivers granted under this section.

(h) *Effect of denial of Federal financial assistance.* Nothing contained in this section precludes a person who has been denied Federal financial assistance from obtaining such assistance after that person's delinquent debt has been resolved in accordance with paragraph (e)(1) of this section.

[63 FR 67756, Dec. 8, 1998]

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.

The Bureau of the Fiscal Service 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 the Division of Customer Service, Parkersburg, WV 26102.

[64 FR 38125, July 15, 1999]

§ 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 Fiscal Service, Division of Customer Service, Parkersburg, WV 26102.

(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.

[1] These regulations may also be applied to securities issued by certain agencies of the United States and certain Government and Government-sponsored corporations.

(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.

(u) *Voluntary representative* means the person qualified by the Department of the Treasury to request payment or make an assignment of a decedent's securities pursuant to § 306.65.

[38 FR 7078, Mar. 15, 1973, as amended at 59 FR 59036, Nov. 15, 1994; 64 FR 38125, July 15, 1999; 70 FR 57429, Sept. 30, 2005]

§ 306.3 Transportation charges and risks in the shipment of securities.

The following guidelines apply to the transportation of reissued securities or securities presented for authorized transactions:

(a) The securities may be presented in person by the owner or the owner's agent.

(b) If securities are not presented in person, shipment of the securities is at the owner's risk and expense.

(c) Reissued securities will be delivered by certified mail or by other means, at the risk of the registered owner and at the expense of the Department.

[64 FR 38125, July 15, 1999]

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

[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.

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 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

[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.

[4M6] [Reserved]

§§ 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 should be furnished full particulars concerning the error and asked to furnish instructions.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38125, July 15, 1999]

§ 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. 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 may be made at any time. Securities presented for transfer 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, 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 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 the assignee under a proper assignment of the securities.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38125, July 15, 1999]

§ 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.

Exchanges of registered securities for bearer securities are not permitted.

[64 FR 38126, July 15, 1999]

§ 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.

Denominational exchanges of bearer securities are not permitted.

[64 FR 38126, July 15, 1999]

§ 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 Legacy Treasury Direct® Book-entry Securities System.

(a) *Eligible issues*. The Secretary has published in the FEDERAL REGISTER notices describing Treasury issues of bonds and notes issued before August 1, 1986, that are eligible for conversion to the Legacy Treasury Direct book-entry securities system.

(b) *Conversion of Registered Security to book-entry form to be held in Legacy Treasury Direct*. To convert a registered security to book-entry form to be held in Legacy Treasury Direct, the owner must contact the Bureau of the Fiscal Service, P.O. Box 426, Parkersburg, West Virginia 26106–0426, for instructions. A security that has been converted to book-entry form in Legacy Treasury Direct shall be subject to subpart C and other applicable portions of 31 CFR part 357, and the provisions of 31 CFR part 306 shall no longer apply.

(c) Securities held under subpart O of this part may not be transferred to Legacy Treasury Direct.

[76 FR 18063, Apr. 1, 2011]

§ 306.24 Collection of fees on definitive securities.

A fee shall be charged for each registered 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, as amended at 64 FR 38126, July 15, 1999]

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 and bearer securities should be presented and surrendered for redemption to the Bureau. 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, as amended at 64 FR 38126, July 15, 1999]

§ 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 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 by check drawn on the United States Treasury to the order of the persons entitled and mailed in accordance with the instructions received. Securities presented for prerefunding or advance refunding should be assigned as provided in the prerefunding or advance refunding offer.

[64 FR 38126, July 15, 1999]

§ 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.) Under appropriate circumstances, payment to a financial institution for detached past due coupons may be made by crediting the amount of the proceeds to the account maintained by the financial institution at the Federal Reserve bank of its district.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

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.

[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.

§ 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 check is not received within a reasonable period after an interest payment date, or if a check is lost, stolen, or destroyed after receipt, notification should be sent to the Bureau of the Fiscal Service, Division of Customer Service, Parkersburg, WV 26102. 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 Bureau should be notified.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

§ 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 participating Federal Reserve banks or by the Bureau.[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.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

APPENDIX TO SUBPART E OF 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 1/2 YEAR'S INTEREST

Computation of interest on Treasury bonds, notes, and certificates of indebtedness will be made on a semiannual basis in all

[8] Banking institutions will usually cash the coupons without charge as an accommodation to their customers.

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:

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

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
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
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

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
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

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
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
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. 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, as amended by 64 FR 38126, July 15, 1999]

§ 306.41 Form of assignment.

Registered securities may be assigned in blank, to bearer, to a specified transferee, 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.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

§ 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, 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.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

§ 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 Fiscal Service 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 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 the same names and form. If 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.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

§ 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, 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

[9] See § 306.11(a) (2) for forms of registration expressing or precluding survivorship.

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.

[38 FR 7078, Mar. 15, 1973, as amended at 64 FR 38126, July 15, 1999]

§ 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 Decedent's estate.

(a) *Estate is being administered.* (1) A legal representative of a deceased owner's estate may request payment of matured securities to the estate, or may assign securities to or for the benefit of the persons entitled.

(2) Appropriate proof of appointment for the legal representative of the estate is required. Letters of appointment must be dated not more than one year prior to the date of submission of the letters of appointment.

(b) *Estate has been settled previously.* If the estate has been settled previously through judicial proceedings, the persons entitled may request payment of matured securities, or may request assignment of unmatured securities. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence is required.

(c) *Special provisions under the law of the jurisdiction of the decedent's domicile.* If there is no formal or regular administration and no representative of the estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under summary or small estates procedures under applicable local law may request payment of matured securities, or may request assignment of the securities. Appropriate evidence is required.

(d) *When administration is required.* If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000, administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(e) *Voluntary representative for small estates that are not being otherwise administered*—(1) *General.* A voluntary representative is a person qualified according to paragraph (e)(3) of this section, to request payment of a decedent's matured securities or to make an assignment of a decedent's unmatured securities. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's securities and held payments, if any, is determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. Voluntary representative procedures may be used only if:

(i) There has been no administration, no administration is contemplated, and

no summary or small estate procedures under applicable local law have been used;

(ii) The total redemption value of the Treasury securities and held payments, if any, held directly on our records that are the property of the decedent's estate is $100,000 or less as of the date of death; and

(iii) There is a person eligible to serve as the voluntary representative according to paragraph (e)(3) of this section.

(2) *Authority of voluntary representative*. A voluntary representative may:

(i) Request payment of the decedent's matured securities on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death;

(ii) Assign the decedent's securities to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death.

(3) *Order of precedence for voluntary representative*. An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: a surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(4) *Liability*. By serving, the voluntary representative warrants that the distribution of payments or securities is to or on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of payments or securities. Upon payment or assignment of the securities at the request of the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(f) *Creditor*. If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for the amount of the debt, providing the debt has not been barred by applicable local law. The claim may only be satisfied by the proceeds of matured securities.

[70 FR 57429, Sept. 30, 2005]

§§ 306.66–306.67 [Reserved]

§ 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]

[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.

Continued

§ 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 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

If there are no such provisions, the Department will not recognize his title to the security.

[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

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.

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

paid to caveats which may be filed for the purpose of preventing such payment.''

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 registered form.

(a) Eligible book-entry Treasury securities may be withdrawn from TRADES by requesting delivery of like definitive Treasury securities.

(b) Fiscal Service shall, upon receipt of appropriate instructions to withdraw eligible book-entry Treasury securities from book-entry form in TRADES, convert such securities into registered 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 registered form, to the extent permitted by the applicable offering circular.

[61 FR 43637, Aug. 23, 1996; 64 FR 38126, July 15, 1999]

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. The Secretary also may lower the minimum and multiple requirements for stripping marketable Treasury notes and bonds issued prior to March 1, 1993, through an announcement as provided in § 356.31 of this title.

[65 FR 66175, Nov. 3, 2000]

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 Fiscal Service.
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 Fiscal Service. 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service, 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.

§ 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

[1] Accordingly, these regulations do not constitute a specific offering of Treasury bills.

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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service.

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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service, 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; 57 FR 34684, Aug. 6, 1992, unless otherwise noted.

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

Subpart A—General Information

Sec.
315.0 Applicability.
315.1 Official agencies.
315.2 Definitions.
315.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.

Subpart B—Registration

315.5 General rules.
315.6 Restrictions on registration.
315.7 Authorized forms of registration.

Subpart C—Limitations on Annual Purchases

315.10 Limitations.
315.11 Excess purchases.

Subpart D—Limitations on Transfer or Pledge

315.15 Transfer.
315.16 Pledge.

Subpart E—Limitations on Judicial Proceedings—No Stoppage or Caveats Permitted

315.20 General.
315.21 Payment to judgment creditors.
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Subpart F—Relief for Loss, Theft, Destruction, Mutilation, Defacement, or Nonreceipt of Bonds

315.25 General.
315.26 Application for relief—after receipt of bond.
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315.30 Series E bonds and savings notes.
315.31 Series H bonds.
315.32 Series A, B, C, D, F, G, J, and K bonds.

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315.70 General rules governing entitlement.
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Subpart M—Fiduciaries

315.75 Payment or reissue during the existence of the fiduciary estate.
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Subpart N—Private Organizations (Corporations, Associations, Partnerships, etc.) and Governmental Agencies, Units and Officers

315.80 Payment to corporations or unincorporated associations.
315.81 Payment to partnerships.
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315.83 Reissue or payment on dissolution of corporation or partnership.
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315.85 Reissue in name of trustee or agent for reinvestment purposes.
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Subpart O—Miscellaneous Provisions

315.90 Waiver of regulations.
315.91 Additional requirements; bond of indemnity.
315.92 Preservation of rights.
315.93 Supplements, amendments, or revisions.

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) Definitive (paper) United States Savings Bonds of Series E that have not been converted to book-entry savings bonds in New Treasury Direct, 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, Fiscal Service Series No. 3–80 (31 CFR, part 353), govern United States Savings Bonds of Series EE and Series HH.

[45 FR 64091, Sept. 26, 1980, as amended at 70 FR 14941, Mar. 23, 2005]

§ 315.1 Official agencies.

(a) The Bureau of the Fiscal Service 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 Fiscal Service. 200 Third Street, Parkersburg, WV 26101; or the Bureau of the Fiscal Service, 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) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

(c) *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.

(d) *Extended maturity value* is the value of a bond at the end of the applicable extended maturity period.

(e) *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.

(f) *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.

(g) *Inscription* means the information that is printed on the face of the bond.

(h) *Issuing agent* means an organization that has been qualified under the provisions of Department of the Treasury Circular, Fiscal Service Series No. 4–67, current revision (31 CFR part 317), to issue savings bonds.

(i) *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.

(j) *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.

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

(l) *Person* means any legal entity including, but without limitation, and individual, corporation (public or private), partnership, unincorporated association, or fiduciary estate.

(m) *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.

(n) *Registration* means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named coowner, or purchaser of a gift bond are maintained on our records.

(o) *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.

(p) *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.

(q) *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 Fiscal Service, 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.

(r) *Taxpayer identifying number* means a social security account number or an employer identification number.

(s) *Voluntary guardian* means an individual who is recognized as authorized to act for an incompetent, as provided by § 315.64.

(t) *Voluntary representative* means the person qualified by the Department of the Treasury to request payment or distribution of a decedent's savings bonds pursuant to § 315.71.

[45 FR 64091, Sept. 26, 1980, as amended at 70 FR 14941, Mar. 23, 2005; 70 FR 57430, Sept. 30, 2005; 71 FR 46856, Aug. 15, 2006]

§ 315.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.

Series E savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is *www.treasurydirect.gov*. Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

[70 FR 14941, Mar. 23, 2005]

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 registered 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.

[45 FR 64091, Sept. 26, 1980, as amended at 71 FR 46857, Aug. 15, 2006]

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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service, Parkersburg, WV 26101, for cancellation.

§ 315.29 Adjudication of claims.

(a) *General.* The Bureau of the Fiscal Service 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, Fiscal Service 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 Fiscal Service, 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.

(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 Fiscal Service, 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.

(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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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) *Payments on same account*. 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.

(2) *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.

(3) *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.

(4) *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.

(5) *Cancellation of ACH arrangement.* An ACH arrangement shall remain in effect until it is terminated by a request from the owner or coowner submitted to the Bureau of the Fiscal Service, Parkersburg, WV 26102–1328.

(6) *Rules.* Series H interest payments made by the ACH method are governed by the regulations at 31 CFR part 370.

(7) *Nonreceipt or loss of interest payment.* The Bureau of the Fiscal Service, Parkersburg, WV 26102 should be notified if:

(i) An interest check is not received or is lost after receipt or

(ii) 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; 64 FR 40486, July 26, 1999]

§ 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, Fiscal Service 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 address 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 Fiscal Service. 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service.

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 Fiscal Service 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. Fiscal Service 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Decedent's estate.

(a) *Estate is being administered.* (1) A legal representative of a deceased owner's estate may request payment of savings bonds to the estate, or may distribute the savings bonds to the persons entitled.

(2) Appropriate proof of appointment for the legal representative of the estate is required. Letters of appointment must be dated not more than one year prior to the date of submission of the letters of appointment.

(b) *Estate has been settled previously.* If the estate has been settled previously through judicial proceedings, the persons entitled may request payment or reissue of the savings bonds. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence is required.

(c) *Special provisions under the law of the jurisdiction of the decedent's domicile.* If there is no formal or regular administration and no representative of the estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under summary or small estates procedures under applicable local law may request payment or reissue of savings bonds. Appropriate evidence is required.

(d) *When administration is required.* If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000,

administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(e) *Voluntary representative for small estates that are not being otherwise administered*—(1) *General*. A voluntary representative is a person qualified according to paragraph (e)(3) of this section, to redeem or to distribute a decedent's savings bonds. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's savings bonds and held payments, if any, is determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. Voluntary representative procedures may be used only if:

(i) There has been no administration, no administration is contemplated, and no summary or small estate procedures under applicable local law have been used;

(ii) The total redemption value of the Treasury securities and held payments, if any, held directly on our records that are the property of the decedent's estate is $100,000 or less as of the date of death; and

(iii) There is a person eligible to serve as the voluntary representative according to paragraph (e)(3) of this section.

(2) *Authority of voluntary representative*. A voluntary representative may:

(i) Redeem the decedent's savings bonds on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death;

(ii) Distribute the decedent's savings bonds to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death.

(3) *Order of precedence for voluntary representative*. An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: A surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(4) *Liability*. By serving, the voluntary representative warrants that the distribution of payments or savings bonds is to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of payments or savings bonds. Upon payment or distribution of the savings bonds at the request of the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(f) *Creditor*. If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for payment for the amount of the debt, providing the debt has not been barred by applicable local law.

[70 FR 57430, Sept. 30, 2005]

§ 315.72 [Reserved]

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 Fiscal Service, 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 Fiscal Service, 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

Sec.
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316.13 Reservation as to terms of offer.

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.* Definitive (paper) 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.

[57 FR 14276, Apr. 17, 1992, as amended at 70 FR 14941, Mar. 23, 2005]

§ 316.3 Governing regulations.

(a) The regulations in 31 CFR part 315 apply to definitive Series E bonds that

have not been converted to book-entry bonds.

(b) The regulations in 31 CFR part 363 apply to definitive Series E bonds that have been converted to book-entry bonds through New Treasury Direct.

[70 FR 14941, Mar. 23, 2005]

§ 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 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 Fiscal Service, 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.

(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

[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.

[4] [5] [Reserved]

[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.

[7] [Reserved]

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 Fiscal Service, 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]

§ 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

[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.

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.

(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, Fiscal Service 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.
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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.
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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: 5 U.S.C. 301; 12 U.S.C. 391; 12 U.S.C. 1767; and 31 U.S.C. 3105.

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 and Series I United States Savings Bonds.

[63 FR 38041, July 14, 1998]

§ 317.1 Definitions.

(a) *Bond(s)* means Series EE United States Savings Bonds and Series I 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 qualified by a designated Federal Reserve Bank or the Commissioner of the Bureau of the Fiscal Service to sell savings bonds. An issuing agent acts as an agent of the

purchaser in handling the remittance. 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.

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

(e) *Organization* means an entity, as described in § 317.2, that may qualify as an issuing agent of bonds.

[63 FR 64550, Nov. 20, 1998, as amended at 75 FR 52460, Aug. 26, 2010]

§ 317.2 Organizations authorized to act.

The following organizations are eligible to apply for qualification and to serve as savings bond issuing agents:

(a) Banks, credit unions, trust companies and savings institutions, if they are chartered by or incorporated under the laws of the United States, 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 State and local governments.

(c) Other organizations specifically and individually qualified by the Commissioner of the Bureau of the Fiscal Service whenever the Commissioner deems such a qualification to be in the public interest. In selecting an issuing agent, the Commissioner may use such process that the Commissioner deems to be appropriate. The selected issuing agent will be subject to such conditions that the Commissioner deems to be appropriate.

[63 FR 64550, Nov. 20, 1998, as amended at 65 FR 2035, Jan. 13, 2000; 75 FR 52460, Aug. 26, 2010]

§ 317.3 Procedure for qualifying and serving as issuing agent.

(a) *Execution of application agreement.* An organization seeking issuing agent qualification generally shall obtain from and file with a designated Federal Reserve Bank an application-agreement form. However, if an organization seeks qualification under § 317.2(c), it shall make application directly to the Bureau of the Fiscal Service for approval by the Commissioner of the Bureau of the Fiscal Service. An application-agreement sent directly to the Bureau of the Fiscal Service shall be supplemented by such other information as the Bureau of the Fiscal Service may request.

(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 or the Bureau of the Fiscal Service 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 or the Bureau of the Fiscal Service 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; 63 FR 64550, Nov. 20, 1998; 75 FR 52460, Aug. 26, 2010]

§ 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 fees. Only issuing agents are eligible to collect fees. 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. 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; 63 FR 64550, Nov. 20, 1998]

§ 317.7 Obtaining and accounting for bond stock.

An issuing agent that is authorized to inscribe bonds sold over-the-counter 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; 75 FR 52460, Aug. 26, 2010]

§ 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.

[54 FR 40830, Oct. 3, 1989, as amended at 59 FR 10536, Mar. 4, 1994; 63 FR 38041, July 14, 1998; 63 FR 64550, Nov. 20, 1998; 75 FR 52460, Aug. 26, 2010]

§ 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) 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, 90 Hennepin Avenue, Minneapolis MN 55401.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MI, 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.

(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; 63 FR 38041, July 14, 1998]

§ 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 DEFINITIVE UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

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APPENDIX TO PART 321—APPENDIX TO DEPARTMENT OF THE TREASURY CIRCULAR NO. 750, FOURTH REVISION

AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 321; 31 U.S.C. 3105, 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) Definitive United States Savings Bonds of Series A, B, C, D, E, EE, and I, and United States Savings Notes (Freedom Shares), presented for cash payment; and

(b) Eligible definitive Series E and Series 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, Fiscal Service Series No. 2–80 (31 CFR part 352).

[77 FR 16166, Mar. 20, 2012]

§ 321.1 Definitions.

ACH payment or *ACH* means an Automated Clearing House method of transferring funds under the provisions of 31 CFR part 210.

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.''

Cash payment means payment in currency, by check or by credit to a checking, savings or share account.

Definitive security means a Treasury security held in paper form.

Federal Reserve Operating Circular means the operating circular referred to in § 321.27, issued by the Federal Reserve Banks, that provides instructions on the requirements for submitting definitive redeemed securities to a Federal Reserve Processing Site and sets forth the rights and obligations of paying agents with respect to such securities.

Federal Reserve Processing Site means a Federal Reserve Bank (including any Branch or office thereof, as appropriate) referred to in § 321.26 to which the paying agent, or institution acting on its behalf, is instructed to transmit redeemed securities for payment pursuant to the Federal Reserve Operating Circular.

Federal Reserve Treasury Retail Securities Site or *TRS Site* means a Federal Reserve Bank (including any Branch or office thereof, as appropriate) referred to in § 321.26 that is authorized to qualify paying agents and provide other fiscal agency services consistent with this part.

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.

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.

Presenter means the individual requesting the redemption or redemption-exchange of securities.

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.

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.

Registrant means a person whose name is inscribed on a security as owner, coowner, or beneficiary.

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

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; 63 FR 38042, July 14, 1998; 76 FR 16166, Mar. 20, 2012]

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 a federal or state regulatory agency or equivalent authority; and

(4) Maintain regular offices for the transaction of business.

(b) 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:

(1) Submit redeemed securities directly to a Federal Reserve Processing Site in accordance with the Federal Reserve Operating Circular; and

(2) Have the ability to receive payment of applicable fees by ACH, or arrange to obtain one or more of these services from another financial institution.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10536, Mar. 4, 1994; 77 FR 16166, Mar. 20, 2012]

§ 321.3 Procedure for qualifying and serving as paying agent.

(a) *Execution of application-agreement.* (1) An eligible organization wishing to act as a paying agent shall obtain from, execute, and file an application-agreement with a TRS Site. The terms of each application-agreement shall include a reference to the following provisions to which paying agents are subject:

(i) The provisions prescribed by section 202 of Executive Order 11246, entitled ''Equal Employment Opportunity'', as amended (42 U.S.C. 2000e note); and

(ii) 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).

(2) For the purpose of these regulations, all eligible institutions shall make application to a TRS Site.

(b) *Qualification.* A TRS Site, as fiscal agent of the United States, is authorized to qualify any eligible organization that possesses adequate authority under its charter to act as paying agent. Upon approval of an application-agreement, a TRS Site 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 TRS Site, a financial institution may announce or advertise its authority to redeem eligible securities for cash and to process eligible Series E and EE savings bonds and savings notes presented for redemption in exchange for Series HH savings bonds under the provisions of Department of the Treasury Circular, Fiscal Service Series No. 2–80 (31 CFR part 352).

(d) *Adverse action.* A TRS Site will notify an organization 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; 63 FR 38042, July 14, 1998; 77 FR 16166, Mar. 20, 2012]

§ 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 TRS Site 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 TRS Site 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; 77 FR 16166, Mar. 20, 2012]

Subpart C—Scope of Authority

§ 321.6 General.

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

[63 FR 38042, July 14, 1998]

§ 321.7 Authorized cash payments.

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

(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, 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 concerning the education feature of Series EE savings bonds issued on or after January 1, 1990, and of Series I savings bonds.)

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 63 FR 38042, July 14, 1998]

§ 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 bearing issue dates of January 1, 2003, or earlier, presented no earlier than six months from their issue dates;

(2) Series EE bonds bearing issue dates of February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and

(3) 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 eligible 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 a TRS Site.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003; 77 FR 16166, Mar. 20, 2012]

§ 321.9 Specific limitations on payment authority.

An agent is not authorized to redeem a security for cash or on redemption-exchange:

(a)(1) If it is a Series EE bond or a Series I bond issued on January 1, 2003, or earlier, presented for payment prior to six months from its issue date; or

(2) If it is a Series EE bond or a Series I bond issued on February 1, 2003, or thereafter, presented for payment prior to 12 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; 63 FR 38042, July 14, 1998; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]

§ 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 savings security is determined by the terms of its offering and the length of time it has been outstanding. The Bureau of the Fiscal Service determines redemption values for Series A-E bonds, eligible Series EE and I bonds, and savings notes, that should be used in redeeming savings securities.

[63 FR 38042, July 14, 1998]

§ 321.13 Cancellation of redeemed securities.

A paying 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 a TRS Site or nine-digit ABA code number. 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 a TRS Site in payment for Series HH savings bonds.

[77 FR 16166, Mar. 20, 2012]

§ 321.14 Transmittal to and settlement with a Federal Reserve Processing Site.

Except for eligible securities redeemed on exchange pursuant to § 321.8, a paying agent shall transmit for payment all redeemed securities to a Federal Reserve Processing Site in accordance with the Federal Reserve Operating Circular.

[77 FR 16167, Mar. 20, 2012]

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 Fiscal Service, Parkersburg, WV, as further described in the instructions and guidance issued pursuant to § 321.27.

[77 FR 16167, Mar. 20, 2012]

§ 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 Fiscal Service will notify the agent in writing and identify the securities.

(b) *Investigative procedure.* The Bureau of the Fiscal Service may request the United States Secret Service to investigate potential losses. Upon request, the agent shall make available to the Bureau of the Fiscal Service, 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 Fiscal Service 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 or submitted to any Federal Reserve Processing Site, any TRS Site, or any Treasury office authorized to redeem securities, as well as to paying agents.

[77 FR 16167, Mar. 20, 2012]

§ 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 Fiscal Service 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 a TRS Site. The requests for payment on the securities should be properly certified. Any documentary evidence required to support the transaction 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 additional cash needed to complete the transaction. Unpaid securities must be forwarded to a TRS Site in accordance with the rules in this part. The Bureau of the Fiscal Service provides agents

with instructions and guidance regarding forwarding items. These instructions identify the specific types of redemption cases that should be forwarded and the processing instructions that paying agents must follow. These instructions are available from a TRS Site or online at *www.treasurydirect.gov*.

[77 FR 16167, Mar. 20, 2012]

Subpart G—Miscellaneous Provisions

§ 321.23 Paying agent fees and charges.

(a) *Fees*. Fees may 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 TRS Site or online at *www.treasurydirect.gov*.

(b) *Discontinuance, reduction, or delay in fees*. The Secretary may authorize, upon notice in the FEDERAL REGISTER, the discontinuance, reduction, or delay of fee payments.

(c) *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.

[77 FR 16167, Mar. 20, 2012]

§ 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 Payment and retention of definitive securities.

The definitive security must be presented and surrendered to the paying agent in order to receive payment. An agent is prohibited from accepting an image, or other copy or reproduction of the definitive security, for redemption or processing. To ensure that all transactions processed by agents are properly validated, agents must establish and comply with a retention period for definitive securities that are truncated and converted to an electronic image. At a minimum, the agent must retain such securities for a period of thirty calendar days following the date that the agent submitted the electronic image of the paid security to a Federal Reserve Processing Site. Agents may establish longer retention periods for definitive securities at their discretion.

[77 FR 16167, Mar. 20, 2012]

§ 321.26 Role of Federal Reserve Banks.

Federal Reserve Banks (including any Branch or office thereof, as appropriate) perform services as fiscal agents of the United States. These Federal Reserve Banks shall perform such services in connection with this part as may be requested by the Secretary of the Treasury, or a designee. These Federal Reserve Banks are authorized and directed to perform such duties, including the issuance of supplemental instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations. The instructions and guidance issued pursuant to § 321.27 set forth each Federal Reserve Bank that has been designated as a Federal Reserve Processing Site or as a TRS Site by the Secretary of the Treasury, or a designee.

[77 FR 16167, Mar. 20, 2012]

§ 321.27 Instructions and guidance.

(a) The Bureau of the Fiscal Service will provide Federal Reserve Processing Sites, TRS Sites, and paying agents with instructions and guidance on how to process redemption transactions. This information is available online at the Bureau of the Fiscal Service's Web site at *www.treasurydirect.gov*, Federal Reserve Processing Sites, and TRS Sites. Paying agents must follow these instructions and guidance.

(b) The Federal Reserve Operating Circular sets forth additional rights and obligations of paying agents with respect to redemption transactions. Additional instructions and guidance

are available online at the Federal Reserve Bank Services Web site at *www.FRBservices.org*.

(c) Paying agents are required to process redemptions in accordance with the terms and conditions cited in paragraphs (a) and (b) of this section. The Secretary of the Treasury, or a designee, reserves the right to hold an agent liable whose failure to follow these instructions results in an incorrect amount being paid for a redeemed security.

[77 FR 16167, Mar. 20, 2012]

§ 321.28 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.

[53 FR 37511, Sept. 26, 1988. Redesignated at 77 FR 16167, Mar. 20, 2012]

§ 321.29 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.

[53 FR 37511, Sept. 26, 1988. Redesignated at 77 FR 16167, Mar. 20, 2012]

APPENDIX TO PART 321—APPENDIX TO DEPARTMENT OF THE TREASURY CIRCULAR NO. 750, FOURTH REVISION

FISCAL SERVICE, BUREAU OF THE FISCAL SERVICE

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, Fiscal Service Series Nos. 1–80 (31 CFR part 351, Series EE bonds), 2–80 (31 CFR part 352, Series HH bonds), 1–98 (31 CFR part 359, Series I bonds), and 3–67 (31 CFR part 342, savings notes), and Department of the Treasury Circulars Nos. 653 (31 CFR part 316, Series E bonds) and 905 (31 CFR part 339, Series H bonds).

(b) *Regulations*. Department of the Treasury Circular, Fiscal Service Series No. 3–80 (Series EE and HH bonds); Department of the Treasury Circular, Fiscal Service Series 2–98 (Series I bonds); Department of the Treasury Circulars Nos. 530 (all other series of savings securities) and 888 (special endorsements); Federal Tax Regulations (26 CFR 1.6049); Federal Claims Collection Standards (4 CFR parts 101–105); Regulation J, Collection of Checks and Other Items and Wire Transfers of Funds (12 CFR part 210); and operating circulars issued by Federal Reserve Banks relating to the collection of cash items and Federal payments by ACH.

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 TRS Site may assign a four-digit code number to each agent it qualifies. A separate number may be assigned to each branch of the paying agent authorized to redeem and submit redeemed securities for its own account at a TRS Site. At the paying agent's request, only one four-digit code will be assigned for use by all of its branches.

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

(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 issued January 1, 2003, or earlier, presented no earlier than six months from their issue dates; (2) Series EE bonds issued February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and (3) 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.* Securities that an agent may not redeem because of the limitations in § 321.9 should be forwarded to a TRS Site 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.* [§ 321.10(a)] A paying agent shall redeem eligible savings securities during its regular business hours for a presenter who establishes his or her identity as the owner or co-owner of the securities, in accordance with this part and this appendix. While a paying agent is not required to redeem eligible Series E and EE savings bonds and savings notes in exchange for Series HH bonds for any presenter, or Series E, EE, or I bonds or savings notes for cash upon the request of a surviving beneficiary or legal representative, it is encouraged to do so, provided the presenter can establish his/her identity and provide acceptable evidence to accordance with this part and this appendix (See § 321.7 (d) and (f)). An agent is not required to redeem savings securities during Saturday and evening hours if it is open during such periods primarily as a service for its depositors.

(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.* [§ 321.12] The Bureau of the Fiscal Service distributes redemption values in various formats and as parts of programs for personal computers, for: (1) Series E savings bonds, (2) Series EE savings bonds, (3) Series I savings bonds, and (4) savings notes. Additional tables or information may be requested from a TRS Site.

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

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

14. *Cancellation of redeemed securities.* [Sec. 321.13]

(a) *Paying agent stamp.* [§ 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 a TRS Site (subject to abbreviation and arrangement by a TRS Site) or ABA code number.

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.* [§ 321.12] A paying agent may requisition stamps from a TRS Site or purchase its own stamps. Stamps not provided by a TRS Site must conform exactly in size to that prescribed or approved by a TRS Site. 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.* [§ 321.13] Eligible Series E and EE savings bonds and savings notes presented for redemption-exchange shall be stamped ''PAID'' in the same manner as securities redeemed for cash, but only when all elements of the transaction have been completed, including the receipt of any additional cash. The exact date of redemption shall also be recorded on the exchange subscription to enable a TRS Site to establish the proper issue date for the Series HH savings bonds. An officer or 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 Fiscal Service'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 a Federal Reserve Processing Site.* [§ 321.14] An agent shall transmit and settle a redeemed security in accordance with the rules and instructions set forth in the Federal Reserve Operating Circular.

16. *Record of securities paid.* [§§ 321.14 and 321.24] A record of the serial number, amount paid, and any other information necessary to complete the form for an ''Application for Relief Due to the Loss, Theft, or Destruction of Paid United States Savings Bonds/Notes'' (PD F 2517) must be retained by the agent for each definitive security sent to a Federal Reserve Processing Site. Copies or other records of the front and back of a paper savings bond must be kept confidential, and prints of the bond may be made only with the permission of the Bureau of the Fiscal Service or a TRS Site.

Subpart E—Losses Resulting from Erroneous Payments [§ 321.16]

17. *Report of erroneous payment.* Any erroneous payment that comes to the attention of an agent should be reported immediately to the Bureau of the Fiscal Service, Parkersburg, WV, as further described in the instructions and guidance issued pursuant to § 321.27.

18. *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 Fiscal Service. 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.

19. *Determination of liability.* [Sec. 321.18 and Sec. 321.21]

(a) Upon completing the investigation, the Bureau of the Fiscal Service 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 Fiscal Service 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.

20. *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

21. *Securities forwarded to a TRS Site for payment.* [§ 321.22]

(a) *General.* [§ 321.22] Securities presented for cash payment or redemption-exchange that an agent is not authorized to redeem shall be forwarded to a TRS Site, 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.* [§ 321.22] For redemption-exchange transactions submitted as forwarding items, the issue date of the Series HH savings bonds will be the first day of the month in which a correctly completed and signed exchange subscription and full payment are received by a TRS Site.

(e) *Partial redemption.* [§§ 321.9(l) and 321.22] Partial redemption of a security other than a $25 Series E bond or savings note, a $50 Series EE or I bond, or a $500 Series H or HH bond may be made by the appropriate Federal Reserve Bank referred to in § 321.25. The amount paid must be equal to the redemption value of one or more authorized denominations on the date of the transaction. If a

security is received by an agent for partial redemption, the words ''to the extent of $ (face amount) and reissue of the remainder'' should be added to the first sentence of the request for payment. The request should then be completed in the regular manner and the signature of the presenter certified or guaranteed. The security shall be forwarded to a TRS Site.

Subpart G—Miscellaneous Provisions

22. *Fees and charges.* [§ 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 1.6049–4). Fees may be paid as set out in § 321.23.

23. *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 16 of this appendix regarding the maintenance of records of redeemed securities.] The agent should resubmit a facsimile of the security to obtain settlement in accordance with established procedures. Questions concerning the established procedures should be referred to a TRS Site.

24. *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 (see 26 U.S.C. 135), permits taxpayers to exclude all, or a portion, of the interest earned on Series EE savings bonds bearing issue dates on or after January 1, 1990, and on Series I savings bonds from their income under certain conditions. This legislation did not create new savings bond redemption and interest reporting requirements for savings bond paying agents. However, if a bond owner indicates that he or she intends to seek the special tax treatment offered under this program, the paying agent is encouraged to provide assistance by:

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

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

(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.

25. *Payment and retention of definitive securities.* [§ 321.25] The definitive security must be presented to the agent in order to receive payment. An agent is prohibited from accepting an image, or other copy or reproduction of the definitive security, for redemption or processing. To ensure that all transactions processed by agents are properly validated, agents must establish and comply with a retention period for definitive securities that are truncated and converted to an electronic image. At a minimum, the agent must retain such definitive securities for a period of thirty calendar days following the date that the agent submitted the electronic image of the paid security to a Federal Reserve Processing Site. Agents may establish longer retention periods for definitive securities at their discretion.

(a) Example: if the agent paid the presenter of a security on May 7, 2012, and submitted the security's electronic image to a Federal Reserve Processing Site on May 11, 2012, then the retention requirements would obligate the agent to retain the definitive security, at a minimum, until June 10, 2012.

(b) During the specified retention period, agents must store the securities under suitably secured conditions that safeguard customer information. Specifically, the securities must be stored in a secured location with physical, procedural, and systemic controls in place to ensure that access to the securities is restricted to authorized personnel and that the securities are protected from loss, theft, destruction, and unauthorized or inadvertent viewing.

(c) At the end of the retention period, agents must destroy the securities in a manner that safeguards customer information. Specifically, securities must be destroyed by burning, mulching, pulping, pulverizing, or shredding beyond recognition and reconstruction.

26. *Additional information.* [§ 321.26] 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 a TRS Site.

[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; 63 FR 38042, 38043, July 14, 1998; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003; 77 FR 16167, Mar. 20, 2012]

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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service 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 a proper order has been entered requesting disclosure of information to Federal and State courts. These records are confidential because they relate to private financial affairs of the owners under this part. In addition, the information falls within the category of ''personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy'' under the Freedom of Information Act (FOIA), 5 U.S.C. 552(b)(6). FOIA Exemption (b)(6) protects the privacy of living persons who own securities as well as the close survivors of deceased owners. Privacy interests, in the sense of the right to control, use, or disclose information about oneself, cease at death. However, the exemption protects the deceased person's family-related privacy interests that survive death where disclosure would cause embarrassment, pain, grief, or disrupt the peace of mind, of the surviving family. The Bureau of the Fiscal Service will determine, under FOIA exemption (b)(6), whether disclosure of the records is in the public interest by balancing the surviving family members' privacy interest against the public's right to know the information.

[32 FR 9967, July 7, 1967, as amended at 68 FR 67944, Dec. 5, 2003]

§ 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service, shall be addressed to the Chief, Division of Loans and Currency, Bureau of the Fiscal Service, 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 Fiscal Service has other than those set out in paragraphs (a) (1), (2), and (3) of this section shall be addressed to the

Commissioner of the Fiscal Service, 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 Fiscal Service Information Officer for requests directed to the Office of the Commissioner, subject to an appeal to the Commissioner of the Fiscal Service. 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 Fiscal Service 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

[1] Certain agencies of the United States and certain Government and Government-sponsored corporations also authorize the restrictive endorsement of bearer securities.

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*,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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 a TRS Site.
330.9 Fiscal agents.
330.10 Modifications of other circulars.
330.11 Supplements, amendments, or revisions.

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

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 definitive 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 TRS Site for redemption, with or without the owner's signature to the request for payment.

[77 FR 16169, Mar. 20, 2012]

§ 330.1 Definition of terms.

As used in this part:

Definitive security means a Treasury security held in paper form.

Federal Reserve Processing Site means a Federal Reserve Bank (including any Branch or office thereof, as appropriate) referred to in 31 CFR part 321, to which the paying agent, or institution acting on its behalf, is instructed to transmit redeemed securities for payment pursuant to the Federal Reserve Operating Circular.

Federal Reserve Treasury Retail Securities Site or *TRS Site* means a Federal

Reserve Bank (including any Branch or office thereof, as appropriate) referred to in 31 CFR part 321, that is authorized to qualify paying agents, provide customer service, and provide other fiscal agency services under the provisions of this part. See § 330.9.

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.

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.

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*.

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.

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

Savings notes(s) or *notes(s)* means a United States Savings Note (Freedom Share).

Security or *securities* means a savings bond or savings note, as defined in paragraphs (h) and (i) of this section.

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 TRS Site), 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; 63 FR 38044, July 14, 1998; 77 FR 16169, Mar. 20, 2012]

§ 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 Treasury Department Circular No. 888, as revised. (Name, location and paying agent code number assigned by a TRS Site.) (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 a TRS Site or, with its approval, purchased by the agent. Requests for stamps to be furnished or approved by a TRS Site 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; 77 FR 16169, Mar. 20, 2012]

§ 330.4 Guaranty given to the United States.

By the act of paying or submitting to any Federal Reserve Processing Site, any TRS Site, or any Treasury office authorized to redeem securities, a security on which it has affixed the special endorsement, a paying 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.

[77 FR 16169, Mar. 20, 2012]

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

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

(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 Fiscal Service 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.

[53 FR 37519, Sept. 26, 1988, as amended at 63 FR 38044, July 14, 1998]

§ 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, EE, and I and savings notes to be redeemed for cash; and

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

(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 a TRS Site for redemption, even though the agent may specially endorse the securities.

[53 FR 37519, Sept. 26, 1988, as amended at 77 FR 16169, Mar. 20, 2012]

§ 330.7 Payment or redemption—exchange by agent.

Specially endorsed securities may be paid in cash or, if they are eligible Series E and EE savings bonds or savings notes, redeemed in exchange for Series HH bonds pursuant to the authority and subject, in all other respects, to the provisions of Circular No. 750, current revision (31 CFR part 321), its appendix, and any other instructions issued under its authority. Each specially endorsed bond or note paid by an agent must have the agent's payment stamp imprinted on its face and show the date and amount paid. Securities so paid should be combined with other securities paid under that Circular and presented for settlement in accordance with 31 CFR part 321.

[63 FR 38044, July 14, 1998, as amended at 77 FR 16169, Mar. 20, 2012]

§ 330.8 Payment or redemption-exchange by a TRS Site.

Specially endorsed securities that an agent is not authorized to redeem for cash or on exchange should be forwarded to a TRS Site in accordance with the instructions set forth in 31 CFR part 321. The transmittals must be accompanied by appropriate instructions governing the transaction and the disposition of the redemption proceeds. The securities must be kept separate from other securities the agent has paid and must be submitted in accordance with instructions issued by the Bureau of the Fiscal Service and/or its fiscal agents.

[77 FR 16169, Mar. 20, 2012]

§ 330.9 Fiscal agents.

Federal Reserve Banks (including any Branch or office thereof, as appropriate) perform services as fiscal agents of the United States. These Federal Reserve Banks shall perform such services in connection with this part as may be requested by the Secretary of the Treasury, or a designee. These Federal Reserve Banks are authorized and

directed to perform such duties, including the issuance of supplemental instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations. The instructions and guidance issued pursuant to § 321.27 set forth each Federal Reserve Bank that has been designated as a Federal Reserve Processing Site or as a TRS Site by the Secretary of the Treasury, or a designee.

[77 FR 16170, Mar. 20, 2012]

§ 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, Fiscal Service Series Nos. 1–80, 2–80, 3–80, 3–67, 1–98, and 2–98 (31 CFR parts 351, 352, 353, 342, 359, and 360 respectively), and any revisions thereof or amendments or supplements thereto, and those Circulars are hereby modified to the extent necessary to accord with the provisions of this part.

[63 FR 38044, July 14, 1998]

§ 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.
332.9 Taxation.
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.
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 Fiscal Service 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 Fiscal Service, 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.
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, 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. The Bureau of the Fiscal Service, Office of Fiscal Service Accounting operates the FHA debenture computer system and performs the day-to-day operations and transactions relating to the debentures.

[66 FR 56432, Nov. 8, 2001]

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.

[66 FR 56432, Nov. 8, 2001]

§ 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 must then be submitted to the Bureau of the Fiscal Service at the address given in § 337.14, 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.

[59 FR 42162, Aug. 17, 1994, as amended at 66 FR 56432, Nov. 8, 2001]

§ 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 Bureau of the Fiscal Service, Office of Fiscal Service Accounting, 200 Third Street, P.O. Box 396, Parkersburg, West Virginia 26102–0396.

[66 FR 56432, Nov. 8, 2001]

§ 337.15 General provisions.

As fiscal agents of the United States, Federal Reserve Banks are authorized to perform any necessary acts under this part. 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.

[66 FR 56432, Nov. 8, 2001]

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]

[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 Fiscal Service, 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.

(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]

(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,

[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 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 Fiscal Service, 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 Fiscal Service, 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.

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).

§ 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

[1] These regulations do not apply to Treasury bills, which are governed by Department

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.

§ 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.

Circular No. 418, Revised, and do not constitute a specific offering of 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 Fiscal Service, 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.

[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 Fiscal Service, Treasury Department, Washington, DC 20220. Straightline interpolation will be applied if necessary.

§ 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.

§ 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.

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APPENDIX TO PART 341—TABLES OF REDEMPTION VALUES

AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3106 *et seq.*, 3125, 3126.

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, and date of birth 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.

[28 FR 405, Jan. 16, 1963, as amended at 71 FR 46857, Aug. 15, 2006]

§ 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service.

(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 Fiscal Service, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Fiscal Service, 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 Fiscal Service. 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;

[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 Fiscal Service, Division of Transactions and Rulings, Parkersburg, WV 26101. Appropriate instructions will then be furnished.

(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 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 Fiscal Service, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Fiscal Service, 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 Fiscal Service.

(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 Fiscal Service, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Fiscal Service, 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 Fiscal Service, Securities Transactions Branch, Washington, DC, 20226,

or Bureau of the Fiscal Service, 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 Fiscal Service, Securities Transactions Branch, Washington, DC 20226, or Bureau of the Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service.

(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

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
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
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
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.
342.1 Definition of words and terms used in this part.
342.2 Description of notes.
342.3 Extended terms and yields for outstanding notes.
342.4 Purchase—registration.
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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 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, 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 and 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 Fiscal Service, 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 Fiscal Service. 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 Fiscal Service, 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

Sec.
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.
343.5 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 Fiscal Service, Division of Special Investments, Room 309, 200 Third St., P.O. Box 396, Parkersburg, WV 26106–0396 or downloaded from Fiscal Service's home page on the Internet at: *http://www.fiscal.treasury.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 Fiscal Service's home page at: *http://www.fiscal.treasury.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—U.S. TREASURY SECURITIES—STATE AND LOCAL GOVERNMENT SERIES

Subpart A—General Information

Sec.

344.0 What does this part cover?

344.1 What special terms do I need to know to understand this part?
344.2 What general provisions apply to SLGS securities?

LGSAFE® SERVICE

344.3 What provisions apply to the SLGSafe Service?

Subpart B—Time Deposit Securities

344.4 What are Time Deposit securities?
344.5 What other provisions apply to subscriptions for Time Deposit securities?
344.6 How do I redeem a Time Deposit security before maturity?

Subpart C—Demand Deposit Securities

344.7 What are Demand Deposit securities?
344.8 What other provisions apply to subscriptions for Demand Deposit securities?
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Subpart D—Special Zero Interest Securities

344.10 What are Special Zero Interest securities?
344.11 How do I redeem a Special Zero Interest security before maturity?

APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM DECEMBER 28, 1976, 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, 3103, 3104, and 3121.

SOURCE: 65 FR 55405, Sept. 13, 2000, unless otherwise noted.

Subpart A—General Information

SOURCE: 70 FR 37911, June 30, 2005, unless otherwise noted.

§ 344.0 What does this part cover?

(a) *What is the purpose of the SLGS securities offering?* The Secretary of the Treasury (the Secretary) offers for sale non-marketable State and Local Government Series (SLGS) securities to provide issuers of tax-exempt securities with investments from any eligible source of funds (as defined in § 344.1).

(b) *What types of SLGS securities are governed by this part?* This part governs the following SLGS securities:

(1) *Time Deposit securities*—may be issued as:

(i) Certificates of indebtedness;

(ii) Notes; or

(iii) Bonds.

(2) *Demand Deposit securities*—may be issued as certificates of indebtedness.

(3) *Special Zero Interest securities*. Special Zero Interest securities, which were discontinued on October 28, 1996, were issued as:

(i) Certificates of indebtedness; or

(ii) Notes.

(c) *In what denominations are SLGS securities issued?* SLGS securities are issued in the following denominations:

(1) *Time Deposit securities*—a minimum amount of $1,000, or in any larger whole dollar amount; and

(2) *Demand Deposit securities*—a minimum amount of $1,000, or in any larger amount, in any increment.

(d) *How long is the offering in effect?* The offering continues until terminated by the Secretary.

§ 344.1 What special terms do I need to know to understand this part?

As appropriate, the definitions of terms used in this part are those found in the relevant portions of the Internal Revenue Code and the Income Tax Regulations.

Fiscal Service's Web site refers to *http://www.slgs.gov*.

Business day(s) means Federal business day(s).

Current Treasury borrowing rate means the prevailing market rate, as determined by Treasury, for a Treasury security with the specified period to maturity. In the case where SLGS rates are needed for maturities currently not issued by Treasury, at our discretion, suitable proxies for Treasury securities and/or a rate setting methodology, as determined by the Secretary, may be used to derive a current Treasury borrowing rate. At any time that the Secretary establishes such proxies or a rate-setting method or determines that the methodology should be revised, we will make an announcement.

Day(s) means calendar day(s).

Eligible source of funds means:

(1) Any amounts that constitute gross proceeds of a tax-exempt bond

issue or are reasonably expected to become gross proceeds of a tax-exempt bond issue;

(2) Any amounts that formerly were gross proceeds of a tax-exempt bond issue, but no longer are treated as gross proceeds of such issue as a result of the operation of the universal cap on the maximum amount treated as gross proceeds under 26 CFR 1.148–6(b)(2);

(3) Amounts held or to be held together with gross proceeds of one or more tax-exempt bond issues in a refunding escrow, defeasance escrow, parity debt service reserve fund, or commingled fund (as defined in 26 CFR 1.148–1(b));

(4) Proceeds of a taxable bond issue that refunds a tax-exempt bond issue or is refunded by a tax-exempt bond issue; or

(5) Any other amounts that are subject to yield limitations under the rules applicable to tax-exempt bonds under the Internal Revenue Code.

Issuer refers to the Government body or other entity that issues state or local government bonds described in section 103 of the Internal Revenue Code.

SLGS rate means the current Treasury borrowing rate, less one basis point, as released daily by Treasury in a SLGS rate table. If the current Treasury borrowing rate, together with the one basis point adjustment, results in a negative rate, such corresponding SLGS rate will be set at zero.

SLGS rate table means a compilation of SLGS rates available for a given day.

''We,'' ''us,'' or ''the Secretary'' refers to the Secretary and the Secretary's delegates at the Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service). The term also extends to any fiscal or financial agent acting on behalf of the United States when designated to act by the Secretary or the Secretary's delegates.

Yield on an investment means ''yield'' as computed under 26 CFR 1.148–5.

You or *your* refers to a SLGS program user or a potential SLGS program user.

[70 FR 37911, June 30, 2005, as amended at 77 FR 33635, June 7, 2012]

§ 344.2 What general provisions apply to SLGS securities?

(a) *What other regulations apply to SLGS securities?* SLGS securities are subject to:

(1) The electronic transactions and funds transfers provisions for United States securities, part 370 of this subchapter, ''Electronic Transactions and Funds Transfers Related to U.S. Securities'; and

(2) The appendix to subpart E to part 306 of this subchapter, for rules regarding computation of interest.

(b) *Where are SLGS securities held?* SLGS securities are issued in book-entry form on the books of Fiscal Service.

(c) *Besides Fiscal Service, do any other entities administer SLGS securities?* The Secretary may designate selected Federal Reserve Banks and Branches, as fiscal agents of the United States, to perform services relating to SLGS securities.

(d) *Can SLGS securities be transferred?* No. SLGS securities issued as any one type, i.e., Time Deposit, Demand Deposit, or Special Zero Interest, cannot be transferred for other securities of that type or any other type. Transfer of securities by sale, exchange, assignment, pledge, or otherwise is not permitted.

(e) *What certifications must the issuer or its agent provide?*—(1) *Agent certification.* When a commercial bank or other agent submits a subscription, or performs any other transaction, on behalf of the issuer, it must certify that it is acting under the issuer's specific authorization. Ordinarily, evidence of such authority is not required.

(2) *Yield certifications*—(i) *Purchase of SLGS Securities.* Upon submitting a subscription for a SLGS security, a subscriber must certify that:

(A) *Marketable securities to SLGS securities.* If the issuer is purchasing a SLGS security with any amount received from the sale or redemption (at the option of the holder) before maturity of any marketable security, the yield on such SLGS security does not exceed the yield at which such marketable security was sold or redeemed; and

(B) *Time deposit securities to SLGS securities.* If the issuer is purchasing a

SLGS security with any amount received from the redemption before maturity of a Time Deposit security (other than a zero interest Time Deposit security), the yield on the SLGS security being purchased does not exceed the yield that was used to determine the amount of redemption proceeds for such redeemed Time Deposit security.

(ii) *Early redemption of SLGS securities.* Upon submission of a request for redemption before maturity of a Time Deposit security (other than a zero interest Time Deposit security) subscribed for on or after August 15, 2005, the subscriber must certify that no amount received from the redemption will be invested at a yield that exceeds the yield that is used to determine the amount of redemption proceeds for such redeemed Time Deposit security.

(f) *What are some practices involving SLGS securities that are not permitted?*—(1) *In general.* For SLGS securities subscribed for on or after August 15, 2005, it is impermissible:

(i) To use the SLGS program to create a cost-free option;

(ii) To purchase a SLGS security with any amount received from the sale or redemption (at the option of the holder) before maturity of any marketable security, if the yield on such SLGS security exceeds the yield at which such marketable security is sold or redeemed; or

(iii) To invest any amount received from the redemption before maturity of a Time Deposit security (other than a Zero Percent Time Deposit security) at a yield that exceeds the yield that is used to determine the amount of redemption proceeds for such Time Deposit security.

(2) *Examples*—(i) *Simultaneous purchase of marketable and SLGS securities.* In order to fund an escrow for an advance refunding, the issuer simultaneously enters into a purchase contract for marketable securities and subscribes for SLGS securities, such that either purchase is sufficient to pay the cash flows on the outstanding bonds to be refunded, but together, the purchases are greatly in excess of the amount necessary to pay the cash flows. The issuer plans that, if interest rates decline during the period between the date of starting a SLGS subscription and the requested date of issuance of SLGS securities, the issuer will enter into an offsetting agreement to sell the marketable securities and use the bond proceeds to purchase SLGS securities to fund the escrow. If, however, interest rates do not decline in that period, the issuer plans to use the bond proceeds to purchase the marketable securities to fund the escrow and cancel the SLGS securities subscription. This practice violates the prohibition on cancellation under § 344.5(c) or § 344.8(c), and no exception or waiver would be granted under this part because the ability to cancel in these circumstances would result in the SLGS program being used to create a cost-free option. In addition, this practice is prohibited under paragraph (f)(1)(i) of this section.

(ii) *Sale of marketable securities conditioned on interest rates.* The existing escrow for an advance refunding contains marketable securities which produce a negative arbitrage. In order to reduce or eliminate this negative arbitrage, the issuer subscribes for SLGS securities at a yield higher than the yield on the existing escrow, but less than the permitted yield. At the same time, the issuer agrees to sell the marketable securities in the existing escrow to a third party and use the proceeds to purchase SLGS securities if interest rates decline between the date of subscribing for SLGS securities and the requested date of issuance of SLGS securities. The marketable securities would be sold at a yield which is less than the yield on the SLGS securities purchased. The issuer and the third party further agree that if interest rates increase during this period, the issuer will cancel the SLGS securities subscription. This practice violates the prohibition on cancellation under § 344.5(c) or § 344.8(c), and no exception or waiver would be granted under this part because the ability to cancel in these circumstances would result in the SLGS program being used to create a cost-free option. In addition, this practice is prohibited under paragraphs (f)(1)(i) and (ii) of this section.

(iii) *Sale of marketable securities not conditioned on interest rates.* The facts are the same as in paragraph (f)(2)(ii)

of this section, except that in this case, the agreement entered into by the issuer with a third party to sell the marketable securities in order to obtain funds to purchase SLGS securities is not conditioned upon changes in interest rates on Treasury securities. This practice violates the yield gain prohibition in paragraph (f)(1)(ii) of this section and is prohibited.

(iv) *Simultaneous subscription for SLGS securities and sale of option to purchase marketable securities.* The issuer holds a portfolio of marketable securities in an account that produces negative arbitrage. In order to reduce or eliminate this negative arbitrage, the issuer subscribes for SLGS securities for purchase in sixty days. At the same time, the issuer sells an option to purchase the portfolio of marketable securities. If interest rates increase, the holder of the option will not exercise its option and the issuer will cancel the SLGS securities subscription. On the other hand, if interest rates decline, the option holder will exercise the option and the issuer will use the proceeds to purchase SLGS securities. This practice violates the prohibition on cancellation under § 344.5(c) or § 344.8(c), and no exception or waiver would be granted under this part because the ability to cancel in these circumstances would result in the SLGS program being used to create a cost-free option. In addition, this practice is prohibited under paragraph (f)(1)(i) of this section.

(v) *Early redemption of time deposit security and subsequent purchase of marketable security.* On February 6, 2006, an issuer purchases a Time Deposit security using tax-exempt bond proceeds in a debt service reserve fund. The Time Deposit security has a principal amount of $7 million, an interest rate of 3.63 percent, and a maturity date of February 6, 2009. On March 1, 2007, the issuer submits a request to redeem the Time Deposit security on March 15, 2007. The yield used to determine the amount of redemption proceeds is 3.21 percent. On March 5, 2007, the issuer subscribes for the purchase, on March 15, 2007, of a second Time Deposit security. The issuer pays for the second Time Deposit security on March 15, 2007, with the redemption proceeds of the first Time Deposit security. The second Time Deposit security has an interest rate of 2.77 percent and a maturity date of April 16, 2007. On April 9, 2007, the issuer enters into a contract to purchase, on April 16, 2007, a ten-year, marketable Treasury security using the principal and interest to be received at the maturity of the second Time Deposit security. The marketable Treasury security has a yield of 4.02 percent. This transaction satisfies the yield limitation in paragraph (f)(1)(iii) of this section because:

(A) The yield on the second Time Deposit security does not exceed the yield that is used to determine the amount of redemption proceeds for the first Time Deposit security; and

(B) The second Time Deposit security is not redeemed before maturity and therefore the re-investment of the principal and interest received on the second Time Deposit security is not subject to the yield limitation in paragraph (f)(1)(iii) of this section. This transaction constitutes a permissible use of the SLGS program.

(vi) *Early redemption of time deposit security and simultaneous purchase of marketable security.* The facts are the same as in paragraph (f)(2)(v) of this section, except that the issuer subscribes for the second Time Deposit security on March 1, 2007, and enters into the contract to purchase the marketable Treasury security on March 1, 2007. This transaction, if permitted, would enable the issuer to redeem the first Time Deposit security at a yield that is held constant for 12 hours based on the ''current Treasury borrowing rate'' for March 1, 2007, and to re-invest the redemption proceeds based on a market yield that may fluctuate during that 12-hour period. The use of the SLGS program in this manner would create a cost-free option. Accordingly, this transaction is impermissible under paragraph (f)(1)(i) of this section.

(g) *When and how do I pay for SLGS securities?* You must submit full payment for each subscription to Fiscal Service no later than 4 p.m., Eastern time, on the issue date. Submit payments by the Fedwire funds transfer system with credit directed to the Treasury's General Account. For these transactions, Fiscal Service's ABA Routing Number is 051036476.

(h) *What happens if I need to make an untimely change or do not settle on a subscription?* An untimely change to a subscription can only be made in accordance with § 344.2(n) of this part. The penalty imposed for failure to make settlement on a subscription that you submit will be to render you ineligible to subscribe for SLGS securities for six months beginning on the date the subscription is withdrawn, or the proposed issue date, whichever occurs first.

(1) *Upon whom is the penalty imposed?* If you are the issuer, the penalty is imposed on you unless you provide the Taxpayer Identification Number of the conduit borrower that is the actual party failing to make settlement of a subscription. If you provide the Taxpayer Identification Number for the conduit borrower, the six-month penalty will be imposed on the conduit borrower.

(2) *What occurs if Treasury exercises the option to waive the penalty?* If you settle after the proposed issue date and we determine that settlement is acceptable on an exception basis, we will waive, under § 344.2(n), the six-month penalty under paragraph (h) of this section. You shall be charged a late payment assessment. The late payment assessment equals the amount of interest that would have accrued on the SLGS securities from the proposed issue date to the date of settlement plus an administrative fee of $100 per subscription, or such other amount as we may publish in the FEDERAL REGISTER. We will not issue SLGS securities until we receive the late payment assessment, which is due on demand.

(i) *What happens at maturity?* Upon the maturity of a security, we will pay the owner the principal amount and interest due. A security scheduled for maturity on a non-business day will be redeemed on the next business day.

(j) *How will I receive payment?* We will make payment by the Automated Clearing House (ACH) method for the owner's account at a financial institution as designated by the owner. We may use substitute payment procedures, instead of ACH, if we consider it to be necessary. Any such action is final.

(k) *How do I contact Fiscal Service?* Fiscal Service's contact information is posted on Fiscal Service's Web site.

(l) *Will the offering be changed during a debt limit or disaster contingency?* We reserve the right to change or suspend the terms and conditions of the offering (including provisions relating to subscriptions for, and issuance of, SLGS securities; interest payments; early redemptions; and rollovers) 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, or that a disaster situation exists. We will announce such changes by any means that the Secretary deems appropriate.

(m) *What are some of the rights that Treasury reserves in administering the SLGS program?* We may decide, in our sole discretion, to take any of the following actions. Such actions are final. Specifically, Treasury reserves the right:

(1) To reject any SLGSafe Application for Internet Access;

(2) To reject any electronic message or other message or request, including requests for subscription and redemption, that is inappropriately completed or untimely submitted;

(3) To refuse to issue any SLGS securities in any case or class of cases;

(4) To revoke the issuance of any SLGS securities and to declare the subscriber or the issuer ineligible thereafter to subscribe for securities under the offering if the Secretary deems that such action is in the public interest and any security is issued on the basis of an improper certification or other misrepresentation (other than as the result of an inadvertent error) or there is an impermissible transaction under § 344.2(f); or

(5) To review any transaction for compliance with this part, including requiring a subscriber or the issuer to provide additional information, and to determine an appropriate remedy under the circumstances.

(n) *Are there any situations in which Treasury may waive these regulations?* We reserve the right, at our discretion, to waive or modify any provision of these regulations in any case or class

of cases. We may do so if such action is not inconsistent with law and will not subject the United States to substantial expense or liability.

(o) *Are SLGS securities callable by Treasury?* No. Treasury cannot call a SLGS security for redemption before maturity.

SLGSAFE® SERVICE

§ 344.3 What provisions apply to the SLGSafe Service?

(a) *What is the SLGSafe Service?* SLGSafe is a secure Internet site on the World Wide Web through which subscribers submit SLGS securities transactions. SLGSafe Internet transactions constitute electronic messages under 31 CFR part 370.

(b) *Is SLGSafe use mandatory?* Yes. Except as provided in paragraph (f)(3) or (f)(4) of this section, you must submit all transactions through SLGSafe.

(c) *What terms and conditions apply to SLGSafe?* The terms and conditions contained in the following documents, which may be downloaded from Fiscal Service's Web site and which may change from time to time, apply to SLGSafe transactions:

(1) SLGSafe Application for Internet Access and SLGSafe User Acknowledgment; and

(2) SLGSafe User's Manual.

(d) *Who can apply for SLGSafe access?* If you are an owner or a potential owner of SLGS securities, or act as a trustee or other agent of the owner, you can apply to Fiscal Service for SLGSafe access. Other potential users of SLGSafe include, but are not limited to, underwriters, financial advisors, and bond counsel.

(e) *How do I apply for SLGSafe access?* Submit to Fiscal Service a completed SLGSafe Application for Internet Access. The form is found on Fiscal Service's Web site.

(f) *What are the conditions of SLGSafe use?* If you are designated as an authorized user, on a SLGSafe application that we've approved, you must:

(1) Assume the sole responsibility and the entire risk of use and operation of your electronic connection;

(2) Agree that we may act on any electronic message to the same extent as if we had received a written instruction bearing the signature of your duly authorized officer;

(3) Submit electronic messages and other transaction requests exclusively through SLGSafe, except to the extent you establish to the satisfaction of Fiscal Service that good cause exists for you to submit such subscriptions and requests by other means; and

(4) Agree to submit transactions manually if we notify you that due to problems with hardware, software, data transmission, or any other reason, we are unable to send or receive electronic messages through SLGSafe.

(g) *When is the SLGSafe window open?* All SLGSafe subscriptions, requests for early redemption of Time Deposit securities, and requests for redemption of Demand Deposit securities must be received by Fiscal Service on business days no earlier than 10 a.m. and no later than 10 p.m., Eastern time. The official time is the date and time as shown on Fiscal Service's application server. Except as otherwise provided in §§ 344.5(d) and 344.8(d), all other functions may be performed during the extended SLGSafe hours, from 8 a.m. until 10 p.m., Eastern time.

Subpart B—Time Deposit Securities

SOURCE: 70 FR 37911, June 30, 2005, unless otherwise noted.

§ 344.4 What are Time Deposit securities?

Time Deposit securities are issued as certificates of indebtedness, notes, or bonds.

(a) *What are the maturity periods?* The issuer must fix the maturity periods for Time Deposit securities, which are issued as follows:

(1) *Certificates of indebtedness that do not bear interest.* For certificates of indebtedness that do not bear interest, the issuer can fix a maturity period of not less than fifteen days and not more than one year.

(2) *Certificates of indebtedness that bear interest.* For certificates of indebtedness that bear interest, the issuer can fix a maturity period of not less than thirty days and not more than one year.

(3) *Notes.* For notes, the issuer can fix a maturity period of not less than one

year and one day, and not more than ten years.

(4) *Bonds.* For bonds, the issuer can fix a maturity period of not less than ten years and one day, and not more than forty years.

(b) *How do I select the SLGS rate?* For each security, the issuer shall designate an interest rate that does not exceed the maximum interest rate shown in the daily SLGS rate table as defined in § 344.1.

(1) *When is the SLGS rate table released?* We release the SLGS rate table to the public by 10 a.m., Eastern time, each business day. If the SLGS rate table is not available at that time on any given business day, the SLGS rate table for the preceding business day applies.

(2) *How do I lock-in a SLGS rate?* The applicable daily SLGS rate table for a SLGSafe subscription is the one in effect on the business day that you start the subscription process. This table is shown on Fiscal Service's Application server.

(3) *Where can I find the SLGS rate table?* The SLGS rate table can be obtained at Fiscal Service's Web site.

(c) *How are interest computation and payment dates determined?* Interest on a certificate of indebtedness 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 issuer specifies the first interest payment date, which must be at least thirty days and less than or equal to one year from the date of issue. The final interest payment date must coincide with the maturity date of the security. Interest for other than a full interest period is computed on the basis of a 365-day or 366-day year (for certificates of indebtedness) and on the basis of the exact number of days in the half-year (for notes and bonds). See the appendix to subpart E to part 306 of this subchapter for rules regarding computation of interest.

§ 344.5 What other provisions apply to subscriptions for Time Deposit securities?

(a) *When is my subscription due?* The subscriber must fix the issue date of each security in the subscription. The issue date must be a business day. The issue date cannot be more than sixty days after the date Fiscal Service receives the subscription. If the subscription is for $10 million or less, Fiscal Service must receive a subscription at least five days before the issue date. If the subscription is for over $10 million, Fiscal Service must receive the subscription at least seven days before the issue date.

Example to paragraph (a): If SLGS securities totaling $10 million or less will be issued on November 16th, Fiscal Service must receive the subscription no later than November 11th. If SLGS securities totaling more than $10 million will be issued on November 16th, Fiscal Service must receive the subscription no later than November 9th. In all cases, if SLGS securities will be issued on November 16th, Fiscal Service will not accept the subscription before September 17th.

(b) *How do I start the subscription process?* A subscriber starts the subscription process by entering into SLGSafe the following information:

(1) The issue date;

(2) The total principal amount;

(3) The issuer's name and Taxpayer Identification Number;

(4) The title of an official authorized to purchase SLGS securities;]

(5) A description of the tax-exempt bond issue; and]

(6) The certification required by § 344.2(e)(1), if the subscription is submitted by an agent of the issuer.

(c) *Under what circumstances can I cancel a subscription?* You cannot cancel a subscription unless you establish, to the satisfaction of Treasury, that the cancellation is required for reasons unrelated to the use of the SLGS program to create a cost-free option.

(d) *How do I change a subscription?* You can change a subscription on or before 3 p.m., Eastern time, on the issue date. Changes to a subscription are acceptable with the following exceptions:

(1) You cannot change the issue date to require issuance earlier or later than the issue date originally specified; provided, however, you may change the issue date up to seven days after the original issue date if you establish to the satisfaction of Treasury that such change is required as a result of circumstances that were unforeseen at

the time of the subscription and are beyond the issuer's control (for example, a natural disaster);

(2) You cannot change the aggregate principal amount originally specified in the subscription by more than ten percent; and

(3) You cannot change an interest rate to exceed the maximum interest rate in the SLGS rate table that was in effect for a security of comparable maturity on the business day that you began the subscription process.

(e) *How do I complete the subscription process?* The completed subscription must:

(1) Be dated and submitted electronically by an official authorized to make the purchase;

(2) Separately itemize securities by the various maturities, interest rates, and first interest payment dates (in the case of notes and bonds);

(3) Not be more than ten percent above or below the aggregate principal amount originally specified in the subscription;

(4) Not be paid with proceeds that are derived, directly or indirectly, from the redemption before maturity of SLGS securities subscribed for on or before December 27, 1976;

(5) Include the certifications required by § 344.2(e)(2)(i) (relating to yield); and

(6) Include the information required under paragraph (b), if not already provided.

(f) *When must I complete the subscription?* Fiscal Service must receive a completed subscription on or before 3:00 p.m., Eastern time, on the issue date.

§ 344.6 How do I redeem a Time Deposit security before maturity?

(a) *What is the minimum time a security must be held?* (1) Zero percent certificates of indebtedness of 16 to 29 days. A zero percent certificate of indebtedness of 16 to 29 days can be redeemed, at the owner's option, no earlier than 15 days after the issue date.

(2) *Certificates of indebtedness of 30 days or more.* A certificate of indebtedness of 30 days or more can be redeemed, at the owner's option, no earlier than 25 days after the issue date.

(3) *Notes or bonds.* A note or bond can be redeemed, at the owner's option, no earlier than 30 days after the issue date.

(b) *Can I request partial redemption of a security balance?* You may request partial redemptions in any whole dollar amount; however, a security balance of less than $1,000 must be redeemed in total.

(c) *Do I have to submit a request for early redemption?* Yes. An official authorized to redeem the securities before maturity must submit an electronic request in SLGSafe. The request must show the Taxpayer Identification Number of the issuer, the security number, and the dollar amount of the securities to be redeemed. Upon submission of a request for redemption before maturity of a security subscribed for on or after August 15, 2005, the request must include a yield certification under § 344.2(e)(2)(ii). Fiscal Service must receive the request no less than 14 days and no more than 60 days before the requested redemption date. You cannot submit a request for early redemption for a security which has not yet been issued and you cannot cancel a request once it has been submitted.

(d) *How do I calculate the amount of redemption proceeds for 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:

(1) *Interest.* If a security is redeemed before maturity on a date other than a scheduled interest payment date, Treasury pays interest for the fractional interest period since the last interest payment date.

(2) *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 may result in a premium or discount to the issuer depending on whether the current Treasury borrowing rate is unchanged, lower, or higher than the stated interest rate of the early-redeemed SLGS securities. 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 paragraph, including examples of the determination of premiums and discounts, are set forth in appendix B of this part.

(e) *How do I calculate the amount of redemption proceeds for 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:

(1) *Interest.* If a security is redeemed before maturity on a date other than a scheduled interest payment date, Treasury pays interest for the fractional interest period since the last interest payment date.

(2) *Market charge.* An amount shall be deducted from the redemption proceeds if the current Treasury borrowing rate for the remaining period to original maturity 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. Present value is determined by using the current Treasury borrowing rate as the discount factor. When you request a redemption date that is less than thirty days before the original maturity date, we will apply the rate of a one month security as listed on the SLGS rate table issued on the day you make a redemption request. The market charge under this paragraph can be computed by using the formulas in appendix A of this part.

(f) *How do I calculate the amount of redemption proceeds for 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:

(1) *Interest.* Interest for the entire period the security was outstanding shall be recalculated if the original interest rate of the security is higher than the interest rate that would have been set at the time of the initial subscription had the term of the security been for the shorter period. If this results in an overpayment of interest, we will deduct from the redemption proceeds the aggregate amount of such overpayments, plus interest, compounded semiannually thereon, from the date of each overpayment to the date of redemption. The rate used in calculating the interest on the overpayment will 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. If a 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.

(2) *Market charge.* An amount shall be deducted from the redemption proceeds in all cases where the current Treasury borrowing rate for the remaining period to original maturity of the security prematurely redeemed exceeds the rate of interest originally fixed for such security. You can compute the market charge under this paragraph by using the formulas in appendix A of this part.

(g) *How do I calculate the amount of redemption proceeds for subscriptions on or before December 27, 1976?* For bonds subscribed for on or before December 27, 1976, the amount of the redemption proceeds is calculated as follows:

(1) *Interest.* The interest for the entire period the bond was outstanding shall be recalculated if the original interest rate at which the bond was issued is higher than an adjusted interest rate reflecting both the shorter period during which the bond was actually outstanding and a penalty. The adjusted interest rate is the Treasury rate which would have been in effect on the date of issue for a marketable Treasury bond maturing on the semiannual maturity period before redemption reduced by a penalty which must be the lesser of:

(i) 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

(ii) One-fourth of one percent.

(2) *Deduction.* We will deduct 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.

Subpart C—Demand Deposit Securities

SOURCE: 70 FR 37911, June 30, 2005, unless otherwise noted.

§ 344.7 What are Demand Deposit securities?

Demand Deposit securities are one-day certificates of indebtedness that are automatically rolled over each day until you request redemption.

(a) *How is the rate for Demand Deposit securities determined?* Each security shall bear a rate of interest based on an adjustment of the average yield for 13-week Treasury bills at the most recent auction. A new annualized effective Demand Deposit rate and daily factor for the Demand Deposit rate are effective on the first business day following the regular auction of 13-week Treasury bills and are shown in the SLGS rate table. Interest is accrued and added to the principal daily. Interest is computed on the balance of the principal, plus interest accrued through the preceding day.

(1) *How is the interest rate calculated?* (i) First, you calculate the annualized effective Demand Deposit rate in decimals, designated ''I'' in Equation 1, as follows:

$$I = \left[\left(\frac{100}{P}\right)^{Y/DTM} - 1\right] \times (1 - MTR) - TAC$$

(Equation 1)

Where:

I = Annualized effective Demand Deposit rate in decimals. If the rate is determined to be negative, such rate will be reset to zero.

P = Average auction price for the most recently auctioned 13-week Treasury bill, per hundred, to six decimals.

Y = 365 (if the year following issue date of the 13-week Treasury bill does not contain a leap year day) or 366 (if the year following issue date of the 13-week Treasury bill 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) Then, you calculate the daily factor for the Demand Deposit rate as follows:

$$DDR = (1 + I)^{1/Y} - 1$$

(Equation 2)

(2) *Where can I find additional information?* Information on the estimated average marginal tax rate and Treasury administrative costs for administering Demand Deposit securities, both to be determined by Treasury from time to time, will be published in the FEDERAL REGISTER.

(b) *What happens to Demand Deposit securities during a Debt Limit Contingency?* 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, we will invest any unredeemed Demand Deposit securities in special ninety-day certificates of indebtedness. 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. When regular Treasury borrowing operations resume, the ninety-day certificates of indebtedness, at the owner's option, are:

(1) Payable at maturity;

(2) Redeemable before maturity, provided funds are available for redemption; or

(3) Reinvested in Demand Deposit securities.

[70 FR 37911, June 30, 2005, as amended at 77 FR 33635, June 7, 2012]

§ 344.8 What other provisions apply to subscriptions for Demand Deposit securities?

(a) *When is my subscription due?* The subscriber must fix the issue date of each security in the subscription. You cannot change the issue date to require issuance earlier or later than the issue date originally specified; provided,

however, you may change the issue date up to seven days after the original issue date if you establish to the satisfaction of Treasury that such change is required as a result of circumstances that were unforeseen at the time of the subscription and are beyond the issuer's control (for example, a natural disaster). The issue date must be a business day. The issue date cannot be more than sixty days after the date Fiscal Service receives the subscription. If the subscription is for $10 million or less, Fiscal Service must receive the subscription at least five days before the issue date. If the subscription is for more than $10 million, Fiscal Service must receive the subscription at least seven days before the issue date.

(b) *How do I start the subscription process?* A subscriber starts the subscription process by entering into SLGSafe the following information:

(1) The issue date;

(2) The total principal amount;

(3) The issuer's name and Taxpayer Identification Number;

(4) The title of an official authorized to purchase SLGS securities;

(5) A description of the tax-exempt bond issue; and

(6) The certification required by § 344.2(e)(1), if the subscription is submitted by an agent of the issuer.

(c) *Under what circumstances can I cancel a subscription?* You cannot cancel a subscription unless you establish, to the satisfaction of Treasury, that the cancellation is required for reasons unrelated to the use of the SLGS program to create a cost-free option.

(d) *How do I change a subscription?* You can change a subscription on or before 3 p.m., Eastern time, on the issue date. You may change the aggregate principal amount specified in the subscription by no more than ten percent, above or below the amount originally specified in the subscription.

(e) *How do I complete the subscription process?* The subscription must:

(1) Be dated and submitted electronically by an official authorized to make the purchase;

(2) Include the certifications required by § 344.2(e)(2)(i) (relating to yield); and

(3) Include the information required under paragraph (b) of this section, if not already provided.

§ 344.9 How do I redeem a Demand Deposit security?

(a) *When must I notify Fiscal Service to redeem a security?* A Demand Deposit security can be redeemed at the owner's option, if Fiscal Service receives a request for redemption not less than:

(1) One business day before the requested redemption date for redemptions of $10 million or less; and

(2) Three business days before the requested redemption date for redemptions of more than $10 million.

(b) *Can I request partial redemption of a security balance?* You may request partial redemptions in any amount. If your account balance is less than $1,000, it must be redeemed in total.

(c) *Do I have to submit a request for redemption?* Yes. An official authorized to redeem the securities must submit an electronic request through SLGSafe. The request must show the Taxpayer Identification Number of the issuer, the security number, and the dollar amount of the securities to be redeemed. Fiscal Service must receive the request by 3 p.m., Eastern time on the required day. You cannot cancel the request.

Subpart D—Special Zero Interest Securities

SOURCE: 70 FR 37911, June 30, 2005, unless otherwise noted.

§ 344.10 What are Special Zero Interest securities?

Special zero interest securities were issued as certificates of indebtedness and notes. The provisions of subpart B of this part (Time Deposit securities) apply except as specified in subpart D of this part. Special Zero Interest securities were discontinued on October 28, 1996. The only zero interest securities available after October 28, 1996, are zero interest Time Deposit securities that are subject to subpart B of this part.

§ 344.11 How do I redeem a Special Zero Interest Security before maturity?

Follow the provisions of § 344.6(a) through (g), except that no market charge or penalty will apply when you redeem a special zero interest security before maturity.

APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM DECEMBER 28, 1976, 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:

$$M = \frac{\left(\frac{b}{2}\right) x \left(\frac{r}{s}\right) + \left(\frac{b}{2}\right) a_{\overline{n}|}}{1 + \left(\frac{r}{s}\right) x \left(\frac{i}{2}\right)}$$

(Equation 1)

WHERE:	
M =	Market charge
b =	Increased annual borrowing cost (i.e., principal multiplied by the excess of the 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)
$a_{\overline{n}|}$ =	$(1 - v^n)/(i/2) = v + v^2 + v^3 + \ldots + v^n$ = 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)x(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)

$$M = \frac{(\$7,458.56) + (\$9,000)\ x \left[\dfrac{1 - \dfrac{1}{(1+.11/2)^{12}}}{(.11/2)}\right]}{1.045580111}$$

(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 of indebtedness subscribed for before October 28, 1996 can be determined by 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 of indebtedness 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 of indebtedness 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

(a) This formula results in a premium or discount to the issuer 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. The total redemption value for bonds and notes can be determined by the following two steps. First, calculate accrued interest payable in accordance with §344.6(d)(1) using the following formula:

$$AI = \left[\frac{(s-r)}{s}\right] x \left(\frac{C}{2}\right)$$

(Equation 14)

Second, calculate the redemption value per §344.6(d)(2) using the following formula:

$$RV = \frac{\left(\frac{C}{2}\right) + \left(\frac{C}{2}\right) a_{n\neg} + F(v^{n})}{1 + \left(\frac{r}{s}\right) x \left(\frac{i}{2}\right)} - AI$$

(Equation 15)

WHERE:	
RV =	Redemption value
F =	Face amount redeemed
AI =	Accrued interest = [(s-r)/s] x (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
$a_{n\neg}$ =	$(1 - v^n)/(i/2) = v + v^2 + v^3 + \ldots + v^n$ = present value of 1 per period for n periods

(b) The application of this formula can be illustrated by the following examples:

(1) The first example is for a redemption at a premium.

(i) 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.

(ii) 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%.

(iii) 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)

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right) a_{\overline{n}|} + \$800,000 v^{n}}{1 + \left(\frac{50}{183}\right)\left(\frac{.0625}{2}\right)} - AI$$

(Equation 19)

Then, the redemption value is calculated as:

$$RV = \frac{\left(\frac{\$56,000}{2}\right) + \left(\frac{\$56,000}{2}\right)\left[\frac{1 - \left(\frac{1}{\left(1+\frac{.0625}{2}\right)^{2}}\right)}{\left(\frac{.0625}{2}\right)}\right] + \$800,000\left[\frac{1}{\left(1 + \frac{.0625}{2}\right)^{2}}\right]}{1 + \left(\frac{50}{183}\right) x \left(\frac{.0625}{2}\right)} - AI$$

(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)

(2) 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%:

(i) 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.

(ii) 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%.

(iii) 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 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 of indebtedness can be determined by the following two steps. First, calculate accrued interest payable in accordance with §344.6(d)(1) using the following formula:

$$AI = \left[\frac{(d-r)}{y}\right] x\ C$$

(Equation 36)

Second, calculate the redemption value per §344.6(d)(2) 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 of indebtedness to its maturity date
r =	Number of days from redemption date to the certificate of indebtedness' maturity date
y =	365, if the number of days in the year following issue of the certificate of indebtedness does not include a leap year day; 366, if the number of days following issue of the certificate of indebtedness 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.

(1) First, for a redemption at a premium:

(i) 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.

(ii) 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%.

(iii) 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)

(2) Secondly, for a redemption at a discount:

(i) 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.

(ii) 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%.

(iii) 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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

Sec.
346.0 Offering of bonds.
346.1 Description of bonds.
346.2 Registration.
346.3 Purchase of bonds.
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APPENDIX TO PART 346—TABLES

AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3106 *et seq.*, 3125, 3126.

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, and date of birth of the registered owner. The name of the beneficiary, if one is to be designated, will also be shown in the inscription.

[40 FR 4240, Jan. 28, 1975, as amended at 71 FR 46857, Aug. 15, 2006]

§ 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 thereon, or if the designated beneficiary predeceased the owner, the bond

[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 Fiscal Service, Division of Securities Operations, Washington, DC 20226. Appropriate instructions will then be furnished.

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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 Fiscal Service, 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 348—REGULATIONS GOVERNING DEPOSITARY COMPENSATION SECURITIES

Sec.
348.0 Offering of securities.
348.1 Description of securities.
348.2 Redemption/call/reinvestment.
348.3 Reservations.

AUTHORITY: 31 U.S.C. 3121; 5 U.S.C. 301.

SOURCE: 68 FR 41267, July 11, 2003 unless otherwise noted.

§ 348.0 Offering of securities.

The Secretary of the Treasury (the Secretary) under authority of Title 31, Chapter 31, offers, at par, Depositary Compensation Securities (securities) to financial agents of the Department of the Treasury. The securities are offered to financial agents of the Department of the Treasury designated under federal law (including, but not limited to: 12 U.S.C. 90, 265–266, 1464(k), and 1789a; 31 U.S.C. 3303) which have executed a Depositary, Financial Agency, and Collateral Agreement satisfactory to the Secretary, and are authorized to provide essential banking services to the Department of the Treasury. The securities will be issued in an amount not to exceed, in any case, the amount for which the financial agents are authorized. The securities are non-marketable Treasury securities that will be utilized to compensate financial agents, in whole or in part, for services performed on behalf of the Department of the Treasury. The financial agents will be compensated from the interest earned on the securities. This offering will continue until terminated by the Secretary. The Fiscal Assistant Secretary is authorized to act on behalf of the Secretary upon all matters contained in these regulations.

§ 348.1 Description of securities.

(a) *General*. The securities will be issued in book-entry form on the books of the Department of the Treasury, Bureau of the Fiscal Service, Parkersburg, WV.

(b) *Terms and rate of interest*. The securities will be issued as notes or bonds, depending on their maturity, under such terms and at such rates as determined and announced by the Secretary. The Secretary will set a given rate of interest that will apply to all securities issued while the rate is in effect. The interest will be payable on a monthly basis. The securities will be issued in a minimum of $1,000 each.

(c) *Nontransferability*. The securities are not transferable, but they will be acceptable to secure compensating balances with financial agents (as described in § 348.0) and may not be used for any other purpose.

§ 348.2 Redemption/call/reinvestment.

(a) *Redemption by financial agents*. The securities may be redeemed prior to maturity by financial agents only under such terms and conditions as set forth in agreements between the financial agents and the Department of the Treasury, Financial Management Service, Washington, DC.

(b) *Call by the Treasury*. The securities are subject to call before maturity. The Secretary will announce such call by any means the Secretary deems appropriate.

(c) *Reinvestment at maturity*. The securities shall be automatically redeemed at maturity and the principal amount reinvested in new securities having the same description in all material respects as the ones redeemed, except that the Secretary shall have the authority to modify the rate of interest for the re-issued securities. The securities shall be automatically redeemed and re-invested unless the agent certifies in writing, to the Treasury, Financial Management Service, Washington, DC, that it declines automatic reinvestment within seven calendar days prior to maturity date.

§ 348.3 Reservations.

The Secretary reserves the right to reject any application for the purchase of securities hereunder, in whole or in part, and to refuse to issue or permit to be issued any such securities in any case if the Secretary deems such action to be in the public interest, and the Secretary's action in any such respect shall be final. The Secretary may also at any time, supplement or amend the terms of these regulations, or of any amendments or supplements thereto.

PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

Sec.

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SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

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APPENDIX TO PART 351—TAX CONSIDERATIONS

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

SOURCE: 68 FR 24796, May 8, 2003, unless otherwise noted.

Subpart A—General Information

§ 351.0 What does this part cover?

This part is the offering of United States Savings Bonds of Series EE (referred to as Series EE bonds or bonds) for sale to the people of the United States by the Secretary of the Treasury (Secretary). Series EE bonds have been offered since 1980. The current offer was effective May 1, 2005, and will continue until terminated by the Secretary.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

§ 351.1 What regulations govern Series EE savings bonds?

(a) The regulations in 31 CFR part 353 apply to definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) Book-entry Series EE savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) Definitive Series EE savings bonds that have been converted to book-entry bonds through New Treasury Direct.

(c) The regulations in 31 CFR part 370 apply to transactions for the purchase of savings bonds issued through the Bureau of the Fiscal Service, but do not apply to transactions purchased through issuing agents generally.

(d) We expressly disclaim any representations or warranties regarding

Series EE savings bonds that in any way conflict with these regulations and other applicable law.

[68 FR 24796, May 8, 2003, as amended at 70 FR 14941, Mar. 23, 2005]

§ 351.2 How do I contact Fiscal Service?

You may contact Fiscal Service by e-mail at *savbonds@bpd.treas.gov*, or by writing to the following address: Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328. Our website address is *www.savingsbonds.gov*.

§ 351.3 What special terms do I need to know to understand this part?

Accrual date is the first day of any month on which earnings on a Series EE bond accrue. The redemption value of a bond does not change between these accrual dates.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Bank account means your account at a United States depository financial institution (whether a bank or other financial institution) to which you have directed that ACH debits and payments be made.

Beneficiary refers to the second individual named in the registration of a security held in definitive form registered ''John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe.'' In the New Treasury Direct system, beneficiary refers to the second individual named in the registration of a security registered ''John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.'' In these examples, Joseph Doe is the beneficiary.

Book-entry bond means a Series EE savings bond maintained by Treasury solely as a computer record.

Converted bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

Coowner means either the first or the second individual named in the registration of a definitive Series EE savings bond registered ''John Doe SSN 123–45–6789 or Joseph Doe.'' In this example, John Doe and Joseph Doe are coowners.

Definitive bond means a Series EE savings bond issued in paper form.

Extended maturity period, *second extended maturity period*, and *extended maturity* refer to periods after the original maturity dates of the bonds during which owners may retain them and continue to earn interest.

Face amount refers to the nominal amount of a Series EE savings bond. The face amount of a definitive Series EE bond is imprinted on the front of the bond. The face amount of a book-entry Series EE bond is the amount of the original investment. (See principal amount.)

Fiduciary means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for another. Fiduciary does not include an attorney-in-fact.

Final maturity refers to the date that a bond ceases to earn interest.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Inscription means the information that is printed on the face of the bond.

Interest, as used in this part, is the difference between the principal amount and the redemption value of the bond.

Issue date is the first day of the month in which an authorized issuing agent receives payment of the issue price of the bond.

Issuing agent means an organization that has been qualified under 31 CFR part 317, and any other entity that is otherwise authorized to issue bonds.

New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

Original maturity period or *original maturity* refers to the initial maturity period of a bond prior to any extensions of maturity; this period varies from 8 to 20 years, depending on the issue date of the bond.

Owner is either a single owner, the first individual named in the registration of a bond held in the owner with

beneficiary form of registration, or the primary owner of a book-entry bond held in the primary owner with secondary owner form of registration.

Par means the face amount of a Series EE savings bond.

Paying agent means a financial institution that has been qualified under 31 CFR part 321.

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. Person does not mean a Federal Reserve Bank.

Primary owner means the first individual named in the registration of a book-entry bond held in New Treasury Direct registered ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Redemption of a book-entry Series EE savings bond refers to payment of principal and accrued interest on the bond at final maturity, or, at the option of the owner, prior to final maturity. The owner of a book-entry savings bond held in New Treasury Direct may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption of a definitive Series EE savings bond refers to the payment of principal and accrued interest when the owner presents the bond for payment.

Redemption value means principal plus accrued interest of a Series EE savings bond, as of the date of potential or actual redemption. In the case of a book-entry Series EE savings bond, it also refers to a portion of the principal amount plus a proportionate amount of accrued interest of a bond, as of the date of potential or actual redemption.

Registration means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named coowner, or purchaser of a gift bond are maintained on our records.

Secondary owner means the second individual named in the registration of a book-entry bond held in New Treasury Direct registered ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, Joseph Doe is the secondary owner.

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

Series EE savings bond is an accrual-type savings bond, offered at a discount, either in definitive (paper) form or in book-entry form, that pays interest on the principal based on rates determined by Treasury.

Single owner means the person named in the registration of a savings bond without a coowner, beneficiary or secondary owner.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service; for example, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123–45–6789. An EIN is composed of nine digits separated by one hyphen, for example, 12–3456789. The hyphens are an essential part of the numbers.

We, *us*, or *our* refers to the agency, the Bureau of the Fiscal Service. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Fiscal Service. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or *your* refers to an owner of a Series EE savings bond.

[68 FR 24796, May 8, 2003, as amended at 70 FR 14941, Mar. 23, 2005; 71 FR 46857, Aug. 15, 2006]

§ 351.4 In what form are Series EE savings bonds issued?

Series EE savings bonds are issued in book-entry form. Effective January 1, 2012, Treasury discontinued the issuance of definitive Series EE savings bonds.

[76 FR 66855, Oct. 28, 2011]

Subpart B—Maturities, Redemption Values, and Investment Yields of Series EE Savings Bonds

GENERAL PROVISIONS

§ 351.5 What is the maturity period of a Series EE savings bond?

Series EE savings bonds have a total maturity period of 30 years from the issue date, consisting of an original maturity period and one or two periods of extended maturity, which vary depending on the issue date of the bond. The interest on an outstanding bond ceases to accrue 30 years after its issue date.

§ 351.6 When may I redeem my Series EE savings bond?

(a) *Bonds with issue dates on or before January 1, 2003.* You may redeem your Series EE savings bond at any time beginning six months after its issue date.

(b) *Bonds with issue dates on or after February 1, 2003.* You may redeem your Series EE savings bond at any time beginning twelve months after its issue date.

§ 351.7 May Series EE savings bonds be called for redemption prior to final maturity?

The Secretary of the Treasury may not call Series EE bonds for redemption prior to final maturity.

§ 351.8 When is interest payable on Series EE savings bonds?

Interest on a bond accrues and becomes part of the redemption value. Interest earnings are payable upon redemption.

§ 351.9 When will I receive the redemption value of my Series EE savings bonds?

(a) You will be paid the redemption value of your definitive bond when you surrender the bond for payment as provided in these regulations and in 31 CFR part 353.

(b) You will be paid the redemption value of your book-entry bond when it reaches final maturity, if you have not redeemed the bond previously.

§ 351.10 What do I need to know about market yields, or market bid yields, to understand redemption value calculations in this subpart?

We use market yields, or market bid yields, derived from Treasury 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. Six-month and 5-year Treasury securities rates are derived from these yield curves.

§ 351.11 What do I need to know about the short-term savings bond rate, to understand redemption value calculations in this subpart?

We determine this rate by compiling 6-month Treasury securities rates as of the close of business for each day of the previous three months and calculating the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. We then determine the short-term savings bond rate by taking 85 percent of the three-month average and rounding the result to the nearest one-hundredth of one percent. 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.

§ 351.12 What do I need to know about the long-term savings bond rate, to understand redemption value calculations in this subpart?

We determine this rate by compiling 5-year Treasury securities rates as of the close of business for each day of the previous six months and calculating the monthly average for each month, rounding each monthly average to the nearest one-hundredth of one percent. We then determine the long-term savings bond rate by taking 85 percent of the 6-month average and rounding the result to the nearest one-hundredth of one percent. 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.

§ 351.13 What do I need to know about the savings bond rate to understand redemption value calculations in this subpart?

We determine the savings bond rate by compiling 5-year Treasury securities yields as of the close of business for each day of the previous six months and calculating the monthly average to the nearest one-hundredth of one percent. We then determine the savings bonds rate by taking 90 percent of the 6-month average and rounding the result to the nearest one-hundredth of one percent.

§ 351.14 When are rate announcements that apply to Series EE savings bonds announced?

(a) The Secretary will furnish rates that apply to Series EE savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when we are not open for business, then the Secretary will make the announcement on the next business day. However, the effective date of the rate remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 351.15 Is the determination of the Secretary on rates and values final?

The Secretary's determination of rates of return and savings bond redemption values is final and conclusive.

§ 351.16 What do I need to know about the base denomination for redemption value calculations?

We base all calculations of interest on a unit with a principal amount of $12.50. We use this unit value to determine the value of bonds in higher denominations. The effect of rounding off the value of the $12.50 unit increases at higher denominations. This can work to your slight advantage or disadvantage, depending on whether the value is rounded up or down.

Example. The following hypothetical example illustrates the calculation: A rate of 3.25% will result in a newly purchased $12.50 unit increasing in value after six months to $12.70, when rounded to the nearest cent. Therefore, a $5,000 definitive Series EE bond (with a principal amount of $2,500) will be worth $2,540 after six months ([$2,500 divided by $12.50] × $12.70 = $2,540.) In contrast, if applied directly to a $2,500 principal amount, the rate would render a value of $2,540.63 after six months, a difference of 63 cents. (This example does not account for any interest penalty that might apply if you redeem a bond less than five years after its issue date.)

§§ 351.17–351.18 [Reserved]

SERIES EE SAVINGS BONDS WITH ISSUE DATES PRIOR TO MAY 1, 1995

§ 351.19 What are maturity periods of Series EE savings bonds with issue dates prior to May 1, 1995?

Bonds with issue dates from January 1, 1980, through May 1, 1995 have an original maturity period and two extended maturity periods, as shown by the following table:

Issue dates—1st day of	Original term (in years)	First extended term (in years)	Second extended term (in years)	Final maturity dates
Jan. 1980–Oct. 1980	11	10	9	Jan. 2010–Oct. 2010.
Nov. 1980–Apr. 1981	9	10	11	Nov. 2010–Apr. 2011.
May 1981–Oct. 1982	8	10	12	May 2011–Oct. 2012.
Nov. 1982–Oct. 1986	10	10	10	Nov. 2012–Oct. 2016.
Nov. 1986–Feb. 1993	12	10	8	Nov. 2016–Feb. 2023.
Mar. 1993–Apr. 1995	18	10	2	Mar. 2023–Apr. 2025.

§ 351.20 What is the investment yield (interest) during the original maturity period of Series EE savings bonds with issue dates from January 1, 1980, through April 1, 1995?

The redemption value of a bond on a given interest accrual date during original maturity 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.

(a) *Guaranteed minimum investment yield*—(1) *Bonds bearing issue dates prior to November 1, 1982.* You may obtain the guaranteed minimum investment yields on bonds bearing issue dates prior to November 1, 1982, by downloading from our website at *www.savingsbonds.gov,* contacting us by email at *savbonds@bpd.treas.gov,* or by writing us at the following address: Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328.

(2) *Bonds bearing issue dates of November 1, 1982, through April 1, 1995*—(i) *Prior to 5 years from issue date.* You may download the guaranteed minimum investment yields prior to 5 years from issue date at our website at *www.savingsbonds.gov,* by contacting us by email at *savbonds@bpd.treas.gov,* or writing to the following address: Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328.

(ii) *On or after 5 years from issue date.* 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 as follows, compounded semiannually:

Issue dates of bonds	Percent
Nov. 1, 1982–October 1, 1986	7.5
Nov. 1, 1986–Feb. 1, 1993	6
Mar. 1, 1993–Apr. 1, 1995	4

(b) *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, or its issue date, whichever is later, its market-based variable investment yield for such period, and to each successive semiannual interest accrual date up to its original maturity, will be determined as follows:

(1) For each 6-month period, starting with the period beginning on May 1, 1982, we will determine the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period.

(2) For bonds bearing an issue date prior to May 1, 1989, 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 its first 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, whichever is later.

(3) 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.

(4) In determining the market-based variable investment yield for a bond from its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, 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.

§ 351.21 How are redemption values determined during any extended maturity period of Series EE savings bonds with 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 values produced using either the applicable guaranteed minimum investment yield or the appropriate market-based variable investment yield. The calculation of

these yields and the resulting redemption values are described below:

(a) *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.

(1) *Bonds entering an extended maturity period from May 1, 1989, through February 1, 1993.* Bonds that entered an extended maturity period from May 1, 1989, through February 1, 1993, had a guaranteed minimum investment yield of 6 percent per annum, compounded semiannually, during that extended maturity period.

(2) *Bonds entering an extended maturity period on or after March 1, 1993.* 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.

(3) *Determination of values for a bond during extended maturity periods.* In order to determine values for a bond during its first extended maturity period, we determine the value of the bond at the end of its original maturity period 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. We use the value thus attained at first extended maturity as the base upon which interest accrues during the second extended maturity period at the applicable guaranteed minimum investment yield for that period. We then compare the resulting semiannual values with the corresponding values determined using only the applicable market-based variable investment yields.

(b) *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 1, 1982, or the 6-month period that most recently ended before the issue date, whichever period occurs later. We use the value of a bond on its first semiannual interest accrual date occurring on or after November 1, 1982, or its issue date, whichever is later, 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: One value produced using the applicable market-based variable investment yield; and, the other value produced using the guaranteed minimum investment yield.

§ 351.22 When does the redemption value increase for bonds issued prior to May 1, 1995?

(a) *Bonds with issue dates from January 1, 1980, through October 1, 1980.* 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.

(b) *Bonds with issue dates from November 1, 1980, through October 1, 1986.* 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.

(c) *Bonds with issue dates from November 1, 1986, through February 1, 1993.* 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.

(d) *Bonds with issue dates of March 1, 1993, through April 1, 1995.* 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.

§ 351.23 Are tables of redemption values available for bonds issued prior to May 1, 1995?

You may obtain the appropriate yields and tables by downloading from our website at *www.savingsbonds.gov*, contacting us by email at *savbonds@bpd.treas.gov*, or by writing us at the following address: Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328.

SERIES EE SAVINGS BONDS WITH ISSUE DATES FROM MAY 1, 1995, THROUGH APRIL 1, 1997

§ 351.24 What are the maturity periods of bonds with issue dates from May 1, 1995, through April 1, 1997?

(a) *Original maturity.* Bonds reach original maturity at 17 years after issue date.

(b) *Final maturity.* Series EE savings bonds have an extended maturity period of 13 years, and reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

§ 351.25 What were the interest rates and redemption values for bonds with issue dates from May 1, 1995, through April 1, 1997, during semiannual rate periods in the first 5 years after issue date?

(a) *Interest rates.* 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 issue date, was the short-term savings bond rate (see § 351.11 for a description of the short-term savings bond rate.)

(b) *Redemption values.* Redemption values for semiannual accrual dates occurring on or before 5 years from issue date are calculated in accordance with § 351.28.

§ 351.26 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995 through April 1, 1997, during semiannual rate periods that begin 5 years or more after issue date?

(a) *Interest rates.* 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 issue date through original maturity, is the long-term savings bond rate as defined in § 351.12.

(b) *Redemption values.* We calculate redemption values for semiannual accrual dates occurring after 5 years from issue date, through original maturity, in accordance with § 351.28, except that the redemption value at the date of original maturity shall not be less than the denomination (face amount or face value).

§ 351.27 What are the interest rates and redemption values for bonds with issue dates from May 1, 1995, through April 1, 1997, during an extended maturity period?

During an 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 § 351.26, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

§ 351.28 How are redemption values calculated for bonds with issue dates from May 1, 1995, through April 1, 1997?

We determine the redemption value of a bond on the accrual date immediately following each semiannual earning period as follows:

(a) We convert the applicable long-term or short-term savings bond rate for the semiannual earning period to decimal form by dividing by 100, and adjust it to a semiannual rate by dividing by 2.

(b) Using redemption values for the base denomination, as defined in § 351.16, we then multiply this rate by the redemption value of the bond at

the beginning of the semiannual earning period.

(c) We add the resulting interest amount, rounded to the nearest cent, 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.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 1997, THROUGH APRIL 1, 2005

§ 351.29 What are the maturity periods of bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Original maturity*—(1) *Bonds with issue dates from May 1, 1997, to May 1, 2003.* Bonds reach original maturity at 17 years after issue date.

(2) *Bonds with issue dates of June 1, 2003, through April 1, 2005.* Bonds reach original maturity at 20 years after issue date.

(b) *Final maturity.* Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

§ 351.30 What are interest rates and monthly accruals for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, during the original maturity period?

Savings bond rates (defined in § 351.13) 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 issue date. 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 issue date) 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	Nov. 1	Jan. through Jun	Feb. through Jul.
Feb. or Aug	Nov. 1	Feb. through Jul	Mar. through Aug.
Mar. or Sep	Nov. 1	Mar. through Aug	Apr. through Sep.
Apr. or Oct	Nov. 1	Apr. through Sep	May through Oct.
May or Nov	Nov. 1	Nov. through Apr	Dec. through May.
Jun. or Dec	Nov. 1	Dec. through May	Jan. through Jun.

§ 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, through April 1, 2005, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. For example, if you redeem a bond issued January 1, 1998, 9 months later on October 1, 1998, we will determine the redemption value by applying the redemption value calculation formula described in § 351.32 and the savings bonds rate for that bond at 6 months after the issue date 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 issue date.

[68 FR 24796, May 8, 2003, as amended at 70 FR 17288, Apr. 5, 2005]

§ 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) *Formula for redemption value.* We determine the redemption value of a bond for the accrual date (the first day of each month beginning with the fourth month from the issue date) in accordance with this section and the following formula:

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

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

i = savings bonds rate converted to decimal form by dividing by 100.

m = number of full calendar months outstanding during the semiannual rate period.[1]

[1] 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:

$$FV = \$16.00 \times \{[1 + (0.05 \div 2)]^{(5/6)}\} = \$16.33$$

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.

(b) *Value of bonds at original maturity*—(1) *Definitive bond.* At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) *Book-entry bond.* At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

§ 351.33 What are interest rates and redemption values for Series EE bonds issued May 1, 1997, through April 1, 2005, during an extended maturity period?

During an 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 § 351.30, unless the terms and conditions applicable to an extended maturity period are expressly amended prior to the beginning of such period.

SERIES EE SAVINGS BONDS WITH ISSUE DATES OF MAY 1, 2005, OR THEREAFTER

§ 351.34 What are the maturity periods of Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *Original maturity.* Bonds reach original maturity at 20 years after the issue date.

(b) *Final maturity.* Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

[70 FR 17288, Apr. 9, 2005]

§ 351.35 What do I need to know about interest rates, penalties, and redemption values for Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *Fixed rate or fixed rate of interest.* Fixed rate or fixed rate of interest means the rate of interest for a Series EE savings bond with an issue date of May 1, 2005, or thereafter, established by the Secretary or the Secretary's designee.

(b) *Determination of fixed rate of interest.* (1) The Secretary or the Secretary's designee determines the fixed rate of interest, which is established for the life of the bond, including the extended maturity period, unless, prior to the beginning of such maturity period, the Secretary either announces a

different fixed rate applicable to the extended maturity period, or we expressly amend the terms and conditions applicable to the extended maturity period.

(2) The Secretary's determination of rates of interest and savings bond redemption values is final and conclusive.

(c) *Announcement of fixed rate.* (1) The Secretary or the Secretary's designee will furnish a fixed rate of interest in announcements published each May 1 and November 1. The effective date of the rates will be the first day of the month of the announcement.

(2) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day; however, the effective date of the rates remains the first day of the month of the announcement.

(3) The Secretary may announce rates at any other time.

(4) The most recently announced fixed rate applies only to bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

(d) *Monthly accruals.* Interest accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month. The accrued interest compounds semiannually.

(e) *Interest penalty for Series EE bonds redeemed less than 5 years after issue date.* If you redeem a bond with an issue date of May 1, 2005, or thereafter, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. However, 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 issue date.

(f) *Redemption value of Series EE bonds at original maturity*—(1) *Definitive bond.* At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) *Book-entry bond.* At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

[70 FR 17289, Apr. 9, 2005]

§§ 351.36–351.39 [Reserved]

Subpart C—Definitive Series EE Savings Bonds

§ 351.40 What were the denominations and prices of definitive Series EE savings bonds?

Prior to January 1, 2012, we issued definitive Series EE savings bonds in denominations of $50, $75, $100, $200, $500, $1000, $5000, and $10,000. The purchase price was one-half the amount of the denomination.

[76 FR 66855, Oct. 28, 2011]

§ 351.41 When are definitive Series EE savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in 31 CFR part 353, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 351.42 What is the issue date of a definitive series EE savings bond?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent received payment of the issue price.

[76 FR 66855, Oct. 28, 2011]

§ 351.43 Are taxpayer identification numbers (TINs) required for the registration of a definitive Series EE savings bond?

The registration of a definitive Series EE savings bond must include the TIN of the owner or first-named coowner. The TIN of the second-named coowner or beneficiary is not required but its inclusion is desirable. If the bond was purchased as a gift or award and the owner's TIN is not known, the TIN of the purchaser must be included in the registration of the bond.

[71 FR 46857, Aug. 15, 2006, as amended at 76 FR 66855, Oct. 28, 2011]

§§ 351.44–351.45 [Reserved]

§ 351.46 May I purchase definitive Series EE savings bonds over-the-counter?

Effective January 1, 2012, Treasury discontinued the over-the-counter sale of definitive Series EE savings bonds.

[76 FR 66855, Oct. 28, 2011]

§ 351.47 May I purchase definitive Series EE savings bonds through a payroll savings plan?

Treasury discontinued the issuance of definitive Series EE savings bonds through a payroll savings plan:

(a) Effective October 1, 2010, for United States government employees, and

(b) Effective January 1, 2011, for all other employees.

[75 FR 52460, Aug. 26, 2010]

§ 351.48 May I purchase definitive Series EE savings bonds through employee thrift, savings, vacation, and similar plans?

You may purchase bonds registered in the names of trustees of employee plans in book-entry form in multiples of $100 through a designated Federal Reserve Bank, after we have approved the plan as eligible for the special limitation under § 353.13 of this chapter.

§ 351.49 How are definitive Series EE savings bonds delivered?

We deliver definitive bonds by mail to your address. If your address is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, we will deliver bonds at our risk. Bonds delivered elsewhere will be delivered at your risk; however, at our discretion, we may require delivery to an address within the United States, or refuse delivery to addresses in countries referred to in part 211 of this chapter.

§ 351.50 How is payment made when definitive Series EE savings bonds are redeemed?

(a) *Payment in general.* A financial institution qualified as a paying agent under the provisions of 31 CFR part 321 will pay the current redemption value of a definitive Series EE bond presented for payment. The bond must meet the requirements for payment specified in 31 CFR part 353. You must establish your identity and entitlement to redemption to the satisfaction of the agent, in accordance with our instructions and identification guidelines, and must sign and complete the request for payment.

(b) *Payment to beneficiary or legal representative.* A paying agent may, but is not required to, pay the current redemption value of a definitive Series EE savings 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:

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

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

§ 351.51 How can I find out what my definitive Series EE savings bonds are worth?

(a) *Redemption values.* We make redemption values available for definitive bonds in various formats and media.

(1) You may determine the redemption value for definitive bonds on the Internet at <*http://www.savingsbonds.gov*>.

(2) You may download savings bond calculators from the Internet at <*http://www.savingsbonds.gov*>.

(3) You may obtain paper tables from the Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328. We reserve the right to cease making paper tables of redemption values available.

(b) *Redemption penalty.* For bonds issued after May 1, 1997, redemption values published in the tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the issue date.

§§ 351.52–351.59 [Reserved]

Subpart D—Book-entry Series EE Savings Bonds

§ 351.60 How are book-entry Series EE savings bonds purchased and held?

Book-entry bonds must be purchased and held online through your New Treasury Direct account. We provide instructions for opening an account online at <*http://www.fiscal.treasury.gov*>.

§ 351.61 What are the denominations and prices of book-entry Series EE savings bonds?

Book-entry bonds are issued in a minimum amount of $25, with additional increments of one cent.

§ 351.62 How is payment made for purchases of book-entry Series EE savings bonds?

You may only purchase book-entry Series EE savings bonds online through your New Treasury Direct account. You may pay for your securities through a debit to your designated account at a United States depository financial institution, or by applying the redemption proceeds of a certificate of indebtedness held in your New Treasury Direct account.

[69 FR 50308, Aug. 16, 2004]

§ 351.63 How are redemption payments made for my redeemed book-entry Series EE savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution. You may also direct that a payment be used to purchase a certificate of indebtedness to be held in your New Treasury Direct account.

[69 FR 50308, Aug. 16, 2004]

§ 351.64 What is the issue date of a book-entry Series EE savings bond?

The issue date of a book-entry Series EE savings bond is the first day of the month in which the security posts to the current holdings of the account owner.

[69 FR 50308, Aug. 16, 2004]

§ 351.65 What amount of book-entry Series EE savings bonds may I acquire per year?

The principal amount of book-entry Series EE savings bonds that you may acquire in any calendar year is provided at § 363.52.

[77 FR 213, Jan. 4, 2012]

§§ 351.66–351.67 [Reserved]

§ 351.68 Are taxpayer identification numbers (TINs) required for registration of book-entry Series EE savings bonds?

The TIN of each person named in the registration is required to purchase a book-entry bond.

§ 351.69 When is a book-entry Series EE savings bond validly issued?

A book-entry bond is validly issued when it is posted to your New Treasury Direct account.

§ 351.70 How are redemption values calculated for book-entry Series EE savings bonds?

We base current redemption values (CRV) for book-entry Series EE savings bonds on the definitive savings bond CRV. We use the CRV for a $100 principal amount as calculated in § 351.16 to calculate a CRV prorated to the book-entry principal investment amount for the corresponding issue and redemption dates. Calculated book-entry CRV will be rounded to the nearest one cent.[2] The formula is as follows:

[Book-entry principal investment ÷ $100] × [CRV value for $100 principal amount].

[68 FR 24796, May 8, 2003, as amended at 75 FR 52460, Aug. 26, 2010]

§ 351.71 How can I find out what my book-entry Series EE savings bonds are worth?

(a) *Redemption values*. You may access redemption values for your book-entry bonds through your New Treasury Direct account.

(b) *Redemption penalty*. Redemption values shown in your New Treasury Direct account for bonds that are within

[2] Example: Calculated value of $25.044 rounds to $25.04; calculated value of $25.045 rounds to $25.05.

5 years from issue date reflect the three-month interest penalty applied to bonds redeemed prior to five years from the issue date.

§§ 351.72–351.80 [Reserved]

Subpart E—Miscellaneous Provisions

§ 351.81 Is the Education Savings Bond Program available for Series EE savings bonds?

You may be able to exclude from income for Federal income tax purposes all or part of the interest received on the redemption of qualified bonds during the year. To qualify for the program, you or the coowner (in the case of definitive savings bonds) must have paid qualified higher education expenses during the same year. You also must have satisfied certain other conditions. This exclusion is known as the Education Savings Bond Program. Information about the program can be found in Internal Revenue Service Publications. (For example, see Publication 17, ''Your Federal Income Tax,'' Publication 550, ''Investment Income and Expenses,'' and Publication 970, ''Tax Benefits for Higher Education.'') These publications are available on the IRS Web site at *http://www.irs.gov*.

§ 351.82 Does Fiscal Service prohibit the issuance of Series EE savings bonds in a chain letter scheme?

We do not permit bonds to be issued in a chain letter or pyramid scheme. We authorize an issuing agent to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is connected with a chain letter. The agent's decision is final.

§ 351.83 [Reserved]

§ 351.84 Does Fiscal Service make any reservations as to issue of Series EE savings bonds?

We may reject any application for Series EE bonds, in whole or in part. We may refuse to issue, or permit to be issued, any bonds in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

§ 351.85 May Fiscal Service waive any provision in this part?

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

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

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

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

§ 351.86 What is the role of Federal Reserve Banks and Branches?

(a) Federal Reserve Banks and Branches are fiscal agents of the United States. They are authorized to perform such services as we may request of them, in connection with the issue, servicing and redemption of Series EE bonds.

(b) We have currently designated the following Federal Reserve Offices to provide savings bond services:

Servicing site	Reserve district served	Geographic area served
Federal Reserve Bank, Buffalo Branch, 160 Delaware Avenue, Buffalo, NY 14202.	New York, Boston	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey (northern half), New York, Rhode Island, Vermont, Puerto Rico, Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, 717 Grant Street, Pittsburgh, PA 15219.	Cleveland, Philadelphia	Delaware, Kentucky (eastern half), New Jersey, (southern half), Ohio, Pennsylvania, West Virginia (northern panhandle only).
Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219.	Richmond, Atlanta	Alabama, District of Columbia, Florida, Georgia, Louisiana (southern half), Maryland, Mississippi (southern half), North Carolina, South Carolina, Tennessee (eastern half), Virginia, West Virginia (except northern panhandle).
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, MN 55401.	Minneapolis, Chicago. ...	Illinois (northern half), Indiana (northern half), Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota, Wisconsin.

Servicing site	Reserve district served	Geographic area served
Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, MO 64106.	Dallas, San Francisco, Kansas City, St. Louis.	Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois (southern half), Indiana (southern half), Indiana (southern half), Kansas, Kentucky (western half), Louisiana (northern half), Mississippi (northern half), Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee (western half), Texas, Utah, Washington, Wyoming, Guam.

§ 351.87 May Fiscal Service revise, supplement or amend the terms of this offering?

We may revise, supplement or amend the terms of this offering at any time.

APPENDIX TO PART 351—TAX CONSIDERATIONS

1. What are some general tax considerations?

General. Interest on savings bonds is subject to taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are exempt from taxation by any State or political subdivision of a State, except for estate or inheritance taxes. (See 31 U.S.C. 3124.)

2. What reporting methods are available for savings bonds?

(a) *Reporting methods.* You 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 method.* You may defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earliest; or

(2) *Accrual basis method.* You may elect to report the increase each year, in which case the election applies to all Series EE bonds that you then own, those subsequently acquired, and to any other obligations purchased on a discount basis.

(b) *Changing methods.* If you use the cash basis method, you may change to the accrual basis method without obtaining permission from the Internal Revenue Service. However, once you elect to use the accrual basis method in paragraph (a)(2), you may change the method of reporting the increase only by following the specific procedures prescribed by the Internal Revenue Service for making a method change. For further information, you may contact the Internal Revenue Service director for your area, or the Internal Revenue Service, Washington, DC 20224.

3. What transactions have potential tax consequences?

The following types of transactions, among others, may have potential tax consequences:

(a) A reissue that affects the rights of any of the persons named on a definitive Series EE savings bond may have tax consequences for the owner.

(b) The transfer of a book-entry Series EE savings bond from one owner to another may have tax consequences for the transferor.

(c) The redemption of a book-entry Series EE savings bond by the secondary owner may have tax consequences for the primary owner.

(d) The purchase of a Series EE savings bond as a gift may have gift tax consequences.

PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH

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

SOURCE: 54 FR 40249, Sept. 29, 1989, unless otherwise noted.

§ 352.0 Offering of bonds.

The Secretary of the Treasury offered 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 is being withdrawn and will terminate at the close of business on August 31, 2004.

[69 FR 40318, July 2, 2004]

§ 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, Fiscal Service 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 were 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 were 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 was 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) *Bonds with issue dates of January 1, 2003, and thereafter.* The investment yield applicable to Series HH bonds issued on or after January 1, 2003, will be furnished in rate announcements by the Secretary or the Secretary's designee. The rate announced will apply to bonds issued during the period covered by the announcement.

(ii) *Bonds with issue dates of March 1, 1993, through December 1, 2002.* Series HH bonds with issue dates of March 1, 1993, through December 1, 2002, yield 4 percent per annum, paid semiannually, to original maturity.

(iii) *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.

(iv) *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.

(v) *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.

(vi) *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.

(vii) *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.

(viii) *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 yields for Series HH bonds

during their extended maturity periods are as specified in paragraphs (e)(2)(i), (ii), and (iii) of this section.

(i) *Bonds that enter an extended maturity period on or after January 1, 2003.* The investment yield applicable to Series HH bonds that enter an extended maturity period on or after January 1, 2003, will be furnished in rate announcements by the Secretary or the Secretary's designee. The rate announced will apply to bonds that enter an extended maturity period during the period covered by the announcement.

(ii) *Bonds that entered an extended maturity period from March 1, 1993, through December 1, 2002.* The investment yield applicable to Series HH bonds that entered an extended maturity period from March 1, 1993, through December 1, 2002, is 4 percent per annum, paid semiannually.

(iii) *Bonds that entered an extended maturity period from January 1, 1990, through February 1, 1993.* The investment yield applicable to Series HH bonds that entered into an extended maturity period from January 1, 1990, through February 1, 1993, is 6 percent per annum, paid semiannually.

(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 Fiscal Service 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, Fiscal Service 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 Fiscal Service 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; 67 FR 79384, Dec. 24, 2002; 69 FR 40318, July 2, 2004]

§ 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, Fiscal Service 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, Fiscal Service Series No. 3–80, and bears an issue date and appropriate validation indicia.

(c) *Taxpayer identifying number.* The registration of a bond must include the taxpayer identifying number of the owner or first-named co-owner. 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; 71 FR 46857, Aug. 15, 2006]

§ 352.4 Limitation on purchases.

Series HH bonds issued under the terms of this Circular were not subject to a purchase limitation.

[54 FR 40249, Sept. 29, 1989, as amended at 69 FR 40318, July 2, 2004]

§ 352.5 Authorized issuing and paying agents.

Series HH bonds were issued and may be redeemed only by Federal Reserve Banks (see § 352.13) and the Bureau of the Fiscal Service.

[69 FR 40318, July 2, 2004]

§ 352.6 [Reserved]

§ 352.7 Issues on exchange.

(a) *Securities eligible for exchange.* Prior to the close of business on August 31, 2004, owners were permitted to 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 remained eligible for exchange for a period of one year from the month in which they reached final maturity. Series EE bonds issued on January 1, 2003, or earlier, became eligible for exchange six months after their issue dates. Series EE bonds issued on February 1, 2003, or thereafter, became eligible for exchange 12 months after their issue dates.

(b) *Basis for issue.* Series HH bonds were 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 was required under the regulations. If eligible securities were submitted directly to a Federal Reserve Bank referred to in § 351.13, each was required to 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) were required to 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 were required to be securities that 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 was required to be $500 or more. If the current redemption value was an even multiple of $500, Series HH bonds were required to be issued in that exact amount. If the current redemption value exceeded, but was not an even multiple of $500, the owner had 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 was permitted to 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 were in single ownership form, the owner was required to be named as owner or first-named coowner on the Series HH bonds. A coowner or beneficiary was permitted to be named.

(2) If the securities submitted for exchange were in coownership form, and one coowner was the ''principal coowner'', that person was required to be named as owner or first-named coowner on the Series HH bonds. A coowner or beneficiary was also permitted to be named. The ''principal coowner'' was 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 had received

no contribution in money or money's worth for designating the other coowner on the securities.

(3) If the securities presented for exchange were 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 were required to be named as coowners on the Series HH bonds.

(4) If the securities presented for exchange were in beneficiary form, the owner was required to be named on the Series HH bonds as owner or first-named coowner. If the owner was deceased, a surviving beneficiary was required to be named as owner or first-named coowner. In either case, a coowner or beneficiary was permitted to be named.

(f) *Issue date*. Series HH bonds issued on exchange were dated as of the first day of the month in which the eligible securities presented for exchange were 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 had 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 exchanged those securities for Series HH bonds, was permitted to 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 bore a legend showing how much of its issue price represented 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 represented interest earned on the securities presented for exchange, an amount paid to an owner in accordance with paragraph (d) of this section was reportable as income for Federal income tax purposes for the year in which it was paid. Pursuant to 26 CFR 1.6049.4, a paying agent was 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 was permitted to be made for each exchange transaction in which interest in the amount of $10 or more was paid, or all interest paid in both cash redemption and exchange transactions was permitted to 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 applied 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 were required to show a ''0'' in the tax-deferral legend.

[69 FR 40318, July 2, 2004]

§ 352.8 Reinvestment of matured Series H bonds.

(a) *General*. Prior to the close of business on August 31, 2004, the proceeds of matured Series H and HH bonds, whether purchased for cash or issued in exchange for other securities, were permitted to be reinvested in Series HH bonds. Tax deferral granted to interest earned on securities exchanged for Series H bonds was not permitted to be continued when the Series H bonds reached final maturity and their proceeds were 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 were subject to the rules governing exchanges, as set forth in § 352.7 of this Circular, and the Series HH bonds issued on reinvestment were identical in all respects with those issued in a non-tax-deferred exchange.

[54 FR 40249, Sept. 29, 1989, as amended at 69 FR 40319, July 2, 2004]

§ 352.9 Delivery of bonds.

Authorized issuing agents delivered 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 were made. Bonds acquired by a citizen of the United States residing abroad were delivered only to such address in the United States as the applicant directs.

[54 FR 40249, Sept. 29, 1989, as amended at 69 FR 40319, July 2, 2004]

§ 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 Fiscal Service, as delegate of the Secretary of the Treasury, reserved 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 was deemed to be in the public interest. The Commissioner's action in such respect was final.

[54 FR 40249, Sept. 29, 1989, as amended at 69 FR 40319, July 2, 2004]

§ 352.12 Waiver.

The Commissioner of the Fiscal Service, 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.

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 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.

PART 353—REGULATIONS GOVERNING DEFINITIVE UNITED STATES SAVINGS BONDS, SERIES EE AND HH

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AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3125.

EDITORIAL NOTE: Nomenclature changes to part 353 appear at 79 FR 8859, Feb. 14, 2014.

SOURCE: 44 FR 76441, Dec. 26, 1979, unless otherwise noted.

Subpart A—General Information

§ 353.0 Applicability.

(a) The regulations in this part govern definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through TreasuryDirect® and definitive Series HH savings bonds. These bonds bear issue dates of January 1, 1980, or thereafter.

(b) The regulations in 31 CFR part 315 govern all other definitive United States Savings Bonds and Savings Notes.

(c) The regulations in 31 CFR part 363 govern Series EE savings bonds that were originally issued as book-entry bonds in TreasuryDirect® and Series EE savings bonds that were converted to book-entry bonds through TreasuryDirect®.

[68 FR 24805, May 8, 2003, as amended at 70 FR 14941, Mar. 23, 2005]

§ 353.1 Official agencies.

(a) The Bureau of the Fiscal Service of the Department of the Treasury is responsible for administering the Savings Bonds Program. Authority to process transactions has been delegated to the Federal Reserve Bank of Minneapolis and may be delegated to other Federal Reserve Banks and Branches as fiscal agents of the United States. The Federal Reserve Banks and Branches, and their authority to process transactions as fiscal agents of the United States, are subject to change as determined by the Secretary of the Treasury, or his or her designee.

(b) Information about savings bonds and savings bond transactions, including savings bond transaction forms and email contact information, is available through the Bureau of the Fiscal Service's Web site at *http://www.treasurydirect.gov*. Communications concerning transactions and requests for forms may also be addressed to:

(1) The Bureau of the Fiscal Service, P.O. Box 7012, Parkersburg, WV 26106–7012; or

(2) The Federal Reserve Bank of Minneapolis, Treasury Retail Securities Site, P.O. Box 214, Minneapolis, MN 55480–0214.

(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; 79 FR 8859, Feb. 14, 2014]

§ 353.2 Definitions.

(a) *Bond, or Series EE or HH savings bond*, as used in this part, means a definitive United States Savings Bond of Series EE or HH.

(b) *Book-entry bond* means a savings bond maintained by Treasury in electronic or paperless form as a computer record.

(c) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

(d) *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.

(e) *Inscription* means the information that is printed on the face of the bond.

(f) *Issuing agent* means an organization that has been qualified under the provisions of Department of the Treasury Circular, Fiscal Service Series No. 4–67, current revision (31 CFR part 317), to issue savings bonds.

(g) *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.

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

(i) *Person* means any legal entity including, but without limitation, an individual, corporation (public or private), partnership, unincorporated association, or fiduciary estate.

(j) *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.

(k) *Registration* means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named co-owner, or purchaser of a gift bond are maintained on our records.

(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. Reissue may also mean the cancellation and retirement of a bond and the issuance of a book-entry bond or bonds of the same series, same issue date, and same total face amount. All reissues are subject to the restrictions in § 353.48.

(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) *Substitute bond* means a bond or book-entry bond issued as a result of a claim or application for relief under subpart F of this part.

(o) *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 Fiscal Service, 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.

(p) *Taxpayer identifying number* means a social security account number or an employer identification number.

(q) *Voluntary guardian* means an individual who is recognized as authorized to act for an incompetent, as provided by § 353.64.

(r) *Voluntary representative* means the person qualified by the Department of the Treasury to request payment or distribution of a decedent's savings bonds pursuant to § 353.71.

[44 FR 76441, Dec. 26, 1979, as amended at 68 FR 24805, May 8, 2003; 70 FR 14941, Mar. 23, 2005; 70 FR 57430, Sept. 30, 2005; 71 FR 46857, Aug. 15, 2006; 79 FR 8859, Feb. 14, 2014]

§ 353.3 Converting definitive savings bonds to book-entry bonds in TreasuryDirect®.

Series EE savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through TreasuryDirect®, an online system for holding Treasury securities. The Web address for TreasuryDirect® is *http://www.treasurydirect.gov*. Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

[70 FR 14941, Mar. 23, 2005]

Subpart B—Registration

§ 353.5 General rules.

(a) *Registration is conclusive of ownership*. Definitive savings bonds were 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) *Registration of bonds purchased as gifts*. If the bonds were purchased as gifts, awards, prizes, etc., and the taxpayer identifying numbers of the intended owners are not known, the purchaser's number must be furnished. Bonds so inscribed will not be associated with the purchaser's own holdings. Bonds so registered will not be associated with the purchaser's own holdings. 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; 71 FR 46857, Aug. 15, 2006; 76 FR 66855, Oct. 31, 2011]

§ 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

(c) *Nonresident aliens*. A nonresident alien may be designated co-owner 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.

(d) *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.

(e) *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.

[44 FR 76441, Dec. 26, 1979, as amended at 63 FR 64551, Nov. 20, 1998; 75 FR 52460, Aug. 26, 2010]

§ 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 registered in a form not substantially in agreement with one of the forms authorized by this subpart is not considered validly issued.

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

(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.

[44 FR 76441, Dec. 26, 1979, as amended at 71 FR 46857, Aug. 15, 2006]

§ 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*. $5,000 (principal 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.

[44 FR 76441, Dec. 26, 1979, as amended at 68 FR 24805, May 8, 2003; 72 FR 67853, Dec. 3, 2007]

§ 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 first-named coowner.

(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.

[44 FR 76441, Dec. 26, 1979, as amended at 68 FR 24805, May 8, 2003]

§ 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, the Bureau of the Fiscal Service reserves the right to take any action that it deems necessary to adjust the excess. Instructions for adjustment of the excess can be obtained by email at *savbonds@bpd.treas.gov* or by writing to Bureau of the Fiscal Service, Parkersburg, WV 26106–1328.

[68 FR 24805, May 8, 2003]

§ 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, as amended (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 Fiscal Service, 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; 63 FR 64551, Nov. 20, 1998]

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

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

[44 FR 76441, Dec. 26, 1979, as amended at 63 FR 64551, Nov. 20, 1998]

§ 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 Fiscal Service, as provided for in this section, by the Federal investigative agency, United States Attorney's Office, or forfeiting agency specified in Fiscal Service 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) *Fiscal Service Form 1522* means the written notification of the forfeiture provided by the forfeiting agency to the Bureau of the Fiscal Service on a Fiscal Service Form 1522 Special Form of Request for Payment of United States Savings and Retirement Securities Where Use of a Detached Request Is Authorized. Fiscal Service 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 Fiscal Service Form 1522 are to be mailed to the Department of the Treasury, Bureau of the Fiscal Service, Parkersburg, WV 26106–1328.

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

(2) The Bureau of the Fiscal Service 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 Fiscal Service will rely exclusively upon the information provided by the Federal agency in the Fiscal Service 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 Fiscal Service 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 Fiscal Service to the contact point named in the Fiscal Service Form 1522.

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

(3) The Bureau of the Fiscal Service 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 Fiscal Service, 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 Fiscal Service, Parkersburg, WV 26101.

(b) If the bond serial number is not known, the claimant must provide sufficient information to enable the Bureau of the Fiscal Service 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 on or before February 14, 2014, 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 payment. If the application is approved after February 14, 2014, relief for Series HH bonds 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 payment, and relief for Series EE bonds will be granted either by the issuance of a book-entry bond bearing the same issue date

as the bond for which the claim was filed or by payment.

[44 FR 76441, Dec. 26, 1979, as amended at 79 FR 8859, Feb. 14, 2014]

§ 353.27 Application for relief—Non-receipt 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 about the non-receipt. An appropriate form and instructions will be provided. If the application is approved on or before February 14, 2014, relief will be granted by the issuance of a bond bearing the same issue date as the bond that was not received. If the application is approved after February 14, 2014, relief for Series HH bonds will be granted by the issuance of a bond bearing the same issue date as the bond that was not received, and relief for Series EE bonds will be granted either by the issuance of a book-entry bond bearing the same issue date as the bond that was not received or by payment. Also, relief is authorized for the issuance of bonds for which the Secretary has not received payment, in order to preserve public confidence in dealing with issuing agents.

[79 FR 8859, Feb. 14, 2014]

§ 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 Fiscal Service, 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 Fiscal Service, Parkersburg, WV 26101, for cancellation.

§ 353.29 Adjudication of claims.

(a) *General*. The Bureau of the Fiscal Service 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.

Definitive Series EE bonds were 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, Fiscal Service Series No. 1–80 (31 CFR part 351).

[44 FR 76441, Dec. 26, 1979, as amended at 76 FR 66856, Oct. 28, 2011]

§ 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, Fiscal Service 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 Fiscal Service, 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. 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. Series H interest payments made by the ACH method are governed by the regulations at 31 CFR part 370.

(Approved by the Office of Management and Budget under control number 1535–0094)

(c) *Delivery of interest*. 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 Fiscal Service, 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.

(d) *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 Fiscal Service 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.

(e) *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.

(f) *Payment of interest by the ACH method*—(1) *Submission of deposit account information*. 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.

(2) *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.

(3) *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.

(4) *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.

(5) *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 for Series HH bonds issued prior to October 1, 1989, shall remain in effect until it is terminated by a request from the owner or coowner submitted to the Bureau of the Fiscal Service, Parkersburg, WV 26102–1328.

(6) *Rules*. Series HH interest payments made by the ACH method are governed by the regulations at 31 CFR part 370.

(7) *Nonreceipt or loss of interest payment*. The Bureau of the Fiscal Service, Parkersburg, WV 26102 should be notified if:

(i) An interest check is not received or is lost after receipt or

(ii) 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 40254, Sept. 29, 1989, as amended at 59 FR 10541, Mar. 4, 1994; 64 FR 40487, July 26, 1999]

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) A Series EE bond issued on January 1, 2003, or earlier, will be paid at any time after 6 months from its issue date. A Series EE bond issued on February 1, 2003, or thereafter, will be paid at any time after 12 months from its issue date. Bonds will be paid at the current redemption value shown in Department of the Treasury Circular, Fiscal Service 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, Fiscal Service 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 Fiscal Service, 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; 68 FR 2667, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]

§ 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 co-owners 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 Fiscal Service. 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service 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.

(a) Reissue of a bond may be made only under the conditions specified in these regulations, and only at:

(1) A Federal Reserve Bank or Branch, or

(2) The Bureau of the Fiscal Service.

(b) 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. We reserve the right to reissue savings bonds in book-entry form only. See § 353.48(a).

[76 FR 66856, Oct. 28, 2011, as amended at 79 FR 8859, Feb. 14, 2014]

§ 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 Fiscal Service 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) *Elimination of definitive Series EE bonds.* After February 14, 2014, the Department of the Treasury will no longer reissue Series EE bonds in definitive (paper) form. After that date, a request for reissue of a Series EE bond for any reason will only be processed under one of the following conditions:

(1) If the new owner requests payment in the same transaction; or

(2) If the new owner provides instructions to reissue in the form of a book-entry bond in a TreasuryDirect® account. This option is available for persons who are eligible to open a TreasuryDirect® account under the regulations in 31 CFR part 363.

(b) *Denominational exchange.* Reissue is not permitted solely to change denominations.

(c) *United States Treasury.* Reissue may not be made to eliminate the United States Treasury as coowner.

[44 FR 76441, Dec. 26, 1979, as amended at 79 FR 8859, Feb. 14, 2014]

§ 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. Fiscal Service 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 Fiscal Service 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 Fiscal Service, 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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 Decedent's estate.

(a) *Estate is being administered.* (1) A legal representative of a deceased owner's estate may request payment of savings bonds to the estate, or may distribute the savings bonds to the persons entitled.

(2) Appropriate proof of appointment for the legal representative of the estate is required. Letters of appointment must be dated not more than one year prior to the date of submission of the letters of appointment.

(b) *Estate has been settled previously.* If the estate has been settled previously through judicial proceedings, the persons entitled may request payment or reissue of savings bonds. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence is required.

(c) *Special provisions under the law of the jurisdiction of the decedent's domicile.* If there is no formal or regular administration and no representative of the estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under applicable local law summary or small estates procedures may request payment or reissue of savings bonds. Appropriate evidence is required.

(d) *When administration is required.* If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000, administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(e) *Voluntary representative for small estates that are not being otherwise administered*—(1) *General.* A voluntary representative is a person qualified according to paragraph (e)(3) of this section, to redeem or distribute a decedent's savings bonds. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's savings bonds and held payments, if any, is determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. Voluntary representative procedures may be used only if:

(i) There has been no administration, no administration is contemplated, and no summary or small estate procedures under applicable local law have been used;

(ii) The total redemption value of the Treasury securities and held payments, if any, held directly on our records that are the property of the decedent's estate is $100,000 or less as of the date of death; and

(iii) There is a person eligible to serve as the voluntary representative according to paragraph (e)(3) of this section.

(2) *Authority of voluntary representative.* A voluntary representative may:

(i) Redeem the decedent's savings bonds that are eligible for redemption on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death;

(ii) Distribute the decedent's savings bonds to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death.

(3) *Order of precedence for voluntary representative.* An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: A surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(4) *Liability.* By serving, the voluntary representative warrants that the distribution of payments or savings bonds is to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of payments or securities. Upon payment or transfer of the securities at the request of the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(f) *Creditor.* If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for the amount of the debt, providing the debt has not been barred by applicable local law.

[70 FR 57430, Sept. 30, 2005]

§ 353.72 [Reserved]

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 Fiscal Service, 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 Fiscal Service, 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.

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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 at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202–741–6030, or go to: *http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.*

(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.

[62 FR 622, Jan. 6, 1997, as amended at 69 FR 18803, Apr. 9, 2004]

§ 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 What does this part cover?
355.1 Do any other regulations cover fiscal agency checks?
355.2 What special terms do I need to know to understand this part?
355.3 Where can I cash my fiscal agency check?
355.4 Is there a time limit on cashing a fiscal agency check?
355.5 What warranties does a presenting bank make?

355.6 What happens if the presenting bank breaches its warranty?
355.7 What notice should I give if I do not receive my check or if a check is lost, stolen, or destroyed?
355.8 How can I get a replacement fiscal agency check?
355.9 What should I do if I recover a check reported as lost, stolen, destroyed, or not received?
355.10 What happens if I present my check to the payor Reserve Bank more than six months after the issue date of the check?
355.11 What should I do if the endorsement on my check is forged or unauthorized?
355.12 What requirements apply if the check is payable to two or more persons?
355.13 Are there any additional requirements related to fiscal agency checks?
355.14 Can these regulations be waived?
355.15 Can these regulations be amended?

AUTHORITY: 12 U.S.C. 391; 31 U.S.C. Ch. 31.

SOURCE: 65 FR 65700, Nov. 1, 2000, unless otherwise noted.

§ 355.0 What does this part cover?

This part governs checks issued for payments in connection with United States securities. These checks, referred to as ''fiscal agency checks,'' are issued by a designated 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. The drawer of a fiscal agency check is the United States, and the drawee is a Federal Reserve Bank. The rights and liabilities of the United States, the Federal Reserve Banks, and others are set out in this part.

§ 355.1 Do any other regulations cover fiscal agency checks?

The regulations governing checks drawn on the United States and on designated depositories of the United States do not apply to fiscal agency checks, unless a statute specifically provides differently, or unless we state differently in this part. If a definition or matter pertaining to fiscal agency checks is not specifically covered in this part, we will apply the provisions of Regulations J of the Board of Governors of the Federal Reserve System, at 12 CFR part 210. To the extent not otherwise covered by this part or by Regulation J, we will apply the provisions of the Uniform Commercial Code (U.C.C.)

§ 355.2 What special terms do I need to know to understand this part?

Depository institution means:

(1) Any insured bank, mutual savings bank or savings bank as defined in 12 U.S.C. 1813, or any institution eligible to become an insured bank under 12 U.S.C. 1815;

(2) Any insured credit union as defined in 12 U.S.C. 1752, or any credit union eligible to become an insured credit union under 12 U.S.C. 1781;

(3) Any member as defined in 12 U.S.C. 1422; and

(4) Any savings association as defined in 12 U.S.C. that is an insured depository institution as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811 *et seq.*, or is eligible to become an insured depository institution under that Act.

Fiscal agency check means a check for a payment in connection with a United States security drawn upon a Reserve Bank and issued on our behalf by the Reserve Bank in its capacity as fiscal agent of the United States.

Payee (or ''you'') means the person or persons 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 that 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, for the purpose of this part, means a direct obligation of the United States, including a Treasury bill, note, bond or savings bond/note.

We (or ''us'') refers to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and the Bureau of the Fiscal Service. The term also extends to any fiscal or financial agency acting on behalf of the United States when designated to act by the Secretary or the Secretary's delegates. The term does not refer to a United States Savings Bond issuing or paying agent.

§ 355.3 Where can I cash my fiscal agency check?

Presentment of a fiscal agency check must be made to the payor Reserve Bank. The payor Reserve Bank will only cash a fiscal agency check presented by the payee who can be identified to the satisfaction of the Reserve Bank. Otherwise, a fiscal agency check must be presented through banking channels. A refusal to accept or to pay fiscal agency check presented by a person other than the payee, or by a payee who is not reasonably identified, does not constitute dishonor.

§ 355.4 Is there a time limit on cashing a fiscal agency check?

A payor Reserve Bank may refuse to pay a fiscal agency check presented more than six (6) months after the issue date of the check. If the check is not presented within this time, you must follow the procedures in § 355.10.

§ 355.5 What warranties does a presenting bank make?

(a) A presenting bank makes the warranties required of a sender under subpart A of regulation J (12 CFR part 210). This paragraph does not limit any warranty by a presenter or other party arising under State law.

(b) We are not barred from recovering on a breach of warranty solely because:

(1) Our negligence contributed to a fraudulent endorsement or material alteration;

(2) We did not promptly discover an unauthorized signature or alteration;

(3) An impostor fraudulently caused the issuance of a fiscal agency check in the name of any existing payee; or

(4) Our employee fraudulently caused the issuance of a fiscal agency check in the name of any existing payee.

§ 355.6 What happens if the presenting bank breaches its warranty?

If the presenting bank breaches its warranty, the payor Reserve Bank may either return the check to the presenting bank or send notice of the breach to the presenting bank. If the presenting bank does not make prompt restitution when it receives the returned check or notice of breach, we may begin appropriate collection procedures.

§ 355.7 What notice should I give if I do not receive my check or if a check is lost, stolen, or destroyed?

If a fiscal agency check is not received within a reasonable time after a payment is due, or if a check is lost, stolen, or destroyed, you must provide prompt written notification. Your written notice may be sent to us or to the payor Reserve Bank. You may give notice by telephone, but we will not issue a replacement check until you confirm the notice in writing. The written notice must provide enough information for us to identify the account and the security to which the payment relates. We will stop payment on the fiscal agency check if we have a reasonable time to act before final payment.

§ 355.8 How can I get a replacement fiscal agency check?

The payor Federal Reserve Bank will issue a replacement fiscal agency check if:

(a) You submit written notice:

(b) The check is unpaid;

(c) We determine that recovery of the original check is unlikely; and

(d) The payee and endorsee, if any, of the check execute the required indemnification agreement.

§ 355.9 What should I do if I recover a check reported as lost, stolen, destroyed, or not received?

If you recover the original check you must notify us in writing. If we have not yet issued a replacement check, we will remove the stop payment order against the original check. If we have already issued a replacement check, you must return the original check to us.

§ 355.10 What happens if I present my check to the payor Reserve Bank more than six months after the issue date of the check?

If the payor Reserve Bank refuses payment on a fiscal agency check solely because it is presented more than six (6) months after the issue date of the check, a replacement check will be issued if you:

(a) Surrender the original check; and

(b) Executive the required indemnification agreement.

§ 355.11 What should I do if the endorsement on my check is forged or unauthorized?

If we verify the existence or a forged or unauthorized endorsement on a paid fiscal agency check, the payor Reserve Bank will issue a replacement check to the person entitled. The payee or endorsee must execute an affidavit that there has been a forged or unauthorized endorsement. We may also require an indemnification agreement.

§ 355.12 What requirements apply if the check is payable to two or more persons?

If the fiscal agency check is payable to two or more persons, the requirements of this part apply to all designated payees.

§ 355.13 Are there any additional requirements related to fiscal agency checks?

We may require an indemnification agreement, with or without surety. You must provide any additional evidence we consider necessary. We will require any information necessary for the protection of the interests of the United States.

§ 355.14 Can these regulations be waived?

We reserve the right, in our discretion, to waive any provision of the regulations in this part in any case or class of cases for the convenience of the United States, or to relieve any person of unnecessary hardship, if the waiver is not inconsistent with law and will not subject the United States to substantial expense or liability.

§ 355.15 Can these regulations be amended?

We may, at any time, supplement, amend, or revise the regulations in this part.

PART 356—SALE AND ISSUE OF MARKETABLE BOOK-ENTRY TREASURY BILLS, NOTES, AND BONDS (DEPARTMENT OF THE TREASURY CIRCULAR, FISCAL SERVICE SERIES NO. 1–93)

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APPENDIX A TO PART 356—BIDDER CATEGORIES
APPENDIX B TO PART 356—FORMULAS AND TABLES
APPENDIX C TO PART 356—INVESTMENT CONSIDERATIONS
APPENDIX D TO PART 356—DESCRIPTION OF THE INDEXES

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 3102, *et seq.;* 12 U.S.C. 391.

SOURCE: 69 FR 45202, July 28, 2004, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 356 appear at 70 FR 57439, Sept. 30, 2005.

Subpart A—General Information

§ 356.0 What authority does the Treasury have to sell and issue securities?

Chapter 31 of Title 31 of the United States Code authorizes the Secretary of the Treasury to issue United States obligations, and to offer them for sale with the terms and conditions that the Secretary prescribes.

§ 356.1 To which securities does this circular apply?

The provisions in this part, including the appendices, and each individual auction announcement govern the sale and issuance of marketable Treasury securities issued on or after March 1, 1993. This part also governs all securities eligible for the STRIPS (Separate Trading of Registered Interest and Principal of Securities) Program (See § 356.31.). In addition, these provisions and the auction announcements govern any other types of securities we may issue under this part.

§ 356.2 What definitions do I need to know to understand this part?

13-week bill means a Treasury bill where the security description is ''13-Week Bill'' as referenced on the Treasury auction announcement.

Accrued interest means an amount that bidders must pay to us for interest income as part of the settlement amount. Accrued interest compensates us up front for interest that bidders will be paid but did not earn because it is attributable to a period of time prior to the issue date. (See appendix B, section I, paragraph C of this part for additional explanation and examples.)

Adjusted value means, for an interest component stripped from an inflation-protected security, an amount derived by:

(1) Multiplying the semiannual interest rate by the par amount, and then

(2) 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 of this part for an example of how to calculate the adjusted value.)

Auction means a bidding process by which we sell marketable Treasury securities to the public.

Autocharge agreement means an agreement in a format acceptable to Treasury between a submitter or clearing corporation and a depository institution that authorizes us to:

(1) Deliver awarded securities to the book-entry securities account of a designated depository institution in the commercial book-entry system, and

(2) Charge a funds account of a designated depository institution for the settlement amount of the securities.

Bid means an offer to purchase a stated par amount of securities, either competitively or noncompetitively, in an auction.

Bid-to-cover ratio means the total par amount of securities bid for in an auction divided by the total par amount of securities awarded. It excludes bids by, and awards to, the Federal Reserve for its own account.

Bidder, as further defined in appendix A, means a person or an entity that offers to purchase Treasury securities in an auction either directly or through a depository institution or dealer. We may consider two or more persons or entities to be one bidder based on their relationship or their actions in participating in an auction. We consider a controlled account to be a bidder when

an investment adviser bids in the name of the controlled account (See § 356.15.).

Bidder Identification Number means a number we assign to each institutional submitter and to certain other bidders. We assign such numbers either to identify certain bidders or to grant separate bidder status to different parts of the same corporate or partnership structure.

Book-entry security means a security that is issued or maintained as an accounting entry or electronic record in either the commercial book-entry system or in one of Treasury's two direct-hold systems—TreasuryDirect® or Legacy Treasury Direct®. (See § 356.4.)

Business day means any day on which the Federal Reserve Banks are open for business.

Call means the redemption of a security prior to maturity under the terms specified in its auction announcement.

Certificate of indebtedness means a one-day non-interest-bearing security that may be held in TreasuryDirect and that automatically matures and is rolled over each day until its owner requests that it be redeemed.

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)). A clearing corporation must be registered with the Securities and Exchange Commission under section 17A of the Securities Exchange Act of 1934 and its rules.

Competitive bid means a bid to purchase a stated par amount of securities at a specified yield, discount rate, or discount margin.

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. We use the CPI as the basis for adjusting the principal amounts of inflation-protected securities. (See appendix D.)

Corpus means the principal component of a security that has been stripped of its interest components.

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. CUSIP is an acronym for Committee on Uniform Securities Identification Procedures.

Customer means a bidder that directs a depository institution or dealer to submit or forward a bid for a specific amount of securities in a specific auction on the bidder's behalf. Only depository institutions and dealers may submit bids for customers directly to us, or forward them to another depository institution or dealer.

Dated date means the date from which interest accrues for notes and bonds. The dated date and issue date are usually the same. In those cases where interest begins accruing prior to the issue date, however, the dated date will be prior to the issue date. An example is when the dated date is a Saturday and the issue date is the following Monday.

Dealer means an entity that is registered or has given notice of its status as a government securities broker or government securities dealer under 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, regarding securities awarded to the submitter for its own account. It authorizes us to deliver such securities to, and accept payment from, a depository institution acting on behalf of the clearing corporation under an acknowledged autocharge agreement.

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)).

(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. (See appendix B for formulas and examples.)

Discount amount means the discount divided by 100 and multiplied by the par amount. (See appendix B for formulas and examples.)

Discount margin means the margin over the index that equates the present values of the assumed cash flows on a

floating rate note to the sum of the price of and accrued interest on the floating rate note. The assumed cash flows are calculated based upon the index rate applicable to the dated date. Bidders in floating rate note auctions bid on the basis of discount margin. (See appendix B.)

Discount rate means a rate of return, on an annual basis, on bills held until they mature. The discount rate is expressed in percentage terms and based on a 360-day year. It is also referred to as the ''bank discount rate.'' (See appendix B for formulas and examples.)

Funds account means a cash account maintained by a depository institution at a Federal Reserve Bank.

Index means the Consumer Price Index for inflation-protected securities. For floating rate notes, the index is the highest accepted discount rate on 13-week bills determined by Treasury auctions of those securities.

Index rate means the simple-interest money market yield, computed on an actual/360 basis and rounded to nine decimal places, from the highest accepted discount rate of a 13-week bill auction as announced in the Treasury auction results press release. (See appendix B for methods and examples for computing the index rate.)

Index ratio means, for an inflation-protected security, the Reference CPI of a particular date divided by the Reference CPI of the original issue date. (When the dated date is different from the original issue date, the denominator of the index ratio is the Reference CPI of the dated date rather than that of the original issue date.)

Inflation-adjusted principal means, for an inflation-protected 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. An intermediary does not submit bids directly to us.

Issue date means the date specified in the auction announcement on which we issue a security as an obligation of the United States. Interest normally begins to accrue on a security's issue date.

Legacy Treasury Direct means a non-Internet-based book-entry system maintained by Treasury for purchasing and holding marketable Treasury securities directly with Treasury. (See 31 CFR part 357.)

Marketable security means a security that may be bought, sold and transferred in the secondary market.

Maturity date means the date on which a security becomes due and payable, and ceases to earn interest. The maturity date is specified in the auction announcement.

Minimum to bid means the smallest amount of a security that may be bid for in an auction as stated in the auction announcement.

Multiple to bid means the smallest additional amount of a security that may be bid for in an auction as stated in the auction announcement.

Multiple-price auction means an auction in which each successful competitive bidder pays the price equivalent to the yield, discount rate, or discount margin that it bid.

Noncompetitive bid means, for a single-price auction, a bid to purchase a stated par amount of securities at the highest yield, discount rate, or discount margin awarded to competitive bidders. For a multiple-price auction, a noncompetitive bid means a bid to purchase securities at the weighted average yield, discount rate, or discount margin of awards to competitive bidders.

Offering amount means the par amount of securities we are offering to the public for purchase in an auction, as specified in the auction announcement.

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 per 100 dollars of its stated value as calculated using the formulas in appendix B.

Real yield means, for an inflation-protected security, the yield based on the payment stream in constant dollars. In other words, the real yield is the yield in the absence of inflation.

Reference CPI (Ref CPI) means, for an inflation-protected 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.

Security means a Treasury bill, note, or bond, each as described in this part. Security also means any other obligation we issue that is subject to this part according to its auction announcement. Security includes an interest or principal component under the STRIPS program, as well as a certificate of indebtedness in an investor's TreasuryDirect account.

Settlement means final and complete payment for securities awarded in an auction and delivery of those securities.

Settlement amount means the total of the par amount of securities awarded, less any discount amount or plus any premium amount, and plus any accrued interest. For inflation-protected 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, discount rates, or discount margins they each bid.

Spread means the fixed amount over the life of a floating rate note that is added to the index rate in order to determine the interest rate of the floating rate note. The spread will be determined in the auction of a new floating rate note and is expressed in tenths of a basis point (i.e., to three decimals). Additionally, the spread will be equal to the high discount margin at the time a new floating rate note is auctioned.

STRIPS (Separate Trading of Registered Interest and Principal of Securities) means our program under which eligible securities are authorized to be separated into principal and interest components, and transferred separately. These components are maintained and transferred in the commercial book-entry system.

Submitter means a person or entity submitting bids directly to us for its own account, for customer accounts, or both. Only depository institutions and dealers are permitted to submit bids for customer accounts. We permit investment advisers to submit bids on behalf of controlled accounts.

TINT means an interest component from a stripped security.

TreasuryDirect means the book-entry, online system maintained by Treasury for purchasing and holding marketable Treasury securities, nonmarketable savings bonds, and certificates of indebtedness directly with Treasury. (See 31 CFR part 363.)

We (or ''us'') means the Secretary of the Treasury and his or her delegates, including the Department of the Treasury, Bureau of the Fiscal Service, and their representatives. The term also includes Federal Reserve Banks acting as fiscal agents of the United States.

Weighted-average means the average of the yields, discount rates, or discount margins at which we award securities to competitive bidders in multiple-price auctions weighted by the par amount of securities allotted at each yield, discount rate, or discount margin.

Yield means the annualized rate of return to maturity on a non-indexed security. Yield is expressed as a percentage. For an inflation-protected security, yield means the real yield. Yield is also referred to as ''yield to maturity.'' (See appendix B.)

You means a prospective bidder in an auction.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57439, Sept. 30, 2005; 73 FR 14938, Mar. 20, 2008; 76 FR 18063, Apr. 1, 2011; 78 FR 46428, July 31, 2013]

§ 356.3 What is the role of the Federal Reserve Banks in this process?

The Treasury Department authorizes Federal Reserve Banks, as fiscal agents of the United States, to perform all activities necessary to carry out the provisions of this part, any auction announcements, and applicable regulations.

§ 356.4 What are the book-entry systems in which auctioned Treasury securities may be issued or maintained?

There are three book-entry securities systems—the commercial book-entry system, TreasuryDirect®, and Legacy Treasury Direct®—into which we issue marketable Treasury securities. We maintain and transfer securities in these three book-entry systems (except that securities may not be transferred into the Legacy Treasury Direct system) at their par amount. Par amounts of Treasury inflation-protected securities do not include adjustments for inflation. Securities may be transferred from one system to the other (except that securities may not be transferred into the Legacy Treasury Direct system), unless the securities are not eligible to be held in the receiving system. Securities may be transferred from one system to the other, unless the securities are not eligible to be held in the receiving system. See Department of the Treasury Circular, Fiscal Service Series No. 2–86, as amended (part 357 of this chapter) and part 363 of this chapter.

(a) *The commercial book-entry system.* When depository institutions or dealers submit bids for Treasury securities in an auction, securities awarded as a result of those bids are generally held in the commercial book-entry system. Specifically, we maintain book-entry accounts in the National Book-Entry System® (''NBES'') for Federal Reserve Banks, 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. The accounts held for others include those of other depository institutions and dealers, which may, in turn, maintain accounts for others.

(b) *TreasuryDirect.* In this system, account holders maintain accounts in a book-entry, online system directly on the records of the Bureau of the Fiscal Service, Department of the Treasury. Bids for securities to be held in TreasuryDirect are submitted through the Internet.

(c) *Legacy Treasury Direct.* In this system, we maintain the book-entry securities of account holders directly on the records of the Bureau of the Fiscal Service, Department of the Treasury. Bids for securities to be held in Legacy Treasury Direct are submitted directly to us. From time to time, Treasury may announce that certain securities to be offered will not be eligible for purchase or holding in Legacy Treasury Direct.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57439, Sept. 30, 2005; 72 FR 2193, Jan. 18, 2007; 71 FR 2928, Jan. 23, 2007; 73 FR 14938, Mar. 20, 2008; 76 FR 18063, Apr. 1, 2011]

§ 356.5 What types of securities does the Treasury auction?

We offer securities under this part exclusively in book-entry form and as 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 in this part, the regulations in 31 CFR part 363 (for securities held in TreasuryDirect), the regulations in 31 CFR part 357 (for securities held in the commercial book-entry system and Legacy Treasury Direct), and the auction announcements. When we issue additional securities with the same CUSIP number as outstanding securities, we consider them to be the same securities as the outstanding securities.

(a) *Treasury bills.* (1) Are issued at a discount or at par, depending upon the auction results;

(2) Are redeemed at their par amount at maturity; and

(3) Have maturities of not more than one year.

(b) *Treasury notes*—(1) Treasury non-indexed[1] notes.

[1] We use the term ''non-indexed'' in this part to distinguish such notes and bonds

(i) Are issued with a stated rate of interest to be applied to the par amount;

(ii) Have interest payable semiannually;

(iii) Are redeemed at their par amount at maturity;

(iv) Are sold at discount, par, or premium, depending upon the auction results; and

(v) Have maturities of at least one year, but of not more than ten years.

(2) *Treasury inflation-protected notes.* (i) Are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date;

(ii) Have interest payable semiannually;

(iii) Are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater;

(iv) Are sold at discount, par, or premium, depending on the auction results (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.); and

(v) Have maturities of at least one year, but not more than ten years.

(3) *Treasury floating rate notes.* (i) Are issued with a stated spread to be added to the index rate for daily interest accrual throughout each interest payment period;

(ii) Have a zero-percent minimum daily interest accrual rate;

(iii) Have interest payable quarterly;

(iv) Are redeemed at their par amount at maturity;

(v) Are sold at discount, par, or premium depending on the auction results (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.); and

(vi) Have maturities of at least one year, but not more than ten years.

(c) *Treasury bonds*—(1) Treasury non-indexed bonds. (i) Are issued with a stated rate of interest to be applied to the par amount;

(ii) Have interest payable semiannually;

(iii) Are redeemed at their par amount at maturity;

(iv) Are sold at discount, par, or premium, depending on the auction results; and

(v) Have maturities of more than ten years.

(2) *Treasury inflation-protected bonds.* (i) Are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date;

(ii) Have interest payable semiannually;

(iii) Are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater;

(iv) Are sold at discount, par, or premium, depending on the auction results; and

(v) Have maturities of more than ten years. (See appendix B for price and interest payment calculations and appendix C for Investment Considerations.)

[69 FR 45202, July 28, 2004, as amended at 70 FR 57439, Sept. 30, 2005; 74 FR 26086, June 1, 2009; 78 FR 46428, 46429, July 31, 2013]

from ''inflation-protected securities'' and ''floating rate notes.'' We refer to non-indexed notes and non-indexed bonds as ''notes'' and ''bonds'' in official Treasury publications, such as auction announcements and auction results press releases, as well as in auction systems.

Subpart B—Bidding, Certifications, and Payment

§ 356.10 What is the purpose of an auction announcement?

By issuing an auction announcement, we provide public notice of the sale of bills, notes, and bonds. The auction announcement lists the specifics of each auction, e.g., offering amount, term and type of security, CUSIP number, and issue and maturity dates. The auction announcement and this part, including the Appendices, specify the terms and conditions of sale. If anything in the auction announcement differs from this part, the auction announcement will control. If you intend to bid, you should read the applicable auction announcement along with this part.

§ 356.11 How are bids submitted in an auction?

(a) *General.* (1) All bids must be submitted using an approved method, which depends on whether you are requesting us to issue the awarded securities in the commercial book-entry system, in TreasuryDirect®, or in Legacy Treasury Direct® (See § 356.4). The

approved submission methods for these respective systems are explained in this section. A bidder must provide its assigned bidder identification numbers if it has been assigned one. We have the option of accepting or rejecting incomplete bids.

(2) We must receive competitive and noncompetitive bids prior to their respective closing times, which are stated in the auction announcement. We will not include late bids in the auction. For bids other than those submitted on paper forms, our computer time stamp will establish the receipt time. You are bound by your bids after the closing time.

(3) We are not responsible for any delays, errors, or omissions. We are not responsible for any failures or disruptions of equipment or communications facilities used for participating in Treasury auctions.

(4) Submitters are responsible for bids submitted using computer equipment on their premises, whether or not such bids are authorized.

(b) *Commercial book-entry system.* (1) If you are a submitter and the awarded securities are to be issued in the commercial book-entry system, you must submit bids using one of our approved electronic methods except for contingency situations.

(2) You must have an agreement on file with us under which you agree to our terms and conditions for access to our system for participating in our auctions.

(3) In contingency situations, such as a power outage, we may accept bids by a telephone call to designated Treasury employees if you submit them prior to the relevant bidding deadline.

(c) *TreasuryDirect.* You must submit your bids through your established book-entry, online TreasuryDirect account. You may reinvest the proceeds of maturing securities held in TreasuryDirect by directing that the proceeds be used to purchase a certificate of indebtedness in your TreasuryDirect account and by using the proceeds of your certificate of indebtedness to pay for the securities.

(d) *Legacy Treasury Direct.* (1) If you are a submitter and the awarded securities are to be issued in Legacy Treasury Direct, you may submit bids by using one of our approved methods, e.g., computer, automated telephone service, or paper forms. You may also reinvest the proceeds of maturing securities into new securities through the same methods.

(2) If you are submitting bids by paper form, you must use forms authorized by the Bureau of the Fiscal Service and provide the requested information. We have the option of accepting or rejecting bids on any other form. You are responsible for ensuring that we receive bids in paper form on time. A noncompetitive bid is on time if:

(i) We receive it on or before the issue date, and

(ii) The envelope it arrived in bears evidence, such as a U.S. Postal Service cancellation, that it was mailed prior to the auction date.

(3) If you are submitting a bid by computer or automated telephone service you must be an established Legacy Treasury Direct account holder with a Taxpayer Identification Number.

(4) In contingency situations, such as a power outage, we may accept bids by other means, provided, that in all cases the bids are submitted prior to the relevant bidding deadline by an established Legacy Treasury Direct account holder.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57440, Sept. 30, 2005]

§ 356.12 What are the different types of bids and do they have specific requirements or restrictions?

(a) *General.* All bids must state the par amount of securities bid for and must equal or exceed the minimum to bid amount stated in the auction announcement. Bids in larger amounts must be in the multiple stated in the auction announcement.

(b) *Noncompetitive bids*—(1) *Maximum bid.* You may not bid noncompetitively for more than $5 million. The maximum bid limitation does not apply if you are bidding solely through either a TreasuryDirect® or a Legacy Treasury Direct® reinvestment request. A request for reinvestment of securities maturing in either TreasuryDirect or Legacy Treasury Direct is a noncompetitive bid.

(2) *Additional restrictions.* You may not bid noncompetitively in an auction in which you are bidding competitively. You may not bid noncompetitively if, in the security being auctioned, you hold a position in when-issued trading or in futures or forward contracts at any time between the date of the auction announcement and the time we announce the auction results. During this same timeframe, a noncompetitive bidder may not enter into any agreement to purchase or sell or otherwise dispose of the securities it is acquiring in the auction. For 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 bids*—(1) *Bid format*—(i) *Treasury bills.* A competitive bid must show the discount rate bid, expressed with three decimals in .005 increments. The third decimal must be either a zero or a five, for example, 5.320 or 5.325. We will treat any missing decimals as zero, for example, a bid of 5.32 will be treated as 5.320. The rate bid may be a positive number or zero.

(ii) *Treasury non-indexed securities.* A competitive bid must show the yield bid, expressed with three decimals, for example, 4.170. We will treat any missing decimals as zero, for example, a bid of 4.1 will be treated as 4.100. The yield bid may be a positive number or zero.

(iii) *Treasury inflation-protected securities.* A competitive bid must show the real yield bid, expressed with three decimals, for example, 3.070. We will treat any missing decimals as zero, for example, a bid of 3 will be treated as 3.000. The real yield may be a positive number, a negative number, or zero.

(iv) *Treasury floating rate notes.* A competitive bid must show the discount margin bid, expressed as a percentage with three decimals, for example, 0.290 percent. We will treat any missing decimals as zero, for example, a bid of 0.29 will be treated as 0.290. The discount margin bid may be positive, negative, or zero.

(2) *Maximum recognized bid.* There is no limit on the maximum dollar amount that you may bid for competitively, either at a single yield, discount rate, or discount margin, or at different yields, discount rates, or discount margins. However, a competitive bid at a single yield, discount rate, or discount margin that exceeds 35 percent of the offering amount will be reduced to that amount. For example, if the offering amount is $10 billion, the maximum bid amount we will recognize at any one yield, discount rate, or discount margin from any bidder is $3.5 billion. (See § 356.22 for award limitations.)

(3) *Additional restrictions.* You may not bid competitively in an auction in which you are bidding noncompetitively. You may not bid competitively for securities to be bought through either TreasuryDirect or Legacy Treasury Direct.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53621, Sept. 2, 2004; 70 FR 57440, Sept. 30, 2005; 74 FR 26086, June 1, 2009; 78 FR 46428, 46429, July 31, 2013]

§ 356.13 When must I report my net long position and how do I calculate it?

(a) *Net long position reporting threshold.* (1) If you are bidding competitively in an auction, you must report your net long position when the total of your bids plus your net long position in the security being auctioned equals or exceeds the net long position reporting threshold (*See* table.). We will specify this threshold in the auction announcement for each security (See § 356.10.). The threshold is typically 35 percent of the offering amount, but we may state a different threshold in the auction announcement. To see whether you must report your net long position, follow this table:

If . . .	And if . . .	Then . . .
(i) the total of your bids and your net long position in the security being auctioned equals or exceeds the reporting threshold.		you must report your net long position (which does not include your bids).

If . . .	And if . . .	Then . . .
(ii) the total of your bids in the auction equals or exceeds the reporting threshold.	you have no position or a net short position in the security being auctioned.	you must report a zero.
(iii) the total of your bids and your net long position in the security being auctioned is less than the reporting threshold.		you may either report nothing (leave the field blank) or report your net long position.

(2) Also, if you have more than one bid in an auction and you must report either your net long position or a zero, you must report that figure only once. Finally, if you are a customer and must report either your net long position or a zero, you must report that figure through only one depository institution or dealer. (See § 356.14(d).)

(b) *''As of'' time for calculating net long position.* You must calculate your net long position as of one half-hour prior to the closing time for receipt of competitive bids.

(c) *Components of the net long position.* Except as modified in paragragh (d) of this section, your net long position is the sum total of the par amounts of:

(1) Your holdings of outstanding securities with the same CUSIP number as the security being auctioned;

(2) Your holdings of STRIPS principal components of the security being auctioned, and;

(3) Your positions, in the security being auctioned, in:

(i) When-issued trading, including when-issued trading positions of the STRIPS principal components;

(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 that require delivery of the specific security being auctioned or of the STRIPS principal component of that security.

(d) *Calculating the net long position in a reopening.* In a reopening (additional issue) of an outstanding security, you may subtract the exclusion amount stated in the auction announcement from:

(1) Your holdings of the outstanding securities (paragraph (c)(1) of this section) combined with

(2) Your holdings of STRIPS principal components of the security being auctioned (paragraph (c)(2) of this section). We will specify the amount of holdings that you may exclude from the net long position calculation in the auction announcement. You may not take the exclusion if your combined holdings are zero or less. The exclusion is optional, but if you take the exclusion, you must include any holdings that exceed the exclusion amount in calculating your net long position. If the exclusion amount is greater than your combined holdings (paragraphs (c)(1) and (2) of this section), you may calculate the combined holdings as zero, but they cannot be included in the calculation as a negative number.

§ 356.14 What are the requirements for submitting bids for customers?

(a) *Institutions that may submit bids for customers.* Only depository institutions or dealers may submit bids for customers (see definitions at § 356.2), or for customers of intermediaries, under the requirements set out in this section.

(b) *Payment.* Submitters must remit payment for bids they submit on behalf of customers, including customers of intermediaries, that result in awards of securities in the auction.

(c) *Identifying customers.* Submitters must provide the names of customers whenever they submit bids for them. Submitters must provide the names of their direct customers as well as customers of any intermediaries who are forwarding customer bids. For individuals, submitters must provide the customer's full name (first and last). For institutional customers, submitters must provide the name of the institution, and the bidder identification number if the customer provides it. For trusts or other fiduciary estates (See appendix A.), submitters must provide on the customer list:

(1) The full name or title of the trustee or fiduciary;

(2) A reference to the document creating the trust or fiduciary estate with date of execution; and

(3) The employer identification number (not social security number) of the trust or fiduciary estate. We do not consider trusts to be a separate bidder that have not been assigned, or that do not provide, an employer identification number.

(d) *Competitive customer bids.* For each customer competitive bid, the submitter must provide the customer's name, the amount bid, and the yield, discount rate, or discount margin. The submitter or intermediary must also report the net long position amount if the customer provides it. The submitter must inform a customer of the net long position reporting requirement (See § 356.13.) if the customer is bidding for $100 million or more of securities. If the submitter's or intermediary's personnel know that the customer's position information is not correct, the submitter or intermediary may not submit the customer's bid.

(e) *Noncompetitive customer bids.* For each noncompetitive bid, the submitter must provide the customer's name and the amount bid. Submitters may either provide the customer's name with the bid or, if the list of customers is lengthy, the submitter may provide a summary bid amount covering all noncompetitive customers. If it provides a summary bid amount, the submitter must transmit the list of individual customers and their bid amounts by close of business on the auction day. However, the submitter must be able to provide the customer list details by the noncompetitive bidding deadline if requested.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009; 78 FR 46429, July 31, 2013]

§ 356.15 What rules apply to bids submitted by investment advisers?

(a) *General.* The auction rules that apply to investment advisers are determined by the relationship between ''investment advisers'' and ''controlled accounts.'' An investment adviser means any person or entity that has investment discretion for the bids or positions of a different person or entity (a controlled account). A person or entity has investment discretion if it determines what, how many, and when securities will be purchased or sold on behalf of another person or entity. We consider a person that is employed or supervised by an investment adviser to be part of that investment adviser. We also consider the bids or positions of controlled accounts to be separate from the bids or positions of the person or entity with which they would otherwise be associated under the bidder categories in appendix A of this part.

(b) *Bidding options.* (1) An investment adviser has two options for whose name to use when bidding on behalf of controlled accounts.

An investment adviser may bid for a controlled account . . .	In such cases, we consider the bidder to be . . .
(i) in the investment adviser's own name	the investment adviser.
(ii) in the name of the controlled account	the controlled account.

(2) Using the first option (paragraph (b)(1)(i)), an investment advisor could bid noncompetitively up to the noncompetitive bidding limit only for itself, as a single bidder. Using the second option (paragraph (b)(1)(ii)), an investment adviser could bid noncompetitively for each separately named controlled account up to the noncompetitive bidding limit. The investment adviser could also bid noncompetitively in its own name in the same auction up to the noncompetitive bidding limit. An investment adviser may not bid for a controlled account both noncompetitively and competitively in the same auction. If an investment adviser is bidding competitively in the name of a controlled account, the controlled account is subject to the award limitations of § 356.22(b).

(c) *Reporting net long positions.* If it is bidding competitively, an investment adviser must calculate the amount of its bids and positions for purposes of

the net long position reporting requirement found in § 356.13(a). In addition to its own competitive bids and positions, the investment adviser must also include in the calculation all other competitive bids and positions that it controls. If the net long position is reportable, the investment adviser must report it as a total in connection with only one bid as stated in § 356.13(a). This requirement applies regardless of whether the investment adviser bids in its own name or in the name of its controlled accounts. The following table shows which positions an investment adviser must include to determine whether it meets the net long position reporting threshold in § 356.13(a). If an investment adviser does meet the reporting threshold, the table also shows which positions must be included in, and which may be excluded from, the net long position calculation.

If an investment adviser is bidding competitively, and . . .	Then . . .
(1) the investment adviser has a net long position for its own account.	that position must be included in the investment adviser's net long position calculation.
(2) the investment adviser's competitive bid is for a controlled account.	any net long position of that account must be included in the investment adviser's net long position calculation.
(3) the investment adviser is not bidding competitively for a controlled account and	
(i) the controlled account has a net long position of $100 million or more.	that position must be included in the investment adviser's net long position calculation.
(ii) the controlled account has a net long position that is less than $100 million.	that position may be excluded from the investment adviser's net long position calculation.
(iii) any net long position is excluded under paragraph (b)(3)(ii) of this table.	all net short positions of controlled accounts under $100 million must also be excluded.

(d) *Certifications*. When an investment adviser bids for a controlled account, we deem the investment adviser to have certified that it is complying with this part and the auction announcement for the security. Further, we deem the investment adviser to have certified that the information it provided about bids for controlled accounts is accurate and complete.

(e) *Proration of awards*. Investment advisers that submit competitive bids in the names of controlled accounts are responsible for prorating any awards at the highest accepted yield, discount rate, or discount margin using the same percentage that we announce.See § 356.21 for examples of how to prorate.

[69 FR 45202, July 28, 2004, as amended at 78 FR 46429, July 31, 2013]

§ 356.16 Do I have to make any certifications?

(a) *Submitters*. If you submit bids or other information in an auction, we deem you to have certified that:

(1) You are in compliance with this part and the auction announcement;

(2) The information provided with regard to any bids for your own account is accurate and complete; and

(3) The information provided with regard to any bids for customers accurately and completely reflects information provided by your customers or intermediaries.

(b) *Intermediaries*. If you forward bids in an auction, we deem you to have certified that:

(1) You are in compliance with this part and the applicable auction announcement; and

(2) That the information you provided to a submitter or other intermediary with regard to bids for customers accurately and completely reflects information provided by those customers or intermediaries.

(c) *Customers*. By bidding for a security as a customer we deem you to have certified that:

(1) You are in compliance with this part and the auction announcement and;

(2) The information you provided to the submitter or intermediary in connection with the bid is accurate and complete.

[69 FR 45202, July 28, 2004, as amended at 72 FR 14938, Mar. 20, 2008]

§ 356.17 How and when do I pay for securities awarded in an auction?

(a) *General*. By bidding in an auction, you agree to pay the settlement amount for any securities awarded to

you. (See § 356.25.) For notes and bonds, the settlement amount may include a premium amount, accrued interest, and, for inflation-protected securities, an inflation adjustment.

(b) *TreasuryDirect®*. You must pay for your awarded securities by a debit entry to a deposit account that you are authorized to debit or by using the redemption proceeds of your certificate of indebtedness held in your TreasuryDirect account. Payment by debit entry occurs on the settlement date for the actual settlement amount due. (See § 356.25.)

(c) *Legacy Treasury Direct®*. Unless you make other provisions, you must pay by debit entry to a deposit account that you are authorized to debit or submit payment with your bids. Payment by debit entry occurs on the settlement date for the actual settlement amount due. (See § 356.25.) If you are paying with a check or with maturing securities, you must pay separately for any premium, accrued interest, or inflation adjustment as soon as you receive your Payment Due Notice.

(1) *Bidding and payment by computer or by telephone*. If you are bidding by computer or by telephone, you must pay for any securities awarded to you by debit entry to a deposit account.

(2) *Bidding and payment by paper form*. If you are mailing bids to us on a paper form, you may either enclose your payment with the form or pay for any securities awarded to you by debit entry to a deposit account. For bills, you may pay by depository institution (cashier's or teller's) check, certified check, or currently dated Treasury or fiscal agency check made payable to you. For notes or bonds, in addition to the payment options for bills, you may also pay by personal check. If you submit a personal check, make it payable to Legacy Treasury Direct and mail it with the bid to the Federal Reserve Bank handling your account. In your payment amount you must include the par amount and any announced accrued interest and/or inflation adjustment.

(3) *Payment by maturing securities*. You may use maturing securities held in Legacy Treasury Direct as payment for reinvestments into new securities that we are offering, as long as we receive the appropriate transaction request on time.

(d) *Commercial book-entry system*. Unless you make other provisions, payment of the settlement amount must be by charge to the funds account of a depository institution at a Federal Reserve Bank.

(1) A submitter that does not have a funds account at a Federal Reserve Bank or that chooses not to pay by charge to its own funds account must have an approved autocharge agreement on file with us before submitting any bids. Any depository institution whose funds account will be charged under an autocharge agreement will receive advance notice from us of the total par amount of, and price to be charged for, securities awarded as a result of the submitter's bids.

(2) 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. To do this, the following requirements must be met prior to submitting any bids:

(i) We must have acknowledged and have on file an autocharge agreement 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, discount rates, or discount margins, through successively higher yields, discount rates, or discount margins, up to the amount required to meet the offering amount. When necessary, we prorate bids at the highest accepted yield, discount rate, or discount margin as described below. If the amount of noncompetitive bids would absorb all or most of the offering amount, we will accept competitive bids in an amount sufficient to provide a fair determination of the yield, discount rate, or discount margin for the securities we are auctioning.

(2) *Accepting bids at the high yield, discount rate, or discount margin*. Generally, the total amount of bids at the highest accepted yield, discount rate, or discount margin exceeds the offering amount remaining after we accept the noncompetitive bids and the competitive bids at the lower yields, discount rates, or discount margins. 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, discount rate, or discount margin. 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, discount rate, or discount margin 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 ⅛ of one percent increment. If a Treasury note or bond auction results in a yield lower than 0.125 percent, the interest rate will be set at ⅛ of one percent, 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 the interest rate for floating rate notes*. The interest rate will be the spread plus the index rate (as it may be adjusted on the calendar day following each auction of 13-week bills) subject to a minimum daily interest accrual rate of zero percent.

(d) *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 yield, discount rate, or discount margin 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, discount rate, or discount margin at which their bids were accepted.

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

[69 FR 45202, July 28, 2004, as amended at 69 FR 53621, Sept. 2, 2004; 76 FR 11080, Mar. 1, 2011; 78 FR 46429, July 31, 2013]

§ 356.21 How are awards at the high yield, discount rate, or discount margin calculated?

(a) *Awards to submitters*. We generally prorate bids at the highest accepted yield, discount rate, or discount margin under § 356.20(a)(2) of this part. For example, if 80.15% is the announced

percentage at the highest yield, discount rate, or discount margin, we award 80.15% of the amount of each bid at that yield, discount rate, or discount margin. A bid for $100 million at the highest accepted yield, discount rate, or discount margin would be awarded $80,150,000 in this example. We always make awards for at least the minimum to bid, and above that amount we make awards in the appropriate multiple to bid. For example, Treasury bills may be issued with a minimum to bid of $100 and multiples to bid of $100. Say we accept an $18,000 bid at the high discount rate, and the percent awarded at the high discount rate is 88.27%. We would award $15,900 to that bidder, which is an upward adjustment from $15,888.60 ($18,000 × .8827) to the nearest multiple of $100. If we were to award 4.65% of bids at the highest accepted rate, for example, the award for a $100 bid at that rate would be $100, rather than $4.65, in order to meet the minimum to bid for a bill issue.

(b) *Awards to customers*. The same prorating rules apply to customers as apply to submitters. Depository institutions and dealers, whether submitters or intermediaries, are responsible for prorating awards for their customers at the same percentage that we announce. For example, if 80.15% is the announced percentage at the highest yield, discount rate, or discount margin, then each customer bid at that yield, discount rate, or discount margin must be awarded 80.15%.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009; 78 FR 46430, July 31, 2013]

§ 356.22 Does the Treasury have any limitations on auction awards?

(a) *Awards to noncompetitive bidders*. The maximum award to any noncompetitive bidder is $5 million. This limit does not apply to bidders bidding solely through TreasuryDirect® or Legacy Treasury Direct® reinvestment requests.

(b) *Awards to competitive bidders*. The maximum award is 35 percent of the offering amount less the bidder's net long position as reportable under § 356.13. For example, in a note auction with a $10 billion offering amount, and therefore a maximum award of $3.5 billion, 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 is the case with investment advisers and controlled accounts (See § 356.15(c).), we will use this combined amount for the purpose of this 35 percent award limit.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53622, Sept. 2, 2004; 70 FR 57440, Sept. 30, 2005]

§ 356.23 How are the auction results announced?

(a) After the conclusion of the auction, we will announce the auction results through a press release that is available on our Web site at *http://www.treasurydirect.gov*.

(b) The press release will include such information as:

(1) The amounts of bids we accepted and the amount of securities we awarded;

(2) The range of accepted yields, discount rates, or discount margins.

(3) The proration percentage;

(4) The interest rate for a note or bond;

(5) A breakdown of the amounts of noncompetitive and competitive bids we accepted from, and awarded to, the public;

(6) The amounts of bids tendered and accepted from the Federal Reserve Banks for their own accounts;

(7) The bid-to-cover ratio; and

(8) Other information that we may decide to include.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009; 78 FR 46430, July 31, 2013]

§ 356.24 Will I be notified directly of my awards and, if I am submitting bids for others, do I have to provide confirmations?

(a) *Notice of awards*—(1) *Notice to submitters*. We will provide notice to all submitters letting them know whether their bids were successful or not.

(2) *Notice to clearing corporations*. If we are to deliver awarded securities under a delivery and payment agreement, we will provide notice of the awards to the

clearing corporation that is a party to the agreement.

(b) *Notification of awards to customers.* If you are a submitter for customers, you are responsible for notifying them of their awards. You are also responsible for notifying any intermediaries that forwarded successful bids to you. Similarly, an intermediary is responsible for providing notification of any awards to its customers and any intermediaries from whom it received bids.

(c) *Notification of awards and settlement amounts to a depository institution having an autocharge agreement with a submitter or a clearing corporation.* We will provide notice to each depository institution that has entered into an autocharge agreement with a submitter or a clearing corporation of the amount to be charged, on the issue date, to the institution's funds account at the Federal Reserve Bank servicing the institution. We will provide this notification no later than the day after the auction.

(d) *Customer confirmation*—(1) *Customer requirements*—(i) *When and how must a customer confirm its awards?* Any customer awarded a par amount of $2 billion or more in an auction must send us a confirmation in written form or via e-mail containing the information in paragraph (d)(1)(ii) of this section. The confirmation must be sent no later than 10 a.m. Eastern Time on the next business day following the auction. If sent in written form, the confirmation must be signed by the customer or authorized representative. Confirmations sent by e-mail must be sent by the customer or authorized representative. Confirmations signed or sent by an authorized representative must include the capacity in which the representative is acting.

(ii) *What must the customer include in its confirmation?* The information the customer must provide is:

(A) A confirmation of the awarded bid(s), including the name of each submitter that submitted the bid(s) on the customer's behalf, and

(B) A statement indicating whether the customer had a reportable net long position as defined in § 356.13. If a position had to be reported, the statement must provide the amount of the position and the name of the submitter that the customer requested to report the position.

(2) *Submitter or intermediary requirements.* A submitter or intermediary submitting or forwarding bids for a customer must notify the customer of the customer confirmation reporting requirement if we award the customer $2 billion or more as a result of those bids.

[69 FR 45202, July 28, 2004, as amended at 71 FR 76151, Dec. 20, 2006; 74 FR 26086, June 1, 2009; 74 FR 47100, Sept. 15, 2009]

§ 356.25 How does the settlement process work?

Securities bought in the auction must be paid for by the issue date. The payment amount for awarded securities will be the settlement amount as defined in § 356.2. (See formulas in appendix B.) There are several ways to pay for securities:

(a) *Payment by debit entry to a deposit account.* If you are paying by debit entry to a deposit account as provided for in § 356.17 (b) and (c), we will charge the settlement amount to the specified account on the issue date.

(b) *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 (d), we will charge the settlement amount to the specified funds account on the issue date.

(c) *Payment through a certificate of indebtedness.* If you are paying with the redemption proceeds of your certificate of indebtedness as provided for in § 356.17(b), we will redeem the certificate of indebtedness for the settlement amount of the security and apply the proceeds on the issue date.

(d) *Payment with bids.* If you paid the par amount with your bids as provided for in § 356.17 (c)(2), you may have to pay an additional amount, or we may have to pay an amount to you, as follows:

(1) *When we owe an amount to you.* If the amount you paid is more than the settlement amount, we will refund the balance to you after the auction. This will generally occur if you submit payment with your bids. A typical example would be an auction where the price is

a discount from par and there is no accrued interest.

(2) *When you must remit an additional amount.* If the settlement amount is more than the amount you paid, we will notify you of the additional amount due. You may owe us such an additional amount if the auction calculations result in a premium or if accrued interest or an inflation adjustment is due. If your securities are to be held in TreasuryDirect®, we will collect this amount through the same payment method that you previously authorized for the transaction. If your securities are to be held in Legacy Treasury Direct®, you will be responsible for remitting this additional amount immediately.

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

Subpart D—Miscellaneous Provisions

§ 356.30 When does the Treasury pay principal and interest on securities?

(a) *General.* We will pay principal on bills, notes, and bonds on the maturity date as specified in the auction announcement. Interest on bills consists of the difference between the discounted amount paid by the investor at original issue and the par value we pay to the investor at maturity. Interest on notes and bonds accrues from the dated date. Interest is payable on a semiannual or quarterly basis on the interest payment dates specified in the auction announcement through the maturity date. If any principal or interest payment date is a Saturday, Sunday, or other day on which the Federal Reserve System is not open for business, we will make the payment (without additional interest) on the next business day. If a bond is callable, we will pay the principal prior to maturity if we call it under its terms, which include providing appropriate public notice.

(b) *Treasury inflation-protected securities.* (1) This table explains the amount that we will pay to holders of inflation-protected securities at maturity.

At maturity, if . . .	then . . .
(i) the inflation-adjusted principal is equal to or more than the par amount of the security..	we will pay the inflation-adjusted principal.
(ii) the inflation-adjusted principal is less than the par amount of the security, and the security has not been stripped..	we will pay an additional amount so that the additional amount plus the inflation-adjusted principal equals the par amount.
(iii) the inflation-adjusted principal is less than the par amount of the security, and the security has been stripped..	to holders of principal components only we will pay an additional amount so that the additional amount plus the inflation-adjusted principal equals the par amount.

(2) Regardless of whether or not we pay an additional amount, we will base the final interest payment on the inflation-adjusted principal at maturity.

(c) *Discharge of payment obligations*—(1) *The commercial book-entry system.* We discharge our payment obligations when we credit payment to the account maintained at a Federal Reserve Bank for a depository institution or other authorized entity, or when we make payment according to the instructions of the person or entity maintaining the account. Further, we do not have any obligations to any person or entity that does not have an account with a Federal Reserve Bank. We also will not recognize the claims of any person or entity:

(i) That does not have an account at a Federal Reserve Bank, or

(ii) With respect to any accounts not maintained at a Federal Reserve Bank.

(2) *TreasuryDirect®.* We discharge our payment obligations when we make payment to a depository institution for credit to the account specified by the owner of the security, when we make payment for a certificate of indebtedness to be issued and held in the owner's account, or when we make payment according to the instructions of the security's owner or the owner's legal representative.

(3) *Legacy Treasury Direct®*. We discharge our payment obligations when we make payment to a depository institution for credit to the account specified by the owner of the security, or when we make payment according to the instructions of the security's owner or the owner's legal representative.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57441, Sept. 30, 2005; 78 FR 46430, July 31, 2013]

§ 356.31 How does the STRIPS program work?

(a) *General*. Notes or bonds (other than Treasury floating rate notes) may be ''stripped''—divided into separate principal and interest components. These components must be maintained in the commercial book-entry system. Stripping is done at the option of the holder, and may occur at any time from issuance until maturity. We provide the CUSIP numbers and payment dates for the principal and interest components in auction announcements and on our Web site at *http://www.treasurydirect.gov*.

(b) *Treasury non-indexed securities (notes and bonds other than Treasury inflation-protected securities or Treasury floating rate notes)*—(1) *Minimum par amounts required for STRIPS*. The minimum par amount of a non-indexed security that may be stripped is $100. Any par amount to be stripped above $100 must be in a multiple of $100.

(2) *Principal components*. Principal components stripped from non-indexed securities are maintained in accounts, and transferred, at their par amount. They have a CUSIP number that is different from the CUSIP number of the fully constituted (unstripped) security.

(3) *Interest components*. Interest components stripped from non-indexed securities have the following features:

(i) They are maintained in accounts, and transferred, at their original payment value, which is derived by multiplying the semiannual interest rate and the par amount;

(ii) Their interest payment date becomes the maturity date for the component;

(iii) All interest components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped, and therefore are fungible (interchangeable).

(iv) the CUSIP numbers of interest components are different from the CUSIP numbers of principal components and fully constituted securities, even if they have the same maturity date, and therefore are not fungible.

(c) *Treasury inflation-protected securities*—(1) *Minimum par amounts required for STRIPS*. The minimum par amount of an inflation-protected security that may be stripped is $100. Any par amount to be stripped above $100 must be in a multiple of $100.

(2) *Principal components*. Principal components stripped from inflation-protected securities are maintained in accounts, and transferred, at their par amount. At maturity, the holder will receive the inflation-adjusted principal or the par amount, whichever is greater. (See § 356.30.) A principal component has a CUSIP number that is different from the CUSIP number of the fully constituted (unstripped) security.

(3) *Interest components*—(i) *Adjusted value*. Interest components stripped from inflation-protected securities are maintained in accounts, and transferred, at their adjusted value. This value 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. (The dated date is used instead of the original issue date when the dates are different.) See appendix B, section IV of this part for an example of how to do this calculation.

(ii) *CUSIP numbers*. When an interest payment is stripped from an inflation-protected security, the interest payment date becomes the maturity date for the component. All interest components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. Such interest components are fungible (interchangeable). The CUSIP numbers of interest components are different from the CUSIP numbers of principal components and fully constituted securities, even if they have the same maturity date.

(iii) *Payment at maturity*. 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 of this part for an example of how to do this calculation.

(iv) *Rebasing of the CPI*. If the CPI is rebased to a different time base reference period (See appendix D.), the adjusted values of all outstanding inflation-protected interest components will be converted to adjusted values based on the new base reference period. At that time, we will publish information that describes how this conversion will occur. After rebasing, any interest components 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, that is, put back together into 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. Because inflation-protected interest components are different from non-indexed interest components, they are not interchangeable for reconstitution purposes.

(e) *Applicable regulations*. Subparts A, B, and D of part 357 of this chapter govern notes and bonds stripped into their STRIPS components, unless we state differently in this part.

[69 FR 45202, July 28, 2004, as amended at 73 FR 14939, Mar. 20, 2008; 74 FR 26086, June 1, 2009; 78 FR 46428 and 46430, July 31, 2013]

§ 356.32 What tax rules apply?

(a) *General*. Securities issued under this part are subject to all applicable taxes imposed under the Internal Revenue Code of 1986, or its 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-protected securities*. Special federal income tax rules for inflation-protected securities, including stripped inflation-protected principal and interest components, are set forth in Internal Revenue Service regulations.

(c) *Treasury floating rate notes*. Special federal income tax rules for floating rate notes are set forth in Internal Revenue Service regulations.

[69 FR 45202, July 28, 2004, as amended at 78 FR 46430, July 31, 2013]

§ 356.33 Does the Treasury have any discretion in the auction process?

(a) We have the discretion to:

(1) Accept, reject, or refuse to recognize any bids submitted in an auction;

(2) Award more or less than the amount of securities specified in the auction announcement;

(3) Waive any provision of this part for any bidder or submitter; and

(4) Change the terms and conditions of an auction.

(b) Our decisions under this part are final. We will provide a public notice if we change any auction provision, term, or condition.

(c) We reserve the right to modify the terms and conditions of new securities and to depart from the customary pattern of securities offerings at any time.

§ 356.34 What could happen if someone does not fully comply with the auction rules or fails to pay for securities?

(a) *General*. If a person or entity fails to comply with any of the auction rules in this part, we will consider the circumstances and take what we deem to be appropriate action. This could include barring the person or entity from participating in future auctions under this part. We also may refer the matter to an appropriate regulatory agency.

(b) *Liquidated damages*. If you fail to pay for awarded securities in a timely manner, we may require you to pay liquidated damages of up to one percent of the par amount of securities we awarded to you. Our use of this liquidated damages remedy does not preclude us from using any other appropriate remedy.

§ 356.35 Who approved the information collections?

The Office of Management and Budget approved the collections of information contained in §§ 356.11, 356.12, 356.13, 356.14, and 356.15 and in appendix A of this part under control number 1535–0112.

APPENDIX A TO PART 356—BIDDER CATEGORIES

I. CATEGORIES OF ELIGIBLE BIDDERS

We describe below various categories of bidders eligible to bid in Treasury auctions. You may use them to determine whether we consider you and other persons or entities to be one bidder or more than one bidder for auction bidding and compliance purposes. For example, we use these definitions to apply the competitive and noncompetitive award limitations and for other requirements. Notwithstanding these definitions, we consider any persons or entities that intentionally act together with respect to bidding in a Treasury auction to collectively be one bidder. Even if an auction participant does not fall under any of the categories listed below, it is our intent that no auction participant receives a larger auction award by acquiring securities through others than it could have received had it been considered one of these types of bidders.

(a) *Corporation*—We consider a corporation to be one bidder. A corporation includes all of its affiliates, which may be persons, partnerships, or other entities. We consider a business trust, such as a Massachusetts or Delaware business trust, to be a corporation. We use the term ''corporate structure'' to refer to the collection of affiliates that we consider collectively to be one bidder. An affiliate is any:

- Entity that is more than 50-percent owned, directly or indirectly, by the corporation;
- Entity that is more than 50-percent owned, directly or indirectly, by any other affiliate of the corporation;
- Person or entity that owns, directly or indirectly, more than 50 percent of the corporation;
- Person or entity that owns, directly or indirectly, more than 50 percent 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.

An entity that is more than 50-percent owned as described in this definition is not an affiliate, however, if:

- The purpose of such ownership is to seek a return on investment and not to engage in the business of the entity;
- The owner does not routinely exercise operational or management control over the entity;
- The owner does not exercise any control over investment decisions of the entity regarding U.S. Treasury securities;
- The corporation has written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent it from acting together with the entity regarding participation in Treasury auctions or investment strategies regarding Treasury securities being auctioned; and
- The corporation submits notice and certification to us, as provided in this appendix A.

A corporation that plans to make use of this exception to the definition of ''affiliate'' must inform us of this fact in writing and provide the following certification:

[Name of corporation] hereby certifies that, with regard to any entity of which it owns more than 50 percent as defined in appendix A to 31 CFR part 356, but for which the purpose of such ownership is to seek a return on investment and not to engage in the business of the entity:

- We do not routinely exercise operational or management control over the entity;
- We do not exercise any control over investment decisions of the entity regarding U.S. Treasury securities;
- We have written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the corporation from acting together with the entity regarding participation in Treasury auctions or investment strategies regarding Treasury securities being auctioned; and
- We will continue to meet the terms of this certification until we notify the Treasury of a change.

(b) *Partnership*—We consider a partnership to be one bidder if it is a partnership for which the Internal Revenue Service has assigned a tax-identification number. A partnership includes all of its affiliates, which may be persons, corporations, general partners acting on behalf of the partnership, or other entities. We use the term ''partnership structure'' to refer to the collection of affiliates that we consider collectively to be one bidder. We may consider a partnership structure that contains one or more corporations as a ''partnership'' or a ''corporation,'' but not both.

An affiliate is any:

- Entity that is more than 50-percent owned, directly or indirectly, by the partnership;
- Entity that is more than 50-percent owned, directly or indirectly, by any other affiliate of the partnership;
- Person or entity that owns, directly or indirectly, more than 50 percent of the partnership;

• Person or entity that owns, directly or indirectly, more than 50 percent 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.

An entity that is more than 50-percent owned as described in this definition is not an affiliate, however, if:

• The purpose of such ownership is to seek a return on investment and not to engage in the business of the entity;

• The owner does not routinely exercise operational or management control over the entity;

• The owner does not exercise any control over investment decisions of the entity regarding U.S. Treasury securities;

• The partnership has written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent it from acting together with the entity regarding participation in Treasury auctions or investment strategies regarding Treasury securities being auctioned; and

• The partnership submits notice and certification to us, as provided in this appendix A.

A partnership that plans to make use of this exception to the definition of ''affiliate'' must inform us of this fact in writing and provide the following certification:

[Name of partnership] hereby certifies that, with regard to any entity of which it owns more than 50 percent as defined in appendix A to 31 CFR part 356, but for which the purpose of such ownership is to seek a return on investment and not to engage in the business of the entity:

• We do not routinely exercise operational or management control over the entity;

• We do not exercise any control over investment decisions of the entity regarding U.S. Treasury securities;

• We have written policies or procedures, including ongoing compliance monitoring processes, that are designed to prevent the partnership from acting together with the entity regarding participation in Treasury auctions or investment strategies regarding Treasury securities being auctioned; and

• We will continue to meet the terms of this certification until we notify the Treasury of a change.

(c) *Government-related entity*—We consider each of the following entities to be one bidder:

(1) A state government or the government of the District of Columbia

(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.

(3) A commonwealth, territory, or possession of the United States.

(4) A governmental entity, body, or corporation established under Federal, State, or local law.

(5) A foreign central bank, the government of a foreign state, or an international organization in which the United States holds membership. This type of entity applies only when such entity is not using an account at the Federal Reserve Bank of New York (See paragraph (f).).

We generally consider an investment, reserve, or other fund of one of the above government-related entities as part of that entity and not a separate bidder. We will consider a government-related entity's fund to be a separate bidder if it meets the definition of the ''trust or other fiduciary estate'' category, or if applicable law requires that the investments of such fund be made separately.

(d) *Trust or other fiduciary estate*—We consider 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 to be one bidder. The following conditions must also be met for us to consider a trust entity to be one bidder:

• The legal entity must be able to be identified by:

1. The name or title of the trustee or fiduciary;

2. Specific reference to the trust instrument, court order, or legal authority under which the trustee or fiduciary is acting; and

3. The unique IRS-assigned employer identification number (not social security number) for the entity.

• The trustee or fiduciary must make the decisions on participating in auctions on behalf of the trust or fiduciary estate.

(e) *Individual*—We consider a person to be one bidder, regardless of whether he or she is acting as an individual, a sole proprietor, or for any entity not otherwise defined as a bidder. If a person meets the definition of an affiliate within a corporate or partnership structure, we will consider him or her to be a bidder in this ''individual'' category if the corporation or partnership is not bidding in the same auction. We do not consider a person acting in an official capacity as an employee or other representative of a bidder defined in any other category to be an ''individual'' bidder. We consider a person, his or her spouse, and any children under the age of 21 having a common household to be one ''individual'' bidder.

(f) *Foreign and International Monetary Authority (''FIMA'')*—We consider one or more parties making up a foreign or international monetary organization that is not private in nature to be a bidder called a FIMA entity if at least one of the parties is a foreign or international entity that is (i) financial in

nature, or (ii) not financial in nature but is authorized to open an account at the Federal Reserve Bank of New York. We consider each of the following entities to be a single FIMA entity:

(1) A foreign central bank or regional central bank.

(2) A foreign governmental monetary or finance entity.

(3) A non-governmental international financial organization that is not private in nature (for example, the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Asian Development Bank).

(4) A non-financial international organization that the United States participates in (for example, the United Nations).

(5) A multi-party arrangement of a governmental ministry and/or a foreign central bank or monetary authority with a United States Government Department and/or the Federal Reserve Bank of New York.

(6) A foreign or international monetary entity or an entity authorized by statute or by us to open accounts at the Federal Reserve Bank of New York.

(g) *Other Bidder*—We do not consider a bidder defined by any of the above categories to be 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 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.

II. How To Obtain Separate Bidder Recognition

Under certain circumstances, we may recognize a major organizational component (e.g., the parent or a subsidiary) in a corporate or partnership structure as a bidder separate from the larger corporate or partnership structure. We also may recognize two or more major organizational components collectively as one bidder. All of the following criteria must be met for such component(s) to qualify for recognition as a separate bidder:

(a) Such component(s) must be prohibited by law or regulation from exchanging, or must have established written internal procedures designed to prevent the exchange of, information related to bidding in Treasury auctions with any other component in the corporate or partnership structure;

(b) Such component(s) must not be created for the purpose of circumventing our bidding and award limitations;

(c) Decisions related to purchasing Treasury securities at auction and participation in specific auctions must be made by employees of such component(s). Employees of such component(s) that make decisions to purchase or dispose of Treasury securities must not perform the same function for other components within the corporate or partnership structure; and

(d) The records of such component(s) related to the bidding for, acquisition of, and disposition of Treasury securities must be maintained by such component(s). Those records must be identifiable—separate and apart from similar records for other components within the corporate or partnership structure. To obtain recognition as a separate bidder, each component or group of components must request such recognition from us, provide a description of the component or group and its position within the corporate or 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 corporate [partnership] structure: (a) Yields, discount rates, or discount margins 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 [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.

[69 FR 45202, July 28, 2004, as amended at 70 FR 29456, May 23, 2005; 78 FR 46430, July 31, 2013]

Appendix B to Part 356—Formulas and Tables

I. Computation of Interest on Treasury Bonds and Notes.

II. Formulas for Conversion of Non-indexed Security Yields to Equivalent Prices.

III. Formulas for Conversion of Inflation-Protected Security Yields to Equivalent Prices.

IV. Formulas for Conversion of Floating Rate Note Discount Margins to Equivalent Prices

V. Computation of Adjusted Values and Payment Amounts for Stripped Inflation-Protected Interest Components.

VI. Computation of Purchase Price, Discount Rate, and Investment Rate (Coupon-Equivalent Yield) for Treasury Bills.

The examples in this appendix are 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, we use intermediate rounding for ease in following the calculations. In actual practice, we generally do not round prior to determining the final result.

If you use a multi-decimal calculator, we recommend setting your calculator to at least 13 decimals and then applying normal rounding procedures. This should be sufficient to obtain the same final results. However, in the case of any discrepancies, our determinations will be final.

I. Computation of Interest on Treasury Bonds and Notes

A. Treasury Non-indexed Securities

1. *Regular Half-Year Payment Period*. We pay interest on marketable Treasury non-indexed securities 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 non-indexed note 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*. We compute a daily interest decimal in cases where an interest payment period for a non-indexed security is shorter or longer than six months or where accrued interest is payable by an investor. We base the daily interest decimal on the actual number of calendar days in the half-year or half-years involved. 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 shows 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

TABLE 2—Continued

[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
5/8	0.016983696	0.017076503	0.017170330	0.017265193
3/4	0.020380435	0.020491803	0.020604396	0.020718232
7/8	0.023777174	0.023907104	0.024038462	0.024171271
1	0.027173913	0.027322404	0.027472527	0.027624309
1 1/8	0.030570652	0.030737705	0.030906593	0.031077348
1 1/4	0.033967391	0.034153005	0.034340659	0.034530387
1 3/8	0.037364130	0.037568306	0.037774725	0.037983425
1 1/2	0.040760870	0.040983607	0.041208791	0.041436464
1 5/8	0.044157609	0.044398907	0.044642857	0.044889503
1 3/4	0.047554348	0.047814208	0.048076923	0.048342541
1 7/8	0.050951087	0.051229508	0.051510989	0.051795580
2	0.054347826	0.054644809	0.054945055	0.055248619
2 1/8	0.057744565	0.058060109	0.058379121	0.058701657
2 1/4	0.061141304	0.061475410	0.061813187	0.062154696
2 3/8	0.064538043	0.064890710	0.065247253	0.065607735
2 1/2	0.067934783	0.068306011	0.068681319	0.069060773
2 5/8	0.071331522	0.071721311	0.072115385	0.072513812
2 3/4	0.074728261	0.075136612	0.075549451	0.075966851
2 7/8	0.078125000	0.078551913	0.078983516	0.079419890
3	0.081521739	0.081967213	0.082417582	0.082872928
3 1/8	0.084918478	0.085382514	0.085851648	0.086325967
3 1/4	0.088315217	0.088797814	0.089285714	0.089779006
3 3/8	0.091711957	0.092213115	0.092719780	0.093232044
3 1/2	0.095108696	0.095628415	0.096153846	0.096685083
3 5/8	0.098505435	0.099043716	0.099587912	0.100138122
3 3/4	0.101902174	0.102459016	0.103021978	0.103591160
3 7/8	0.105298913	0.105874317	0.106456044	0.107044199
4	0.108695652	0.109289617	0.109890110	0.110497238
4 1/8	0.112092391	0.112704918	0.113324176	0.113950276
4 1/4	0.115489130	0.116120219	0.116758242	0.117403315
4 3/8	0.118885870	0.119535519	0.120192308	0.120856354
4 1/2	0.122282609	0.122950820	0.123626374	0.124309392
4 5/8	0.125679348	0.126366120	0.127060440	0.127762431
4 3/4	0.129076087	0.129781421	0.130494505	0.131215470
4 7/8	0.132472826	0.133196721	0.133928571	0.134668508
5	0.135869565	0.136612022	0.137362637	0.138121547
5 1/8	0.139266304	0.140027322	0.140796703	0.141574586
5 1/4	0.142663043	0.143442623	0.144230769	0.145027624
5 3/8	0.146059783	0.146857923	0.147664835	0.148480663
5 1/2	0.149456522	0.150273224	0.151098901	0.151933702
5 5/8	0.152853261	0.153688525	0.154532967	0.155386740
5 3/4	0.156250000	0.157103825	0.157967033	0.158839779
5 7/8	0.159646739	0.160519126	0.161401099	0.162292818
6	0.163043478	0.163934426	0.164835165	0.165745856
6 1/8	0.166440217	0.167349727	0.168269231	0.169198895
6 1/4	0.169836957	0.170765027	0.171703297	0.172651934
6 3/8	0.173233696	0.174180328	0.175137363	0.176104972
6 1/2	0.176630435	0.177595628	0.178571429	0.179558011
6 5/8	0.180027174	0.181010929	0.182005495	0.183011050
6 3/4	0.183423913	0.184426230	0.185439560	0.186464088
6 7/8	0.186820652	0.187841530	0.188873626	0.189917127
7	0.190217391	0.191256831	0.192307692	0.193370166
7 1/8	0.193614130	0.194672131	0.195741758	0.196823204
7 1/4	0.197010870	0.198087432	0.199175824	0.200276243
7 3/8	0.200407609	0.201502732	0.202609890	0.203729282
7 1/2	0.203804348	0.204918033	0.206043956	0.207182320
7 5/8	0.207201087	0.208333333	0.209478022	0.210635359
7 3/4	0.210597826	0.211748634	0.212912088	0.214088398
7 7/8	0.213994565	0.215163934	0.216346154	0.217541436
8	0.217391304	0.218579235	0.219780220	0.220994475
8 1/8	0.220788043	0.221994536	0.223214286	0.224447514
8 1/4	0.224184783	0.225409836	0.226648352	0.227900552
8 3/8	0.227581522	0.228825137	0.230082418	0.231353591
8 1/2	0.230978261	0.232240437	0.233516484	0.234806630
8 5/8	0.234375000	0.235655738	0.236950549	0.238259669
8 3/4	0.237771739	0.239071038	0.240384615	0.241712707
8 7/8	0.241168478	0.242486339	0.243818681	0.245165746
9	0.244565217	0.245901639	0.247252747	0.248618785
9 1/8	0.247961957	0.249316940	0.250686813	0.252071823

TABLE 2—Continued

[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
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
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

TABLE 2—Continued

[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
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
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 Treasury non-indexed security covers less than a full half-year period (a ''short coupon''), we multiply the daily interest decimal by the number of days from, but not including, the issue date to, and including, the first interest payment date. This calculation results in the amount of the interest payable per $1,000 par amount. In cases where the par amount of securities is a multiple of $1,000, we multiply the appropriate multiple by the unrounded interest payment amount per $1,000 par amount.

Example

A 2-year 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. 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 bond or note covers more than a full half-year period (a ''long coupon''), we multiply the daily interest decimal 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. We add that amount 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 a multiple of $1,000, the appropriate multiple should be applied to the unrounded interest payment amount per $1,000 par amount.

Example

A 5-year 2-month 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-Protected Securities

1. *Indexing Process*. We pay interest on marketable Treasury inflation-protected securities on a semiannual basis. We issue inflation-protected securities with a stated rate of interest that remains constant until maturity. Interest payments are based on the security's inflation-adjusted principal at the

time we pay interest. We make this adjustment 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. 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. We determine the Ref CPI for any other day of a month by a linear interpolation between the Ref CPI applicable to the first day of the month in which the day falls (in the example, January) and the Ref CPI applicable to the first day of the next month (in the example, February). For interpolation purposes, we truncate calculations with regard to the Ref CPI and the Index Ratio for a specific date to six decimal places, and round to five decimal places.

Therefore the Ref CPI and the Index Ratio for a particular date will be expressed to five decimal places.

(i) The formula for the Ref CPI for a specific date is:

$$\text{Ref CPI}_{\text{Date}} = \text{Ref CPI}_{\text{M}} + \frac{t-1}{D}\left[\text{Ref CPI}_{\text{M+1}} - \text{Ref CPI}_{\text{M}}\right]$$

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

(ii) 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 $CPI_{April\ 1,\ 1996}$ = 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.

(iii) Putting these values in the equation in paragraph (ii) above:

$$\text{Ref CPI}_{\text{April 15, 1996}} = 154.40 + \frac{14}{30}\left[154.90 - 154.40\right]$$

$$\text{Ref CPI}_{\text{April 15, 1996}} = 154.633333333$$

This value truncated to six decimals is 154.633333; rounded to five decimals it is 154.63333.

(iv) To calculate the Index Ratio for April 16, 1996, for an inflation-protected security issued on April 15, 1996, the Ref $CPI_{April\ 16,\ 1996}$ must first be calculated. Using the same values in the equation above except that t=16, the Ref $CPI_{April\ 16,\ 1996}$ is 154.65000.

The Index Ratio for April 16, 1996 is:

Index $Ratio_{April\ 16,\ 1996}$ = 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*.

(i) If a previously reported CPI is revised, we will continue to use the previously reported (unrevised) CPI in calculating the principal value and interest payments.

If the CPI is rebased to a different year, we 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.

(ii) We will replace the CPI with an appropriate alternative index if, while an inflation-protected security is outstanding, the applicable CPI is:

• Discontinued,

• In the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the 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.

(iii) If we decide to substitute an alternative index we will consult with the Bureau of Labor Statistics or any successor agency. We will then notify the public of the substitute index and how we will apply it. Determinations of the Secretary in this regard will be final.

(iv) If the CPI for a particular month is not reported by the last day of the following month, we will announce an index number based on the last available twelve-month change in the CPI. We will base our calculations of our payment obligations that rely on that month's CPI on the index number we announce.

(a) For example, if the CPI for month M is not reported timely, the formula for calculating the index number to be used is:

$$CPI_M = CPI_{M-1} \times \left[\frac{CPI_{M-1}}{CPI_{M-13}} \right]^{1/12}$$

(b) Generalizing for the last reported CPI issued N months prior to month M:

$$CPI_M = CPI_{M-N} \times \left[\frac{CPI_{M-N}}{CPI_{M-N-12}} \right]^{N/12}$$

(c) If it is necessary to use these formulas to calculate an index number, we will use that number for all subsequent calculations that rely on the month's index number. We will not replace it with the actual CPI when it is reported, except for use in the above formulas. If it becomes necessary to use the above formulas to derive an index number, we will use the last CPI that has been reported 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-protected 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. We will calculate interest payments by multiplying one-half of the specified annual interest rate for the inflation-protected securities by the inflation-adjusted principal for the interest payment date.

Specifically, we compute a semiannual interest payment 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-protected note paying 3⅞% interest was issued on January 15, 1999, with the first interest payment on July 15, 1999. The Ref CPI on January 15, 1999 (Ref $CPI_{IssueDate}$) was 164, and the Ref CPI on July 15, 1999 (Ref CPI_{Date}) was 166.2. For a par amount of $100,000, the inflation-adjusted principal on July 15, 1999, was (166.2/164) × $100,000, or $101,341. This amount was multiplied by .03875/2, or .019375, resulting in a payment of $1,963.48.

C. Treasury Floating Rate Notes

1. *Indexing and Interest Payment Process.* We issue floating rate notes with a daily interest accrual feature. This means that the interest rate ''floats'' based on changes in the representative index rate. We pay interest on a quarterly basis. The index rate is the High Rate of the 13-week Treasury bill auction announced on the auction results press release that has been converted into a simple-interest money market yield computed on an actual/360 basis and rounded to nine decimal places. Interest payments are based on the floating rate note's variable interest rate from, and including, the dated date or last interest payment date to, but excluding, the next interest payment or maturity date. We make quarterly interest payments by accruing the daily interest amounts and adding those amounts together for the interest payment period.

2. *Interest Rate.* The interest rate on floating rate notes will be the spread plus the index rate (as it may be adjusted on the calendar day following each auction of 13-week bills).

3. *Interest Accrual.* In general, accrued interest for a particular calendar day in an accrual period is calculated by using the index rate from the most recent auction of 13-week bills that took place before the accrual day, plus the spread determined at the time of a new floating rate note auction, divided by 360, subject to a zero-percent minimum daily interest accrual rate. However, a 13-week bill

auction that takes place in the two-business-day period prior to a settlement date or interest payment date will be excluded from the calculation of accrued interest for purposes of the settlement amount or interest payment. Any changes in the index rate that would otherwise have occurred during this two-business-day period will occur on the first calendar day following the end of the period.

4. *Index Contingencies.*

(i) If Treasury were to discontinue auctions of 13-week bills, the Secretary has authority to determine and announce a new index for outstanding floating rate notes.

(ii) If Treasury were to not conduct a 13-week bill auction in a particular week, then the interest rate in effect for the notes at the time of the last 13-week bill auction results announcement will remain in effect until such time, if any, as the results of a 13-week Treasury auction are again announced by Treasury. Treasury reserves the right to change the index rate for any newly issued floating rate note.

D. Accrued Interest

1. You will have to pay accrued interest on a Treasury bond or note when interest accrues prior to the issue date of the security. Because you receive a full interest payment despite having held the security for only a portion of the interest payment period, you must compensate us through the payment of accrued interest at settlement.

2. For a Treasury non-indexed 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 use in computing the accrued interest. We multiply the decimal by the number of days for which interest has accrued.

3. If a reopened bond or note 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. A separate daily interest decimal must be multiplied by the respective number of days in each half-year period during which interest has accrued.

4. We round all accrued interest computations to five decimal places for a $1,000 par amount, using normal rounding procedures. We calculate accrued interest for a par amount of securities greater than $1,000 by applying the appropriate multiple to accrued interest payable for a $1,000 par amount, rounded to five decimal places. We calculate accrued interest for a par amount of securities less than $1,000 by applying the appropriate fraction to accrued interest payable for a $1,000 par amount, rounded to five decimal places.

5. For an inflation-protected security, we calculate accrued interest as shown in section III, paragraphs A and B of this appendix.

Examples—(1) *Treasury Non-indexed Securities—(i) Involving One Half-Year:* A note paying interest at a rate of 6¾%, originally issued on May 15, 2000, as a 5-year note with a first interest payment date of November 15, 2000, was reopened as a 4-year 9-month note on August 15, 2000. Interest had accrued for 92 days, from May 15 to August 15. The regular interest period from May 15 to November 15, 2000, covered 184 days. Accordingly, the daily interest decimal, $0.183423913, multiplied by 92, resulted in accrued interest payable of $16.874999996, or $16.87500, for each $1,000 note purchased. If the notes have a par amount of $150,000, then 150 is multiplied by $16.87500, resulting in an amount payable of $2,531.25.

(2) *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).

6. For a floating rate note, if accrued interest covers a portion of a full quarterly interest payment period, we calculate accrued interest as shown in section IV, paragraphs C and D of this appendix.

II. FORMULAS FOR CONVERSION OF NON-INDEXED SECURITY YIELDS TO EQUIVALENT PRICES

Definitions

P = price per 100 (dollars), rounded to six places, using normal rounding procedures.

C = the regular annual interest per $100, payable semiannually, e.g., 6.125 (the decimal equivalent of a 6⅛% 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, 2015, 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.

$a_{\overline{n}|} = (1 - v^n) / (i/2) = v + v^2 + v^3 + \ldots + v^n$ = present value of 1 per period for n periods

Special Case: If i = 0, then $a_{\overline{n}|} = n$. Furthermore, when i = 0, $a_{\overline{n}|}$ cannot be calculated using the formula: $(1 - v^n)/(i/2)$. In the special case where i = 0, $a_{\overline{n}|}$ must be calculated as the summation of the individual present values (i.e., $v + v^2 + v^3 + \ldots + v^n$). Using the summation method will always confirm that $a_{\overline{n}|} = n$ when i = 0.

A = accrued interest.

A. *For non-indexed securities with a regular first interest payment period:*

Formula:

$P[1 + (r/s)(i/2)] = (C/2)(r/s) + (C/2)a_{\overline{n}|} + 100v^n$.

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:G12752

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 .0779403508.
$a_{\overline{n}|} = (1 - .0779403508) / .0442$, or 20.8610780353.

Resolution:

$P[1 + (r/s)(i/2)] = (C/2)(r/s) + (C/2)a_{\overline{n}|} + 100v^n$ or
$P[1 + (184/184)(.0884/2)] = (8.75/2)(184/184) + (8.75/2)(20.8610780353) + 100(.0779403508)$.
(1) $P[1 + .0442] = 4.375 + 91.2672164044 + 7.7940350840$.
(2) $P[1.0442] = 103.4362514884$.
(3) $P = 103.4362514884 / 1.0442$.
(4) P = 99.057893.

B. *For non-indexed securities with a short first interest payment period:*

Formula:

$P[1 + (r/s)(i/2)] = (C/2)(r/s) + (C/2)a_{\overline{n}|} + 100v^n$.

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 .8814740565.
$a_{\overline{n}|} = (1 - .8814740565) / .04295$, or 2.7596261590.

Resolution:

$P[1 + (r/s)(i/2)] = (C/2)(r/s) + (C/2)a_{\overline{n}|} + 100v^n$ or
$P[1 + (181/183)(.0859/2)] = (8.50/2)(181/183) + (8.50/2)(2.7596261590) + 100(.8814740565)$.
(1) $P[1 + .042480601] = 4.2035519126 + 11.7284111757 + 88.14740565$.
(2) $P[1.042480601] = 104.0793687354$.
(3) $P = 104.0793687354 / 1.042480601$.
(4) P = 99.838183.

C. *For non-indexed securities with a long first interest payment period:*

Formula:

$P[1 + (r/s)(i/2)] = [(C/2)(r/s)]v + (C/2)a_{\overline{n}|} + 100v^n$.

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 .9590946147.
$v^n = 1 / (1+.0853/2)^{10}$, or .658589
$a_{\overline{n}|} = (1-.658589)/.04265$, or 8.0049454082.

Resolution:

$P[1 + (r/s)(i/2)] = [(C/2)(r/s)]v + (C/2)a_{\overline{n}|} + 100v^n$ or
$P[1 + (75/181)(.0853/2)] = [(8.50/2)(75/181)].9590946147 + (8.50/2)(8.0049454082) + 100(.6585890783)$.
(1) $P[1 + .017672652] = 1.6890133062 + 34.0210179850 + 65.8589078339$.
(2) $P[1.017672652] = 101.5689391251$.
(3) $P = 101.5689391251 / 1.017672652$.
(4) P = 99.805118.

D. (1) *For non-indexed securities reopened during a regular interest period where the purchase price includes predetermined accrued interest.*

(2) *For new non-indexed 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:

$(P + A)[1 + (r/s)(i/2)] = C/2 + (C/2)a_{n\rceil} + 100v^n$.

Where:

$A = [(s-r)/s](C/2)$.

Example:

For a 9½% 10-year note with interest accruing from November 15, 1985, issued November 29, 1985, due November 15, 1995, and 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 .4125703996.
$a_{n\rceil} = (1 - .4125703996) / .0477$, or 12.3150859630.
$A = [(181 - 167) / 181](9.50/2)$, or .367403.

Resolution:

$(P+A)[1 + (r/s)(i/2)] = C/2 + (C/2)a_{n\rceil} + 100v^n$ or
$(P + .367403)[1 + (167/181)(.0954/2)] = (9.50/2) + (9.50/2)(12.3150859630) + 100(.4125703996)$.
(1) $(P + .367403)[1 + .044010497] = 4.75 + 58.4966583243 + 41.25703996$.
(2) $(P + .367403)[1.044010497] = 104.5036982843$.
(3) $(P + .367403) = 104.5036982843 / 1.044010497$.
(4) $(P + .367403) = 100.098321$.
(5) $P = 100.098321 - .367403$.
(6) $P = 99.730918$.

E. *For non-indexed securities reopened during the regular portion of a long first payment period:*

Formula:

$(P+A)[1+ (r/s)(i/2)] = (r's'')(C/2) + C\ 2 + (C/2)a_{n\rceil} + 100v^n$.

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 .1366947986.
$a_{n\rceil} = (1 - .1366947986) / .05235$, or 16.4910258142.
$AI' = (44 / 181)(10.75 / 2)$, or 1.306630.
$AI = [(184 - 103) / 184](10.75 / 2)$, or 2.366168.
$A = AI' + AI$, or 3.672798.

Resolution:

$(P+A)[1 + (r/s)(i/2)] = (r'/s'')(C/2) + C/2 + (C/2)a_{n\rceil} + 100v^n$ or
$(P + 3.672798)[1 + (103/184)(.1047/2)] = (44/181)(10.75/2) + 10.75/2 + (10.75/2)(16.4910258142) + 100(.1366947986)$.
(1) $(P + 3.672798)[1 + .02930462] = 1.3066298343 + 5.375 + 88.6392637512 + 13.6694798628$.
(2) $(P + 3.672798)[1.02930462] = 108.9903734482$.
(3) $(P + 3.672798) = 108.9903734482 / 1.02930462$.
(4) $(P + 3.672798) = 105.887384$.
(5) $P = 105.887384 - 3.672798$.
(6) $P = 102.214586$.

F. *For non-indexed securities reopened during a short first payment period:*

Formula:

$(P + A)[1 + (r/s)(i/2)] = (r'/s)(C/2) + (C/2)a_{n\rceil} + 100v^n$.

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 .4631696332.
$a_{n\rceil} = (1 - .4631696332) / .05265$, or 10.1962082956.
$A = [(183 - 92) / 184](10.50 / 2)$, or 2.596467.

Resolution:

$(P + A)[1 + (r/s)(i/2)] = (r'/s)(C/2) + (C/2)a_{n\rceil} + 100v^n$ or
$(P + 2.596467)[1+(92/184)(.1053/2)] = (183/184)(10.50/2) + (10.50/2)(10.1962082956) + 100(.4631696332)$.

(1) $(P + 2.596467)[1 + .026325] = 5.2214673913 + 53.5300935520 + 46.31696332$.
(2) $(P + 2.596467)[1.026325] = 105.0685242633$.
(3) $(P + 2.596467) = 105.0685242633 / 1.026325$.
(4) $(P + 2.596467) = 102.373541$.
(5) $P = 102.373541 - 2.596467$.
(6) $P = 99.777074$.

G. *For non-indexed securities reopened during the fractional portion (initial short period) of a long first payment period:*

Formula:

$(P + A)[1 + (r/s)(i/2)] = [(r'/s)(C/2)]v + (C/2)a_{n\rceil} + 100v^n$.

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 .9533342867.
$v^n = [1 / (1 + .0979/2)]^{12}$, or .5635631040.
$a_{n\rceil} = (1 - .5635631040)/.04895$, or 8.9159733613.
$A = [(61 - 30)/183](9.75/2)$, or .825820.

Resolution:

$(P + A)[1 + (r/s)(i/2)] = [(r'/s)(C/2)]v + (C/2)a_{n\rceil} + 100v^n$ or

$(P + .825820)[1 + (30/183)(.0979/2)] = [(61/183)(9.75/2)](.9533342867) + (9.75/2)(8.9159733613) + 100(.5635631040)$.

(1) $(P + .825820)[1+ .00802459] = 1.549168216 + 43.4653701362 + 56.35631040$.
(2) $(P + .825820)[1.00802459] = 101.3708487520$.
(3) $(P + .825820) = 101.3708487520 / 1.00802459$.
(4) $(P + .825820) = 100.563865$.
(5) $P = 100.563865 - .825820$.
(6) $P = 99.738045$.

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; $P \times \text{Index Ratio}_{Date}$.
A = unadjusted accrued interest per $100 original principal.
A_{adj} = inflation adjusted accrued interest; $A \times \text{Index Ratio}_{Date}$.
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.

Special Case: If $i = 0$, then $a_{n\rceil} = n$. Furthermore, when $i = 0$, $a_{n\rceil}$ cannot be calculated using the formula: $(1 - v^n)/(i/2)$. In the special case where $i = 0$, $a_{n\rceil}$ must be calculated as the summation of the individual present values (i.e., $v + v^2 + v^3 + \cdots + v^n$). Using the summation method will always confirm that $a_{n\rceil} = n$ when $i = 0$.

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 (also equal to the CPI for the third preceding calendar month), e.g., Ref $CPI_{April\ 1}$ 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 $CPI_M - [(t - 1)/D][\text{Ref } CPI_{M+1} - \text{Ref } CPI_M]$.
Index Ratio_{Date} = Ref CPI_{Date} / Ref $CPI_{IssueDate}$.

NOTE: When the Issue Date is different from the Dated Date, the denominator is the Ref $CPI_{DatedDate}$.

A. *For inflation-indexed securities with a regular first interest payment period:*

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:

We issued a 10-year inflation-indexed note on January 15, 1999. The note was issued at a discount to yield of 3.898% (real). The note bears a 3⅞% real coupon, payable on July 15 and January 15 of each year. The base CPI index applicable to this note is 164. (We normally derive this number using the interpolative process described in appendix B, section I, paragraph B.)

Definitions:

C = 3.875.
i = 0.03898.
n = 19 (There are 20 full semiannual periods but n is reduced by 1 because the issue date is a coupon frequency date.).
r = 181 (January 15, 1999 to July 15, 1999).
s = 181 (January 15, 1999 to July 15, 1999).
$\text{Ref CPI}_{Date} = 164$.
$\text{Ref CPI}_{IssueDate} = 164$.

Resolution:

$\text{Index Ratio}_{Date} = \text{Ref CPI}_{Date} / \text{Ref CPI}_{IssueDate} = 164/164 = 1$.
$A = [(181 - 181)/181] \times 3.875/2 = 0$.
$A_{adj} = 0 \times 1 = 0$.
$v^n = 1/(1 + i/2)^n = 1/(1 + .03898/2)^{19} = 0.692984572$.
$a_{\overline{n}|} = (1 - v^n)/(i/2) = (1–0.692984572) / (.03898/2) = 15.752459107$.

Formula:

$$P = \frac{(C/2) + (C/2)a_{\overline{n}|} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$$P = \frac{(3.875/2) + (3.875/2)(15.752459107) + 100(0.692984572)}{1 + (181/181)(0.03898/2)} - [(181 - 181)/181](3.875/2)$$

$$P = \frac{1.9375 + 30.\mathbf{52038952} + 69.29845720}{1.01949000} - 0$$

$$P = \frac{101.75634672}{1.01949000}$$

P = 99.811030.
$P_{adj} = P \times \text{Index Ratio}_{Date}$.
$P_{adj} = 99.811030 \times 1 = 99.811030$.
$SA = P_{adj} \times A_{adj}$.
SA = 99.811030 + 0 = 99.811030.

NOTE: For the real price (P), we have rounded to six places. These amounts are based on 100 par value.

B. (1) *For inflation-indexed securities reopened during a regular interest period where the purchase price includes predetermined accrued interest.*

(2) *For new inflation-indexed 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.*

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:

We issued a 3⅝% 10-year inflation-indexed note on January 15, 1998, with interest payments on July 15 and January 15. For a reopening on October 15, 1998, with inflation compensation accruing from January 15, 1998 to October 15, 1998, and accrued interest accruing from July 15, 1998 to October 15, 1998 (92 days), solve for the price per 100 (P) at a real yield, as determined in the reopening auction, of 3.65%. The base index applicable to the issue date of this note is 161.55484 and the reference CPI applicable to October 15, 1998, is 163.29032.

Definitions:

C = 3.625.
i = 0.0365.
n = 18.
r = 92 (October 15, 1998 to January 15, 1999).
s = 184 (July 15, 1998 to January 15, 1999).
$\text{Ref CPI}_{Date} = 163.29032$.
$\text{Ref CPI}_{IssueDate} = 161.55484$.

Resolution:

$\text{Index Ratio}_{Date} = \text{Ref CPI}_{Date}/\text{Ref CPI}_{IssueDate} = 163.29032/161.55484 = 1.01074$.
$v^n = 1/(1 + i/2)^n = 1/(1 + .0365/2)^{18} = 0.722138438$.
$a_{\overline{n}|} = (1 - v^n)/(i/2) = (1 - 0.722138438)/(.0365/2) = 15.225291068$.

Formula:

$$P = \frac{(C/2) + (C/2)a_{\overline{n}|} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$$P = \frac{(3.625/2) + (3.625/2)(15.225291068) + 100(0.722138438)}{1 + (92/184)(0.0365/2)} - [(184 - 92)/184](3.625/2)$$

$$P = \frac{1.8125 + 27.\mathbf{59584006} + 72.21384380}{1.009125} - (92/184)(1.8125)$$

$$P = \frac{101.62218386}{1.009125} - 0.906250$$

P = 100.703267 − 0.906250.
P = 99.797017.
$P_{adj} = P \times \text{Index Ratio}_{\text{Date.}}$
$P_{adj} = 99.797017 \times 1.01074 = 100.86883696$.
$P_{adj} = 100.868837$.
$A = [(184 - 92)/184] \times 3.625/2 = 0.906250$.
$A_{adj} = A \times \text{Index Ratio}_{\text{Date.}}$
$A_{adj} = 0.906250 \times 1.01074 = 0.91598313$.
$A_{adj} = 0.915983$.
$SA = P_{adj} + A_{adj} = 100.868837 + 0.915983$.
SA = 101.784820.

NOTE: For the real price (P), and the inflation-adjusted price (P_{adj}), we have rounded to six places. For accrued interest (A) and the adjusted accrued interest (A_{adj}), we have rounded to six places. These amounts are based on 100 par value.

IV. FORMULAS FOR CONVERSION OF FLOATING RATE NOTE DISCOUNT MARGINS TO EQUIVALENT PRICES

Definitions for Newly Issued Floating Rate Notes

P = the price per $100 par value.
T_0 = the issue date.
N = the total number of quarterly interest payments.
i and *k* = indexes that identify the sequence of interest payment dates.
T_i = the ith quarterly interest payment date.
$T_i - T_{i-1}$ = the number of days between the interest payment date T_i and the preceding interest payment date.
T_N = the maturity date.
r = the index rate applicable to the issue date.
s = the spread.
m = the discount margin.

A. For newly issued floating rate notes issued at par:

Formula:

$$P = \sum_{i=1}^{N} \left(\frac{100 \times \frac{1}{360}(T_i - T_{i-1}) \times \max(r + s, 0)}{\prod_{k=1}^{i} \left(1 + \frac{1}{360}(T_k - T_{k-1}) \times (r + m)\right)} \right) + \frac{100}{\prod_{k=1}^{N} \left(1 + \frac{1}{360}(T_k - T_{k-1}) \times (r + m)\right)}$$

Example:

The purpose of this example is to demonstrate how a floating rate note price is derived at the time of original issuance. Additionally, this example depicts the association of the July 31, 2012 issue date and the two-business-day lockout period. For a new two-year floating rate note auctioned on July 25, 2012, and issued on July 31, 2012, with a maturity date of July 31, 2014, and an interest accrual rate on the issue date of 0.215022819% (index rate of 0.095022819% plus a spread of 0.120%), solve for the price per 100 (P). This interest accrual rate is used for each daily interest accrual over the life of the security for the purposes of this example. In a new issuance (not a reopening) of a floating rate note, the discount margin determined at auction will be equal to the spread.

Definitions:

T_0 = July 31, 2012.
N = 8.
T_N = July 31, 2014.

r = 0.095022819%.
s = 0.120%.
m = 0.120%.

As of the issue date the latest 13-week bill, auctioned at least two days prior, has the following information:

TABLE 1—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate	Index rate
7/23/2012	7/26/2012	10/25/2012	99.975986	0.095%	0.095022819%

The rationale for using a 13-week bill auction that has occurred at least two days prior to the issue date is due to the two-business-day lockout period. This lockout period applies only to the issue date and interest payment dates, thus any 13-week bill auction that occurs during the two-day lockout period is not used for calculations related to the issue date and interest payment dates. The following sample calendar depicts this relationship for the floating rate note issue date.

July 2012

Sunday 22nd	**Monday 23rd 13-week bill auction**	Tuesday 24th	**Wednesday 25th Auction date**	Thursday 26th	Friday 27th **Lockout Day 1**	Saturday 28th
Sunday 29th	Monday 30th **Lockout Day 2** 13-week bill auction (not applicable for July 31 calculations)	**Tuesday 31st Issue date**				

Computing the index rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above, $r = \frac{0.095\%}{1 - \frac{91}{360} \times 0.095\%} = 0.095022819\%$.

Computing the Projected Cash Flows

The following table presents the future interest payment dates and the number of days between them.

TABLE 2—PAYMENT DATES

Dates	Days between dates
Issue Date: T_0 = 7/31/2012.	
1st Interest Date: T_1 = 10/31/2012	$T_1 - T_0 = 92$
2nd Interest Date: T_2 = 1/31/2013	$T_2 - T_1 = 92$
3rd Interest Date: T_3 = 4/30/2013	$T_3 - T_2 = 89$
4th Interest Date: T_4 = 7/31/2013	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 10/31/2013	$T_5 - T_4 = 92$
6th Interest Date: T_6 = 1/31/2014	$T_6 - T_5 = 92$
7th Interest Date: T_7 = 4/30/2014	$T_7 - T_6 = 89$
8th Interest & Maturity Dates: T_8 = 7/31/2014	$T_8 - T_7 = 92$

Let

$a_i = 100 \times \max(r + s, 0)/360$

and

$A_i = a_i \times (T_i - T_{i-1}) + 100 \times 1_{\{i=8\}}$

a_i represents the daily projected interest, for a $100 par value, that will accrue between the future interest payment dates T_{i-1} and T_i, where i = 1,2, . . . ,8. a_i's are computed using the spread s = 0.120% obtained at the auction, and the fixed index rate of r = 0.095022819% applicable to the issue date (7/31/2012). For example:

$a_1 = 100 \times \max(0.00095022819 + 0.00120, 0)/360 = 0.000597286$

A_i represents the projected cash flow the floating rate note holder will receive, for a $100 par value, at the future interest payment date T_i, where i = 1,2, . . . ,8. $T_i - T_{i-1}$ is the number of days between the future interest payment dates T_{i-1} and T_i. To account for the payback of the par value, the variable $1_{\{i=8\}}$ takes the value 1 if the payment date is the maturity date, or 0 otherwise. For example:

$A_i = 92 \times 0.000597286 = 0.054950312$

and

$A_8 = 92 \times 0.000597286 + 100 = 100.054950312$

Let

$B_i = 1 + (r + m) \times (T_i - T_{i-1})/360$

B_i represents the projected compound factor between the future dates T_{i-1} and T_i, where i = 1,2, . . . ,8. All B_i's are computed using the discount margin m = 0.120% (equals the spread determined at the auction), and the fixed index rate of r = 0.095022819% applicable to the issue date (7/31/2012). For example:

$B_3 = 1 + (0.00095022819 + 0.00120) \times 89/360 = 1.000531584.$

The following table shows the projected daily accrued interest values for $100 par value ($a_i$'s), cash flows at interest payment dates (A_i's), and the compound factors between payment dates (B_i's).

TABLE 3—PROJECTED CASH FLOWS AND COMPOUND FACTORS

i	a_i	A_i	B_i
1	0.000597286	0.054950312	1.000549503
2	0.000597286	0.054950312	1.000549503
3	0.000597286	0.053158454	1.000531584
4	0.000597286	0.054950312	1.000549503
5	0.000597286	0.054950312	1.000549503
6	0.000597286	0.054950312	1.000549503
7	0.000597286	0.053158454	1.000531584
8	0.000597286	100.054950312	1.000549503

Computing the Price

The price is computed as follows:

$$P=\left[\frac{A_1}{B_1}+\frac{A_2}{B_1B_2}+\frac{A_3}{B_1B_2B_3}+\frac{A_4}{B_1B_2B_3B_4}+\frac{A_5}{B_1B_2B_3B_4B_5}+\frac{A_6}{B_1B_2B_3B_4B_5B_6}+\frac{A_7}{B_1B_2B_3B_4B_5B_6B_7}+\frac{A_8}{B_1B_2B_3B_4B_5B_6B_7B_8}\right]$$

$$P=\left[\frac{0.054950312}{B_1}+\frac{0.054950312}{B_1B_2}+\frac{0.053158454}{B_1B_2B_3}+\frac{0.054950312}{B_1B_2B_3B_4}+\frac{0.054950312}{B_1B_2B_3B_4B_5}+\frac{0.054950312}{B_1B_2B_3B_4B_5B_6}+\frac{0.053158454}{B_1B_2B_3B_4B_5B_6B_7}+\frac{100.054950312}{B_1B_2B_3B_4B_5B_6B_7B_8}\right]$$

$$P=\left[\frac{0.054950312}{1.000549503}+\frac{0.054950312}{1.001099308}+\frac{0.053158454}{1.001631476}+\frac{0.054950312}{1.002181876}+\frac{0.054950312}{1.002732578}+\frac{0.054950312}{1.003283582}+\frac{0.053158454}{1.003816912}+\frac{100.054950312}{1.004368512}\right]$$

$$P=\left[0.054920133+0.054889971+0.053071869+0.054830678+0.054800565+0.054770469+0.052956324+99.619760194\right]$$

$$P=100.000000203=\$100.000000$$

B. For newly issued floating rate notes issued at a premium:

Formula:

$$P=\sum_{i=1}^{N}\left(\frac{100\times\frac{1}{360}(T_i-T_{i-1})\times\max(r+s,0)}{\prod_{k=1}^{i}\left(1+\frac{1}{360}(T_k-T_{k-1})\times(r+m)\right)}\right)+\frac{100}{\prod_{k=1}^{N}\left(1+\frac{1}{360}(T_k-T_{k-1})\times(r+m)\right)}$$

Example:

The purpose of this example is to demonstrate how a floating rate note auction can result in a price at a premium given a negative discount margin and spread at auction. For a new two-year floating rate note auctioned on July 25, 2012, and issued on July 31, 2012, with a maturity date of July 31, 2014,

solve for the price per 100 (P). In a new issue (not a reopening) of a floating rate note, the discount margin established at auction will be equal to the spread. In this example, the discount margin determined at auction is −0.150%, but the floating rate note is subject to a daily interest rate accrual minimum of 0.000%.

Definitions:

T_0 = July 31, 2012.
N = 8.
T_N = July 31, 2014.
r = 0.095022819%.
s = −0.150%.
m = −0.150%.

As of the issue date the latest 13-week bill, auctioned at least two days prior, has the following information:

TABLE 1—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate	Index rate
7/23/2012	7/26/2012	10/25/2012	99.975986	0.095%	0.095022819%

Computing the Index Rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above, $r = \frac{0.095\%}{1 - \frac{91}{360} \times 0.095\%} = 0.095022819\%$.

Computing the Projected Cash Flows

The following table presents the future interest payment dates and the number of days between them.

TABLE 2—PAYMENT DATES

Dates	Days between dates
Issue Date: T_0 = 7/31/2012.	
1st Interest Date: T_1 = 10/31/2012	$T_1 - T_0 = 92$
2nd Interest Date: T_2 = 1/31/2013	$T_2 - T_1 = 92$
3rd Interest Date: T_3 = 4/30/2013	$T_3 - T_2 = 89$
4th Interest Date: T_4 = 7/31/2013	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 10/31/2013	$T_5 - T_4 = 92$
6th Interest Date: T_6 = 1/31/2014	$T_6 - T_5 = 92$
7th Interest Date: T_7 = 4/30/2014	$T_7 - T_6 = 89$
8th Interest & Maturity Dates: T_8 = 7/31/2014	$T_8 - T_7 = 92$

Let

$a_i = 100 \times \max(r + s, 0)/360$

and

$A_i = a_i \times (T_i - T_{i-1}) + 100 \times 1_{\{i=8\}}$

a_i Represents the daily projected interest, for a $100 par value, that will accrue between the future interest payment dates T_{i-1} and T_i where i = 1,2, . . . ,8. a_i's are computed using the spread s = − 0.150%, and the fixed index rate of r = 0.095022819% applicable to the issue date (7/31/2012). For example:

$a_i = 100 \times \max(0.00095022819 - 0.00150, 0)/360 = 100 \times 0/360 = 0.000000000$

A_i represents the projected cash flow the floating rate note holder will receive, for a $100 par value, at the future interest payment date T_i, where i = 1,2, . . ., 8. $T_i - T_{i-1}$ is the number of days between the future interest payment dates T_{i-1} and T_i. To account

for the payback of the par value, the variable $1_{\{i=8\}}$ takes the value 1 if the payment date is the maturity date, or 0 otherwise. For example:

$A_1 = 92 \times 0.000000000 = 0.000000000$

and

$A_8 = 92 \times 0.000000000 + 100 = 100.000000000$

Let

$B_i = 1 + (r + m) \times (T_i - T_{i-1})/360$

B_i represents the projected compound factor between the future dates T_{i-1} and T_i, where $i = 1,2, \ldots, 8$. All B_i's are computed using the discount margin $m = -0.150\%$ (equals the spread obtained at the auction), and the fixed index rate of $r = 0.095022819\%$ applicable to the issue date (7/31/2012). For example:

$B_3 = 1 + (0.00095022819 - 0.00150) \times 89/360 = 0.999864084.$

The following table shows the projected daily accrued interests for $100 par value ($a_i$'s), cash flows at interest payment dates (A_i's), and the compound factors between payment dates (B_i's).

TABLE 3—PROJECTED CASH FLOWS AND COMPOUND FACTORS

i	a_i	A_i	B_i
1	0.000000000	0.000000000	0.999859503
2	0.000000000	0.000000000	0.999859503
3	0.000000000	0.000000000	0.999864084
4	0.000000000	0.000000000	0.999859503
5	0.000000000	0.000000000	0.999859503
6	0.000000000	0.000000000	0.999859503
7	0.000000000	0.000000000	0.999864084
8	0.000000000	100.000000000	0.999859503

Computing the Price

The price is computed as follows:

$$P = \left[\frac{A_1}{B_1} + \frac{A_2}{B_1 B_2} + \frac{A_3}{B_1 B_2 B_3} + \frac{A_4}{B_1 B_2 B_3 B_4} + \frac{A_5}{B_1 B_2 B_3 B_4 B_5} + \frac{A_6}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{A_7}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{A_8}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P = \left[\frac{0.000000000}{B_1} + \frac{0.0000000000}{B_1 B_2} + \frac{0.0000000000}{B_1 B_2 B_3} + \frac{0.000000000}{B_1 B_2 B_3 B_4} + \frac{0.0000000000}{B_1 B_2 B_3 B_4 B_5} + \frac{0.000000000}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{0.0000000000}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{100.0000000000}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P = \left[0.000000000 + 0.000000000 + 0.000000000 + 0.000000000 + 0.000000000 + 0.000000000 + 0.000000000 + 100.000000000/0.998885730 \right]$$

$$P = 100.111551298 = \$100.111551$$

Definitions for Reopenings of Floating Rate Notes and Calculation of Interest Payments

IP_i = the quarterly interest payment at date T_i.

P_D = the price that includes the accrued interest per $100 par value as of the reopening issue date.

AI = accrued interest per $100 par value as of the reopening issue date.

P_C = the price without accrued interest per $100 par value as of the reopening issue date.

T_{-1} = the dated date if the reopening occurs before the first interest payment date, or, otherwise, the latest interest payment date prior to the reopening issue date.

T_0 = the reopening issue date.

N = the total number of remaining quarterly interest payments as of the reopening issue date.

i and k = indexes that identify the sequence of interest payment dates relative to the issue date. For example T_1, T_2, and T_3 represent the first, second, and the third interest payment dates after the issue date respectively, while T_{-1} represents the preceding interest payment date before the issue date.

j = an index that identifies days between consecutive interest payment dates.

T_i = the ith remaining quarterly interest payment date.

$T_i - T_{i-1}$ = the number of days between the interest payment date T_i and the preceding interest payment date.

T_N = the maturity date.

r_j's = the effective index rates for days between the last interest payment date and the reopening issue date.

r = the index rate applicable to the reopening issue date.

s = the spread.

m = the discount margin.

C. Pricing and accrued interest for reopened floating rate notes

Formula:

$$P_D = \frac{100 \times \frac{1}{360} \sum_{j=T_{-1}}^{T_0 - 1} \max\left(r_j + s, 0\right)}{1 + \frac{1}{360}\left(T_1 - T_0\right) \times (r + m)} + \sum_{i=1}^{N} \left(\frac{100 \times \frac{1}{360}\left(T_i - T_{i-1}\right) \times \max(r + s, 0)}{\prod_{k=1}^{i} \left(1 + \frac{1}{360}\left(T_k - T_{k-1}\right) \times (r + m)\right)} \right) + \frac{100}{\prod_{k=1}^{N} \left(1 + \frac{1}{360}\left(T_k - T_{k-1}\right) \times (r + m)\right)}$$

$$AI = 100 \times \frac{1}{360} \sum_{j=T_{-1}}^{T_0 - 1} \max\left(r_j + s, 0\right)$$

Example:

The purpose of this example is to determine the floating rate note prices with and without accrued interest at the time of the reopening auction. For a two-year floating rate note that was originally auctioned on July 25, 2012, with an issue date of July 31, 2012, reopened in an auction on August 30, 2012 and issued on August 31, 2012, with a maturity date of July 31, 2014, solve for accrued interest per 100 (AI), the price with accrued interest per 100 (P_D) and the price without accrued interest per 100 (P_C). Since this is a reopening of an original issue from the prior month, Table 2 as shown in the example is used for accrued interest calculations. In the case of floating rate note reopenings, the spread on the security remains equal to the

spread that was established at the original auction of the floating rate notes.

Definitions:

T_{-1} = July 31, 2012.
T_0 = August 31, 2012.
N = 8.
T_N = July 31, 2014.
r = 0.105027876%.
s = 0.120%.
m = 0.100%.

The following table shows the past results for the 13-week bill auction.

TABLE 1—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate (percent)	Index rate (percent)
7/23/2012	7/26/2012	10/25/2012	99.975986	0.095	0.095022819
7/30/2012	8/2/2012	11/1/2012	99.972194	0.110	0.110030595
8/6/2012	8/9/2012	11/8/2012	99.974722	0.100	0.100025284
8/13/2012	8/16/2012	11/15/2012	99.972194	0.110	0.110030595
8/20/2012	8/23/2012	11/23/2012	99.973167	0.105	0.105028183
8/27/2012	8/30/2012	11/29/2012	99.973458	0.105	0.105027876

Computing the Index Rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above the corresponding index rate for the 8/27/2012 auction is $r = \frac{0.105\%}{1 - \frac{91}{360} \times 0.105\%} = 0.105027876\%$

The following table shows the index rates applicable for the accrued interest.

TABLE 2—APPLICABLE INDEX RATE

Accrual starts	Accrual ends	Number of days in accrual period	Applicable floating rate	
			Auction date	Index rate (percent)
7/31/2012	7/31/2012	1	7/23/2012	0.095022819
8/1/2012	8/6/2012	6	7/30/2012	0.110030595
8/7/2012	8/13/2012	7	8/6/2012	0.100025284
8/14/2012	8/20/2012	7	8/13/2012	0.110030595
8/21/2012	8/27/2012	7	8/20/2012	0.105028183
8/28/2012	8/30/2012	3	8/27/2012	0.105027876

Computing the Accrued Interest

The accrued interest as of the new issue date (8/31/2012) for a $100 par value is:

$AI = 1 \times 100 \times \max(0.00095022819 + 0.00120, 0)/360$
$+ 6 \times 100 \times \max(0.00110030595 + 0.00120, 0)/360$
$+ 7 \times 100 \times \max(0.00100025284 + 0.00120, 0)/360$
$+ 7 \times 100 \times \max(0.00110030595 + 0.00120, 0)/360$
$+ 7 \times 100 \times \max(0.00105028183 + 0.00120, 0)/360$
$+ 3 \times 100 \times \max(0.00105027876 + 0.00120, 0)/360$

$AI = 1 \times 0.000597286$
$+ 6 \times 0.000638974$
$+ 7 \times 0.000611181$
$+ 7 \times 0.000638974$
$+ 7 \times 0.000625078$
$+ 3 \times 0.000625077$

$AI = 0.000597286 + 0.003833844 + 0.004278267 + 0.004472818 + 0.004375546 + 0.001875231$

$AI = 0.019432992 = \$0.019433$

Computing the Projected Cash Flows

The following table presents the future interest payment dates and the number of days between them.

TABLE 3—PAYMENT DATES

Dates	Days between dates
Original Issue Date: T_{-1} = 7/31/2012.	
New Issue Date: T_0 = 8/31/2012	$T_0 - T_{-1} = 31$
1st Interest Date: T_1 = 10/31/2012	$T_1 - T_0 = 61$
2nd Interest Date: T_2 = 1/31/2013	$T_2 - T_1 = 92$
3rd Interest Date: T_3 = 4/30/2013	$T_3 - T_2 = 89$
4th Interest Date: T_4 = 7/31/2013	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 10/31/2013	$T_5 - T_4 = 92$
6th Interest Date: T_6 = 1/31/2014	$T_6 - T_5 = 92$
7th Interest Date: T_7 = 4/30/2014	$T_7 - T_6 = 89$
8th Interest & Maturity Dates: T_8 = 7/31/2014	$T_8 - T_7 = 92$

Let

$a_i = 100 \times \max(r + s, 0)/360$

and

$A_i = a_i \times (T_i - T_{i-1}) + 100 \times 1_{\{i=8\}}$

a_i represents the daily projected interest, for a $100 par value, that will accrue between the future interest payment dates T_{i-1} and T_i, where i=1,2,…,8. a_i's are computed using the spread s = 0.120% obtained at the original auction, and the fixed index rate of r = 0.105027876% applicable to the new issue date (8/31/2012). For example:

$a_i = 100 \times \max(0.00105027876 + 0.00120, 0)/360 = 0.000625077$

A_i represents the projected cash flow the floating rate note holder will receive, less accrued interest, for a $100 par value, at the future interest payment date T_i, where i=1,2,…,8. $T_i - T_{i-1}$ is the number of days between the future interest payment dates T_{i-1} and T_i. To account for the payback of the par value, the variable $1_{\{i=8\}}$ takes the value 1 if the payment date is the maturity date, or 0 otherwise. For example:

$A_1 = 61 \times 0.000625077 = 0.038129697$

and

$A_8 = 92 \times 0.000625077 + 100 = 100.057507084$

Let

$B_i = 1 + (r + m) \times (T_i - T_{i-1})/360$

B_i represents the projected compound factor between the future dates T_{i-1} and T_i, where i=1,2,…,8. All B_i's are computed using the discount margin m = 0.100% obtained at the reopening auction, and the fixed index rate of r = 0.105027876% applicable to the new issue date (8/31/2012). For example:

$B_3 = 1 + (0.00105027876 + 0.00100) \times 89/360 = 1.000506874$

The following table shows the projected daily accrued interests for $100 par value ($a_i$'s), cash flows at interest payment dates (A_i's), and the compound factors between payment dates (B_i's).

TABLE 4—PROJECTED CASH FLOWS AND COMPOUND FACTORS

i	a_i	A_i	B_i
1	0.000625077	0.038129697	1.000347408
2	0.000625077	0.057507084	1.000523960
3	0.000625077	0.055631853	1.000506874
4	0.000625077	0.057507084	1.000523960
5	0.000625077	0.057507084	1.000523960
6	0.000625077	0.057507084	1.000523960
7	0.000625077	0.055631853	1.000506874
8	0.000625077	100.057507084	1.000523960

Computing the Price

The price with accrued interest is computed as follows:

$$P_D = \left[\frac{AI + A_1}{B_1} + \frac{A_2}{B_1 B_2} + \frac{A_3}{B_1 B_2 B_3} + \frac{A_4}{B_1 B_2 B_3 B_4} + \frac{A_5}{B_1 B_2 B_3 B_4 B_5} + \frac{A_6}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{A_7}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{A_8}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P_D = \left[\frac{0.019432992 + 0.038129697}{B_1} + \frac{0.057507084}{B_1 B_2} + \frac{0.055631853}{B_1 B_2 B_3} + \frac{0.057507084}{B_1 B_2 B_3 B_4} + \frac{0.057507084}{B_1 B_2 B_3 B_4 B_5} + \frac{0.057507084}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{0.055631853}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{100.057507084}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P_D = \left[\frac{0.057562689}{1.000347408} + \frac{0.057507084}{1.000871550} + \frac{0.055631853}{1.001378866} + \frac{0.057507084}{1.001903548} + \frac{0.057507084}{1.002428506} + \frac{0.057507084}{1.002953738} + \frac{0.055631853}{1.003462109} + \frac{100.057507084}{1.003987883} \right]$$

$$P_D = [0.057542698 + 0.057457007 + 0.055555250 + 0.057397824 + 0.057367766 + 0.057337723 + 0.055439914 + 99.660074368]$$

$$P_D = 100.058172550 = \$100.058173$$

The price without accrued interest is computed as follows:

$$P_C = P_D - AI = 100.058172550 - 0.019432992$$

$$P_C = 100.038739558 = \$100.038740$$

D. For calculating interest payments:

Example:

For calculating interest payments:

Example:

For a new issue of a two-year floating rate note auctioned on July 25, 2012, and issued on July 31, 2012, with a maturity date of July 31, 2014, and a first interest payment date of October 31, 2012, calculate the quarterly interest payments (IP_i) per 100. In a new issuance (not a reopening) of a new floating rate note, the discount margin determined at auction will be equal to the spread. The interest accrual rate used for this floating rate note on the issue date is 0.215022819% (index rate of 0.095022819% plus a spread of 0.120%) and this rate is used for each daily interest accrual over the life of the security for the purposes of this example.

(a) If it is a new floating rate note, then $IP_i = 100 \times \frac{1}{360}\left(T_i - T_{i-1}\right) \times \max(r + s, 0)$

(b) If it is a reopened floating rate note, and the interest payment is the first one after the reopening, then $IP_i = 100 \times \frac{1}{360} \sum_{j=T_{-1}}^{T_0} \max\left(r_j + s, 0\right) + 100 \times \frac{1}{360}\left(T_1 - T_0\right) \times \max(r + s, 0)$

(c) If it is a reopened floating rate note, and the interest payment is not the first one after the reopening, then $IP_i = 100 \times \frac{1}{360}\left(T_i - T_{i-1}\right) \times \max(r + s, 0)$

Example 1: Projected interest payment as of the original issue date.

T_0 = July 31, 2012.
N = 8.
T_N = July 31, 2014.
r = 0.095022819%.
s = 0.120%.
m = 0.120%.

As of the issue date the latest 13-week bill, auctioned at least two days prior, has the following information:

TABLE 1—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate	Index rate
7/23/2012	7/26/2012	10/25/2012	99.975986	0.095%	0.095022819%

Computing the Index Rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above, $r = \frac{0.095\%}{1 - \frac{91}{360} \times 0.095\%} = 0.095022819\%$.

Computing the Projected Cash Flows

The following table presents the future interest payment dates and the number of days between them.

TABLE 2—PAYMENT DATES

Dates	Days between dates
Issue Date: T_0 = 7/31/2012.	
1st Interest Date: T_1 = 10/31/2012	$T_1 - T_0 = 92$
2nd Interest Date: T_2 = 1/31/2013	$T_2 - T_1 = 92$
3rd Interest Date: T_3 = 4/30/2013	$T_3 - T_2 = 89$
4th Interest Date: T_4 = 7/31/2013	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 10/31/2013	$T_5 - T_4 = 92$
6th Interest Date: T_6 = 1/31/2014	$T_6 - T_5 = 92$
7th Interest Date: T_7 = 4/30/2014	$T_7 - T_6 = 89$
8th Interest & Maturity Dates: T_8 = 7/31/2014	$T_8 - T_7 = 92$

Using the spread s = 0.120%, and the fixed index rate of r = 0.095022819% applicable to the issue date (7/31/2012), the first and seventh projected interest payments are computed as follows:

$IP_1 = 92 \times [100 \times \max(0.00095022819 + 0.00120, 0)/360]$
$IP_1 = 92 \times 0.000597286 = 0.054950312$

$IP_7 = 89 \times [100 \times \max(0.00095022819 + 0.00120, 0)/360]$
$IP_7 = 89 \times 0.000597286 = 0.053158454$

The following table shows all projected interest payments as of the issue date.

TABLE 3—PROJECTED INTEREST PAYMENTS

i	Dates	IP_i
1	10/31/2012	0.054950312
2	1/31/2013	0.054950312
3	4/30/2013	0.053158454
4	7/31/2013	0.054950312
5	10/31/2013	0.054950312
6	1/31/2014	0.054950312
7	4/30/2014	0.053158454
8	7/31/2014	0.054950312

Example 2: Projected interest payment as of the reopening issue date (intermediate values, including rates in percentage terms, are rounded to nine decimal places).

This example demonstrates the calculations required to determine the interest payment due when the reopened floating rate note is issued. This example also demonstrates the need to calculate accrued interest at the time of a floating rate reopening auction. Since this is a reopening of an original issue from 31 days prior, Table 5 as shown in the example is used for accrued interest calculations. For a two-year floating rate note originally auctioned on July 25, 2012 with an original issue date of July 31, 2012, reopened by an auction on August 30, 2012 and issued on August 31, 2012, with a maturity date of July 31, 2014, calculate the quarterly interest payments (IP_1) per 100. T_{-1} is the dated date if the reopening occurs before the first interest payment date, or otherwise the latest interest payment date prior to the new issue date.

T_{-1} = July 31, 2012.
T_0 = August 31, 2012.
N = 8.
T_N = July 31, 2014.
r = 0.105027876%.
s = 0.120%.
m = 0.100%.

The following table shows the past results for the 13-week bill auction.

TABLE 4—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate (percent)	Index rate (percent)
7/23/2012	7/26/2012	10/25/2012	99.975986	0.095	0.095022819
7/30/2012	8/2/2012	11/1/2012	99.972194	0.110	0.110030595
8/6/2012	8/9/2012	11/8/2012	99.974722	0.100	0.100025284
8/13/2012	8/16/2012	11/15/2012	99.972194	0.110	0.110030595
8/20/2012	8/23/2012	11/23/2012	99.973167	0.105	0.105028183
8/27/2012	8/30/2012	11/29/2012	99.973458	0.105	0.105027876

Computing the Index Rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above the corresponding index rate for the 7/23/2012 auction is $r = \frac{0.095\%}{1 - \frac{91}{360} \times 0.095\%} = 0.095022819\%$.

The following table shows the index rates applicable for the accrued interest.

TABLE 5—APPLICABLE INDEX RATE

Accrual starts	Accrual ends	Number of days in accrual period	Applicable floating rate	
			Auction date	Index rate (percent)
7/31/2012	7/31/2012	1	7/23/2012	0.095022819
8/1/2012	8/6/2012	6	7/30/2012	0.110030595
8/7/2012	8/13/2012	7	8/6/2012	0.100025284
8/14/2012	8/20/2012	7	8/13/2012	0.110030595
8/21/2012	8/27/2012	7	8/20/2012	0.105028183
8/28/2012	8/30/2012	3	8/27/2012	0.105027876

Computing the accrued interest

The accrued interest as of 8/31/2012 for a $100 par value is:

$AI = 1 \times 100 \times \max(0.00095022819 + 0.00120,0)/360$
$+ 6 \times 100 \times \max(0.00110030595 + 0.00120,0)/360$
$+ 7 \times 100 \times \max(0.00100025284 + 0.00120,0)/360$
$+ 7 \times 100 \times \max(0.00110030595 + 0.00120,0)/360$
$+ 7 \times 100 \times \max(0.00105028183 + 0.00120,0)/360$
$+ 3 \times 100 \times \max(0.00105027876 + 0.00120,0)/360$

$AI = 1 \times 0.000597286$
$+ 6 \times 0.000638974$
$+ 7 \times 0.000611181$
$+ 7 \times 0.000638974$
$+ 7 \times 0.000625078$
$+ 3 \times 0.000625077$

$AI = 0.000597286 + 0.003833844 + 0.004278267 + 0.004472818 + 0.004375546 + 0.001875231$

$AI = 0.019432992 = \$0.019433$

The following table presents the future interest payment dates and the number of days between them.

TABLE 6—PAYMENT DATES

Dates	Days between dates
Original Issue Date: T_{-1} = 7/31/2012	
New Issue Date: T_0 = 8/31/2012	$T_0 - T_{-1} = 31$
1st Interest Date: T_1 = 10/31/2012	$T_1 - T_0 = 61$
2nd Interest Date: T_2 = 1/31/2013	$T_2 - T_1 = 92$
3rd Interest Date: T_3 = 4/30/2013	$T_3 - T_2 = 89$
4th Interest Date: T_4 = 7/31/2013	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 10/31/2013	$T_5 - T_4 = 92$
6th Interest Date: T_6 = 1/31/2014	$T_6 - T_5 = 92$
7th Interest Date: T_7 = 4/30/2014	$T_7 - T_6 = 89$
8th Interest & Maturity Dates: T_8 = 7/31/2014	$T_8 - T_7 = 92$

Using the original spread s = 0.120% (obtained on 7/25/2012), and the fixed index rate of r = 0.105027876% applicable to the new issue date (8/31/2012), the first and eighth projected interest payments are computed as follows:

$IP_1 = 0.019432992 + 61 \times [100 \times \max(0.00105027876 + 0.00120,0)/360]$

$IP_1 = 0.019432992 + 61 \times 0.000625077$

$IP_1 = 0.019432992 + 0.038129697 = 0.057562689$

and

$IP_8 = 92 \times [100 \times \max(0.00105027876 + 0.00120,0)/360]$

$IP_8 = 92 \times 0.000625077 = 0.057507084$

The following table shows all projected interest payments as of the new issue date.

TABLE 7—PROJECTED INTEREST PAYMENTS

i	Dates	IP_i
1	10/31/2012	0.057562689
2	1/31/2013	0.057507084
3	4/30/2013	0.055631853
4	7/31/2013	0.057507084
5	10/31/2013	0.057507084

TABLE 7—PROJECTED INTEREST PAYMENTS—Continued

i	Dates	IP_i
6	1/31/2014	0.057507084
7	4/30/2014	0.055631853
8	7/31/2014	0.057507084

Definitions for Newly Issued Floating Rate Notes with an Issue Date that Occurs after the Dated Date

P_D = the price that includes accrued interest from the dated date to the issue date per $100 par value as of the issue date.

AI = the accrued interest per $100 par value as of the issue date.

P_C = the price without accrued interest per $100 par value as of the issue date.

T_{-1} = the dated date.

T_0 = the issue date.

N = the total number of remaining quarterly interest payments as of the new issue date.

i and k = indexes that identify the sequence of interest payment dates.

j = an index that identifies days between the dated date and the issue date.

T_i = the ith quarterly future interest payment date.

$T_i - T_{i-1}$ = the number of days between the interest payment date T_i and the preceding interest payment date.

T_N = the maturity date.

r_j's = the effective index rates for days between the dated date and the issue date.

r = the index rate applicable to the issue date.

s = the spread.

m = the discount margin.

E. Pricing and accrued interest for new issue floating rate notes with an issue date that occurs after the dated date

Formula:

$$P_D = \frac{100 \times \frac{1}{360} \sum_{j=T_{-1}}^{T_0 - 1} \max\left(r_j + s, 0\right)}{1 + \frac{1}{360}\left(T_1 - T_0\right) \times (r + m)} + \sum_{i=1}^{N} \left(\frac{100 \times \frac{1}{360}\left(T_i - T_{i-1}\right) \times \max(r + s, 0)}{\prod_{k=1}^{i} \left(1 + \frac{1}{360}\left(T_k - T_{k-1}\right) \times (r + m)\right)} \right) + \frac{100}{\prod_{k=1}^{N} \left(1 + \frac{1}{360}\left(T_k - T_{k-1}\right) \times (r + m)\right)}$$

$$AI = 100 \times \frac{1}{360} \sum_{j=T_{-1}}^{T_0 - 1} \max\left(r_j + s, 0\right)$$

Example:

The purpose of this example is to demonstrate how a floating rate note can have a price without accrued interest of less than $100 par value when the issue date occurs after the dated date. An original issue two-year floating rate note is auctioned on December 29, 2011, with a dated date of December 31, 2011, an issue date of January 3, 2012, and a maturity date of December 31, 2013.

Definitions:

Dated date = 12/31/2011.

Issue date = 1/3/2012.

Maturity date = 12/31/2013.

Spread = 1.000% at auction.

Discount margin = 1.000%.

As of the issue date the latest 13-week bill, auctioned at least two days prior, has the following information:

TABLE 1—13-WEEK BILL AUCTION DATA

Auction date	Issue date	Maturity date	Auction clearing price	Auction high rate	Index rate
12/27/2011	12/29/2011	3/29/2012	99.993681	0.025%	0.025001580%

Computing the Index Rate

The index rate that equals the simple-interest money market yield on an actual/360 basis is computed as follows:

$$r = \frac{D}{1 - \frac{\Delta T}{360} D}$$

where D is the discount rate (or auction high rate), and ΔT represents the number of days from (and including) the issue date of the 13-week bill to (but excluding) the maturity date of the 13-week bill. In the table above the corresponding index rate for the 12/27/2011 auction is $r = \frac{0.025\%}{1 - \frac{91}{360} \times 0.025\%} = 0.025001580\%$

The following table shows the index rates applicable for the accrued interest.

TABLE 2—APPLICABLE INDEX RATE

Accrual starts	Accrual ends	Number of days in accrual period	Applicable floating rate	
			Auction date	Index rate
12/31/2011	1/2/2012	3	12/27/2011	0.025001580%

Computing the accrued interest

The accrued interest as of the new issue date (1/3/2012) for a $100 par value is:

$AI = 3 \times 100 \times \max(0.00025001580 + 0.01000, 0)/360$

$AI = 3 \times 0.002847227$

$AI = 0.008541681 = \$0.008542$

Computing the Projected Cash Flows

The following table presents the future interest payment dates and the number of days between them.

TABLE 3—PAYMENT DATES

Dates	Days between dates
Dated Date: = T_{-1} = 12/31/2011	
Issue Date: T_0 = 1/3/2012	$T_0 - T_{-1} = 3$
1st Interest Date: T_1 = 3/31/2012	$T_1 - T_0 = 88$
2nd Interest Date: T_2 = 6/30/2012	$T_2 - T_1 = 91$
3rd Interest Date: T_3 = 9/30/2012	$T_3 - T_2 = 92$
4th Interest Date: T_4 = 12/31/2012	$T_4 - T_3 = 92$
5th Interest Date: T_5 = 3/31/2013	$T_5 - T_4 = 90$
6th Interest Date: T_6 = 6/30/2013	$T_6 - T_5 = 91$
7th Interest Date: T_7 = 9/30/2013	$T_7 - T_6 = 92$
8th Interest & Maturity Dates: T_8 = 12/31/2013	$T_8 - T_7 = 92$

Let

$a_i = 100 \times \max(r + s, 0)/360$

and

$A_i = a_i \times (T_i - T_{i-1}) + 100 \times 1_{\{i=8\}}$

a_i represents the daily projected interest, for a $100 par value, that will accrue between the future interest payment dates T_{i-1} and T_i, where i = 1,2,...,8. a_i's are computed using the spread s = 1.000% obtained at the auction, and the fixed index rate of r = 0.025001580% applicable to the issue date (1/3/2012). For example:

$a_1 = 100 \times \max(0.00025001580 + 0.01000, 0)/360 = 0.002847227$

A_i represents the projected cash flow the floating rate note holder will receive, less accrued interest, for a $100 par value, at the future interest payment date T_i, where i = 1,2,...,8. $T_i - T_{i-1}$ is the number of days between the future interest payment dates T_{i-1}

and T_i. To account for the payback of the par value, the variable $1_{\{i=8\}}$ takes the value 1 if the payment date is the maturity date, or 0 otherwise. For example:

$A_1 = 88 \times 0.002847227 = 0.250555976$

and

$A_8 = 92 \times 0.002847227 + 100 = 100.261944884$

Let

$B_i = 1 + (r + m) \times (T_i - T_{i-1})/360$

B_i represents the projected compound factor between the future dates T_{i-1} and T_i, where $i = 1,2,\ldots,8$. All B_i's are computed using the discount margin $m = 1.000\%$ (equals the spread obtained at the auction), and the fixed index rate of $r = 0.025001580\%$ applicable to the issue date (1/3/2012). For example:

$B_3 = 1 + (0.00025001580 + 0.01000) \times 92/360 = 1.002619448$

The following table shows the projected daily accrued interests for $100 par value ($a_i$'s), cash flows at interest payment dates (A_i's), and the compound factors between payment dates (B_i's).

TABLE 4—PROJECTED CASH FLOWS AND COMPOUND FACTORS

i	a_i	A_i	B_i
1	0.002847227	0.250555976	1.002505559
2	0.002847227	0.259097657	1.002590976
3	0.002847227	0.261944884	1.002619448
4	0.002847227	0.261944884	1.002619448
5	0.002847227	0.256250430	1.002562504
6	0.002847227	0.259097657	1.002590976
7	0.002847227	0.261944884	1.002619448
8	0.002847227	100.261944884	1.002619448

Computing the price

The price with accrued interest is computed as follows:

$$P_D = \left[\frac{AI + A_1}{B_1} + \frac{A_2}{B_1 B_2} + \frac{A_3}{B_1 B_2 B_3} + \frac{A_4}{B_1 B_2 B_3 B_4} + \frac{A_5}{B_1 B_2 B_3 B_4 B_5} + \frac{A_6}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{A_7}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{A_8}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P_D = \left[\frac{0.008541681 + 0.250555976}{B_1} + \frac{0.259097657}{B_1 B_2} + \frac{0.261944884}{B_1 B_2 B_3} + \frac{0.261944884}{B_1 B_2 B_3 B_4} + \frac{0.256250430}{B_1 B_2 B_3 B_4 B_5} + \frac{0.259097657}{B_1 B_2 B_3 B_4 B_5 B_6} + \frac{0.261944884}{B_1 B_2 B_3 B_4 B_5 B_6 B_7} + \frac{100.261944884}{B_1 B_2 B_3 B_4 B_5 B_6 B_7 B_8} \right]$$

$$P_D = \left[\frac{0.259097657}{1.002505559} + \frac{0.259097657}{1.005103027} + \frac{0.261944884}{1.007735842} + \frac{0.261944884}{1.010375554} + \frac{0.256250430}{1.012964645} + \frac{0.259097657}{1.015589212} + \frac{0.261944884}{1.018249495} + \frac{100.261944884}{1.020916747} \right]$$

$$P_D = \left[0.258450095 + 0.257782188 + 0.259934075 + 0.259254970 + 0.252970754 + 0.255120529 + 0.257250198 + 98.207758055 \right]$$

$$P_D = 100.008520864 = \$100.008521$$

The price without accrued interest is computed as follows:

$$P_C = P_D - AI = 100.008520864 - 0.008541681$$

$$P_C = 99.999979183 = \$99.999979$$

V. COMPUTATION OF ADJUSTED VALUES AND PAYMENT AMOUNTS FOR STRIPPED INFLATION-PROTECTED INTEREST COMPONENTS

NOTE: Valuing an interest component stripped from an inflation-protected 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-protected 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-protected security.

Definitions:

c = C/100 = the regular annual interest rate, payable semiannually, e.g., .03625 (the decimal equivalent of a 3⅝% interest rate)

Par = par amount of the security to be stripped

Ref $CPI_{IssueDate}$ = 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 $CPI_{IssueDate}$) (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-protected note paying 3⅞% interest was issued on January 15, 1999, with the second interest payment on January 15, 2000. The Ref CPI of January 15, 1999 (Ref $CPI_{IssueDate}$) was 164.00000, and the Ref CPI on January 15, 2000 (Ref CPI_{Date}) was 168.24516. Calculate the adjusted value and the payment amount at maturity of the interest component.

Definitions:

c = .03875
Par = $1,000,000
Ref $CPI_{IssueDate}$ = 164.00000
Ref CPI_{Date} = 168.24516

Resolution:

For a par amount of $1 million, the adjusted value of each stripped interest component was $1,000,000(.03875/2)(100/164.00000), or $11,814.02 (no intermediate rounding).

For an interest component that matured on January 15, 2000, the payment amount was $11,814.02 (168.24516/100), or $19,876.52 (no intermediate rounding).

VI. 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 7.610%, solve for price per 100 (P).

Definitions:

d = .07610.
r = 90 (November 24, 1989 to February 22, 1990).

Resolution:

P = 100 (1 − dr / 360).
(1) P = 100 [1 − (.07610)(90) / 360].
(2) P = 100 (1 − .019025).
(3) P = 100 (.980975).
(4) P = 98.097500.

NOTE: Purchase prices per $100 are rounded to six 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 $98.098000 per $100, divide the par amount ($10,000) by 100 to obtain the multiple (100). That multiple times 98.098000 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 $95.934567, solve for the discount rate (d).

Definitions:

P = 95.934567.
r = 182 (December 30, 1982, to June 30, 1983).

Resolution:

$$d = \left[\frac{100 - P}{100} \times \frac{360}{r}\right]$$

$$d = \left[\frac{100 - 95.934567}{100} \times \frac{360}{182}\right]$$

(2) d = [.04065433 × 1.978021978].
(3) d = .080415158.
(4) d = 8.042%.

NOTE: Prior to April 18, 1983, we sold all bills in price-basis auctions, in which discount rates calculated from prices were rounded to three places, using normal rounding procedures. Since that time, we have sold bills only on a discount rate basis.

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 $99.559444 (computed from a discount rate of 7.930%), solve for the investment rate (i).

Definitions:

P = 99.559444.
r = 20 (June 1, 1990, to June 21, 1990).
y = 365.

Resolution:

$$i = \left[\frac{100 - P}{P} \times \frac{y}{r}\right]$$

$$(1)\ i = \left[\frac{100 - 99.559444}{99.559444} \times \frac{365}{20}\right]$$

(2) i = [.004425 × 18.25].
(3) i = .080756.
(4) i = 8.076%.

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 $92.265000 (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 = 92.265000.
b = 364 / 365, or .997260274.
a = (364 / 730) − .25, or .248630137.
c = (92.265 − 100) / 92.265, or −.083834607.

Resolution:

$$i = \frac{-b + \sqrt{b^2 - 4ac}}{2a}$$

$$(1)\ i = \frac{-.997260274 + \sqrt{(.997260274)^2 - 4[(.248630137)(-.083834607)]}}{2(.248630137)}$$

$$(2)\ i = \frac{-.997260274 + \sqrt{.994528054 + .083375239}}{.497260274}$$

(3) i = (−.997260274 + 1.038221216) / .497260274.
(4) i = .040960942 / .497260274.
(5) i = .082373244 or
(6) i = 8.237%.

[69 FR 45202, July 28, 2004, as amended at 69 FR 52967, Aug. 30, 2004; 69 FR 53622, Sept. 2, 2004; 73 FR 14939, Mar. 20, 2008; 78 FR 46428 and 46430, July 31, 2013; 78 FR 50335, Aug. 19, 2013; 78 FR 52857, Aug. 27, 2013]

EDITORIAL NOTE: At 78 FR 59228-59230, Sept. 26, 2013, appendix B to part 356 was amended; however, portions of the amendment could not be incorporated due to inaccurate amendatory instructions.

APPENDIX C TO PART 356—INVESTMENT CONSIDERATIONS

I. INFLATION-PROTECTED 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 non-indexed security. Such factors include the possibility that:

- The inflation index may be subject to significant changes,
- changes in the index may or may not correlate to changes in interest rates generally or with changes in other indices,

• the resulting interest may be greater or less than that payable on other securities of similar maturities, and

• in the event of sustained deflation, the amount of the semiannual 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, we will pay an additional amount so that the additional amount plus the inflation-adjusted principal equals the par amount. Regardless of whether or not we pay such an additional amount, we will always base interest payments on the inflation-adjusted principal as of the interest payment date. If a security has been stripped, we will pay any such additional amount 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. The market for Treasury inflation-protected securities, however, may not be as active or liquid as the market for Treasury non-indexed securities. In addition, Treasury inflation-protected securities may not be as widely traded or as well understood as Treasury non-indexed securities. Lesser liquidity and fewer market participants may result in larger spreads between bid and asked prices for inflation-protected securities than the bid-asked spreads for non-indexed 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-protected security may be enhanced over time as we issue additional amounts or more entities participate in the market.

C. Tax Considerations

Treasury inflation-protected 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 Consumer Price Index (''CPI'') measures changes in prices for goods and services, movements in the CPI that have occurred in the past do not necessarily indicate 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 Treasury and, therefore, we have no control over the determination, calculation, or publication of the index. For a discussion of how we will apply the CPI in various situations, see appendix B, section I, paragraph B of this part. In addition, for a discussion of actions that we 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 of this part.

II. FLOATING RATE NOTES

A. Interest Variability

An investment in securities with interest determined by reference to a 13-week Treasury bill index involves risks not associated with an investment in a fixed interest rate security. Such risks include the possibility that:

• Changes in the index may or may not correlate to changes in interest rates generally or with changes in other indexes;

• any given interest payment may be more or less than the amount paid on prior interest payment dates;

• the resulting interest payments may be greater or less than those payable on other securities of similar maturities, and

• in the event of sustained falling interest rates, the amount of the quarterly interest payments will decrease.

B. Trading in the Secondary Market

The Treasury securities market is the largest and most liquid securities market in the world. The market for Treasury floating rate notes, however, may not be as active or liquid as the market for Treasury non-indexed securities or Treasury inflation-protected securities. In addition, Treasury floating rate notes may not be as widely traded or as well understood as these other types of Treasury marketable securities. Prices for floating rate notes may not fluctuate in reaction to interest rate movements in the same manner as other Treasury securities. Lesser liquidity and fewer market participants may result in larger spreads between bid and asked prices for Treasury floating rate notes than the bid-asked spreads for other Treasury marketable 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 a Treasury floating rate note may be enhanced over time as we issue additional amounts or more entities participate in the market.

C. Tax Considerations

Treasury floating rate notes are subject to specific tax rules provided by Treasury regulations issued under section 1275(d) of the Internal Revenue Code of 1986, as amended.

D. Indexing Issues

The Bureau of the Fiscal Service publishes the High Rate immediately following a 13-week bill auction as part of the auction results. The 13-week bill is generally auctioned once per week. Treasury retains the flexibility to increase or decrease the frequency of 13-week bill auctions, which would affect the frequency of index rate resets. The High Rate is subject to various interest rate and market environments over which Treasury has no control. For a discussion of actions that Treasury would take in the event auctions of 13-week bills are discontinued or delayed, see appendix B, section I, paragraph C.4 of this part.

[69 FR 45202, July 28, 2004, as amended at 78 FR 46428 and 46444, July 31, 2013]

APPENDIX D TO PART 356—DESCRIPTION OF THE INDEXES

I. CONSUMER PRICE INDEX

The Consumer Price Index (''CPI'') for purposes of inflation-protected securities is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers. It is published monthly by the Bureau of Labor Statistics (BLS), a bureau within 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. This market basket includes 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 BLS periodically updates the contents of the market basket of goods and services, and the weights assigned to the various items, 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. We provide the base reference period for a particular inflation-protected security on the auction announcement for that security.

Further details about the CPI may be obtained by contacting the BLS.

II. FLOATING RATE NOTE INDEX

The floating rate note index is the 13-week Treasury bill auction High Rate (stop out rate), and converted to the simple-interest money market yield computed on an actual/360 basis.

[69 FR 45202, July 28, 2004, as amended at 78 FR 46444, July 31, 2013]

PART 357—REGULATIONS GOVERNING BOOK-ENTRY TREASURY BONDS, NOTES AND BILLS HELD IN TREASURY/RESERVE AUTOMATED DEBT ENTRY SYSTEM (TRADES) AND LEGACY TREASURY DIRECT

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Subpart B—Treasury/Reserve Automated Debt Entry System (TRADES)

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357.11 Laws governing other interests in Treasury securities.
357.12 A Participant's Security Entitlement.
357.13 Obligations of the United States and the Federal Reserve Banks with respect to Book-entry Securities and security interests.
357.14 What authority does a Federal Reserve Bank have?
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357.20 Securities account in Legacy Treasury Direct®.
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357.29 Time required for processing transaction request.
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Subpart D—Additional Provisions

357.40 Additional requirements.
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357.44 [Reserved]
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.

EDITORIAL NOTE: Nomenclature changes to part 357 appear at 70 FR 57431, Sept. 30, 2005.

Subpart A—General Information

§ 357.0 Book-entry systems.

(a) *Treasury securities*. Treasury securities are maintained in one of the following book-entry systems:

(1) *Commercial book-entry system*. The commercial book-entry system is the book-entry system in which Treasury securities are held in a tiered system through securities intermediaries such as financial institutions or brokerage firms. A Treasury security is maintained in the commercial book-entry system if it is credited by a Federal Reserve Bank to a Participant's Securities Account. The regulations governing the commercial book-entry system are found at subpart B of this part, and are referred to as Treasury/Reserve Automated Debt Entry System (TRADES).

(2) *Legacy Treasury Direct®*. The Legacy Treasury Direct system is a non-Internet-based book-entry system maintained by Treasury for purchasing and holding marketable Treasury securities as book-entry products. A Treasury security is maintained in Legacy Treasury Direct if it is credited to a Legacy Treasury Direct account as described in § 357.20 of this part. Treasury securities are held directly by the Department of the Treasury in accounts maintained in the investor's name. A Legacy Treasury Direct account may be accessed through a designated Federal Reserve Bank or the Bureau of the Fiscal Service. See subpart C of this part for rules pertaining to Legacy Treasury Direct.

(3) *TreasuryDirect®*. TreasuryDirect is a book-entry, online system maintained by the Department of the Treasury for purchasing and holding eligible marketable Treasury securities, United States Savings Bonds, and certificates of indebtedness in electronic form as a computer record on the books of Treasury. The regulations governing TreasuryDirect are found at 31 CFR part 363.

(b) *Transferability between Legacy Treasury Direct and other systems*. A Treasury security maintained in Legacy Treasury Direct may be transferred to an account in TRADES or to an account in TreasuryDirect in accordance with § 357.22(a). Securities may not be transferred to Legacy Treasury Direct from other systems.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 57431, Sept. 30, 2005; 70 FR 57441, Sept. 30, 2005; 76 FR 18063, Apr. 1, 2011]

§ 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 a Treasury security maintained as a computer record in the commercial book-entry system, Legacy Treasury Direct®, or TreasuryDirect®.

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.

Legacy Treasury Direct is the Legacy Treasury Direct Book-Entry Securities System.

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 Treasury's offering of a marketable Treasury security to the public and its issuance in book-entry form.

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 Legacy 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. The Director of the Federal Register approves the incorporation by reference of Revised Article 8 of the Uniform Commercial Code in this part, pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Revised 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 Revised Article 8 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, 211 East Ontario Street, Suite 1300, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW, Washington, DC 20220 or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202–741–6030, or go to: *http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.*

Revised Article 9 means Uniform Commercial Code, Revised Article 9, Secured Transactions (with conforming amendments to Articles 1, 2, 2A, 4, 5, 6, 7, and 8), 1999 official text. The Director of the Federal Register approves the incorporation by reference of Revised Article 9 of the Uniform Commercial Code in this part, pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Revised Article 9 was approved by the American Law Institute and the National Conference of Commissioners On Uniform State Laws in 1998. Copies of Revised Article 9 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, 211 East Ontario Street, Suite 1300, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220,or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202–741–6030, or go to: *http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.*

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 Legacy Treasury Direct.

Transaction request form means a form or series of forms prescribed for use by the Department to request a transaction in Legacy 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.

Voluntary representative means the person qualified by the Department of the Treasury to accept payment or direct distribution of a decedent's securities pursuant to § 357.28.

[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; 67 FR 7079, Feb. 15, 2002; 69 FR 18803, Apr. 9, 2004; 70 FR 57431, Sept. 30, 2005; 70 FR 57441, Sept. 30, 2005; 76 FR 18063, Apr. 1, 2011]

Subpart B—Treasury/Reserve Automated Debt Entry System (TRADES)

SOURCE: 67 FR 7080, Feb. 15, 2002, unless otherwise noted.

§ 357.10 Laws governing a Treasury book-entry security, TRADES, and security interests or entitlements.

(a) *What law governs the rights and obligations of the United States and the Federal Reserve Banks; and the rights of any Person against the United States and the Federal Reserve Banks?* Except as we provide in paragraph (b) of this section, the following 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:

(1) 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 TRADES, and

(2) 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 TRADES.

(b) *What law governs security interests in Security Entitlements that are not recorded on a Federal Reserve Bank's books?* See the following table:

If a security interest in a security entitlement is—	And it is—	Then it is governed by—
(1) in favor of a Federal Reserve Bank from a Participant.	not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(e)(2).	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.
(2) in favor of a Federal Reserve Bank from a Person that is not a Participant.	not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(e)(2).	the law determined in the manner specified in § 357.11.

(c) *What law governs if the jurisdiction in paragraph (b)(1) of this section did not adopt Revised Article 8, or Revised Article 8 as amended by Revised Article 9 (both incorporated by reference, see Sec. 357.2)?* The law specified in paragraph (b)(1) of this section shall be the law of that State as though that State adopted Revised Article 8.

§ 357.11 Laws governing other interests in Treasury securities.

(a) *What does the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction govern?* To the extent not inconsistent with these regulations, the law (not including the conflict-of-law rules) of a Security Intermediary's jurisdiction governs the following:

(1) When a Person acquires a Security Entitlement from the Securities Intermediary;

(2) The rights and duties of the Securities Intermediary and Entitlement Holder that arise out of a Security Entitlement;

(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;

(4) Whether a Person may assert an Adverse Claim against a Person who acquires a Security Entitlement from the Securities Intermediary or against a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and

(5) The perfection, effect of perfection or non-perfection and priority of a security interest in a Security Entitlement (except as otherwise provided in paragraph (c) of this section).

(b) *What is the ''Securities Intermediary's jurisdiction'' for purposes of this section?* See the following table:

If . . .	Then the securities intermediary's jurisdiction is . . .
(1) An agreement between the Securities Intermediary and its Entitlement Holder governing the securities account expressly provides that a particular jurisdiction is the Securities Intermediary's jurisdiction for purposes of Part 1 of Article 8 of the Uniform Commercial Code, Article 8 of the Uniform Commercial Code, or the Uniform Commercial Code.	the jurisdiction agreed upon.
(2) An agreement between the Securities Intermediary and its Entitlement Holder governing the securities account expressly provides that it is governed by the law of a particular jurisdiction.	the jurisdiction agreed upon.
(3) The statements in paragraphs (b)(1) and (2) of this table do not apply, but the agreement expressly specifies that the securities account is maintained at an office in a particular jurisdiction.	the jurisdiction where the office is located.
(4) The statements in paragraphs (b)(1) through (3) of this table do not apply and an account statement identifies the office serving the Entitlement Holder's account.	the jurisdiction where the office is located.

If . . .	Then the securities intermediary's jurisdiction is . . .
(5) None of the statements in paragraphs (b)(1) through (4) of this table apply	the jurisdiction in which the chief executive office of the Securities Intermediary is located.

(c) *What law governs the perfection of a security interest automatically or by filing?* 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. (This is despite the general rule in (a)(5) of this section).

(d) *Where is a Person located, for purposes of paragraph (c) of this section?* A Person's location is determined under state law, including Revised Article 9 (incorporated by reference, see § 357.2), as it may be amended from time to time.

(e) *What law governs if the jurisdiction in table (b) of this section did not adopt Revised Article 8 or Revised Article 8 as amended by Revised Article 9 (both incorporated by reference, see § 357.2)?* The law for the matters specified in paragraph (a) of this section shall be the law of that State as though the State adopted Revised Article 8.

(f) *What other rules apply?* For purposes 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 A Participant's Security Entitlement.

(a) *How is a Participant's Security Entitlement created?* A Federal Reserve Bank indicates by book entry that a Book-entry Security has been credited to a Participant's Securities Account.

(b) *What else do I need to know about a Participant's Security Entitlement?* See the following table:

If a security interest in a security entitlement of a participant . . .	Then . . .
(1) Meets all of the following criteria: (i) is in favor of the United States (ii) is marked on the books of a Federal Reserve Bank (iii) is to secure deposits of public money (including without limitation deposits to the Treasury tax and loan accounts, or other security interested required by Federal statute, regulation, or agreement).	it is created; it is perfected; and it has priority over any other interest in the securities.

(c) *What is the effect of the marking of a security interest in favor of the United States in a Security Entitlement of a Participant on the books of a Federal Reserve Bank?* 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.

(d) *Who is an authorized Representative of the United States, for purposes of paragraph (c) in this section?* The official designated in the applicable regulations or in an agreement to which a Federal Reserve Bank is a party, governing the security interest.

(e)(1) *Must the United States and the Federal Reserve Banks 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?* No, they need not agree to act or recognize any party's interest, except:

(i) To the extent of any specific requirement of Federal law or regulation, or

(ii) To the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the Participant is recorded.

(2) *May a security interest be created and perfected by a Federal Reserve Bank marking its books?* Yes, 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 to the extent required by law, regulation, or an agreement with a Federal Reserve Bank or the Federal Reserve Bank Operating Circular.

(3) *Does this security interest have priority over other interests?* A security interest in a Security Entitlement marked on the books of a Federal Reserve Bank has priority over any other interest in the securities, except a security in favor of the United States, as provided in table (b) of this section.

(4) *In addition to the method provided in paragraph (e)(2) of this section, may a security interest, including a security interest in favor of a Federal Reserve Bank, be perfected in another way?* Yes, a security interest may be perfected by any method under applicable law as described in § 357.10(b) or § 357.11.

(i) The applicable law governs the perfection, effect of perfection or nonperfection and priority of a security interest.

(ii) 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.

(iii) A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for these purposes.

§ 357.13 Obligations of the United States and the Federal Reserve Banks with respect to Book-entry Securities and security interests.

(a) *Who is entitled to deal with an interest in a Book-entry Security that has been credited to a Participant's Security Account?* 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 (e), for the purposes of this subpart B, the United States and the Federal Reserve Banks treat the Participant as exclusively entitled to perform the following functions, even if the Treasury or a Federal Reserve Bank has any information or notice to the contrary:

(1) Issue a Transfer Message,

(2) Receive interest and other payments with respect thereof, and

(3) Exercise all the rights and powers with respect to the Security,

(b) *Are the Federal Reserve Banks and Treasury liable for Adverse Claims?* The Federal Reserve Banks and Treasury are not 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. This includes 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.

(c) *When is the obligation of the United States to pay interest and principal with respect to Book-entry Securities discharged?* The obligation is discharged once payment is made as follows:

(1) A Federal Reserve Bank credits the appropriate amount of interest on Book-entry Securities to a Funds Account maintained at the Bank, or pays it as directed by the Participant.

(2) Book-entry Securities are redeemed according to their terms, a Federal Reserve Bank withdraws the securities from the Participant's Securities Account in which they are maintained, and either:

(i) Credits the amount of the Redemption proceeds, including both principal and interest, where applicable, to a Funds Account at the Bank, or

(ii) Pays such principal and interest as directed by the Participant.

(d) *What does a Participant need to do in connection with the Redemption of a Book-entry Security?* No action by the Participant is required.

§ 357.14 What authority does a Federal Reserve Bank have?

(a) Each Federal Reserve Bank has the authority as fiscal agent of the United States to:

(1) 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;

(2) Service and maintain Book-entry Securities in accounts established for such purposes;

(3) Make payments of principal and interest, as directed by the Department;

(4) Effect transfer of Book-entry Securities between Participants' Securities Accounts as directed by the Participants; and

(5) Perform such other duties as fiscal agent that the Department may request.

(b) Each Federal Reserve Bank may issue Operating Circulars that are consistent 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.

§ 357.15 How can a debtor's interest in a Security Entitlement be reached by creditors?

(a) The interest of a debtor may be reached by creditors only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained. Exception: If a Security Entitlement is maintained in the name of a secured party, the debtor's interest may be reached by legal process upon the secured party.

(b) These regulations do not state whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

Subpart C—Legacy Treasury Direct Book-Entry Securities System (Legacy Treasury Direct)

§ 357.20 Securities account in Legacy Treasury Direct®.

(a) *Account*. A securities account consists of:

(1) An account master record, and

(2) A securities portfolio.

(b) *Security*. A security in Legacy 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*. In order for a security to be maintained in Legacy Treasury Direct, the account owner must have previously established an account master record, except that a new account may be established for the conversion of a definitive security pursuant to 31 CFR 306.23. 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 Legacy 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

[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 was deposited in Legacy Treasury Direct at original issue, the price shown will be the issue price.

(b) If a bill was transferred to Legacy 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 was not furnished, the price shown will be the weighted average price of the bill of the longest maturity having the identical CUSIP number.

sent 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 Legacy 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.

(h) *Closing an account.* If a Legacy Treasury Direct account has no holdings, we reserve the right to close the account.

(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; 76 FR 18063, Apr. 1, 2011]

§ 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.*

(c) If a bill is transferred from one Legacy 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 Legacy 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.

(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 registration which purports, by its terms, to preclude the right of survivorship, or any 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 ownership 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 Legacy 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).

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986, as amended at 57 FR 38774, Aug. 27, 1992; 76 FR 18063, Apr. 1, 2011]

§ 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 Legacy Treasury Direct® to an account in the commercial book-entry system or to an account in TreasuryDirect®. A security may also be transferred between accounts in *Legacy Treasury Direct*. The Department may delay transfer of a newly purchased security from a Legacy Treasury Direct account to an account in commercial book entry or TreasuryDirect for a period not to exceed (30) calendar days from the date of issue. This provides time for the investor to become aware of any unauthorized debits.

(1) *Identification of securities to be transferred*. The owner must identify the securities to be transferred, in the manner required by the transaction request. 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*—(i) *Transfer within Legacy Treasury Direct*. A transfer of a security within Legacy Treasury Direct is effective when an appropriate entry is made in the name of the transferee on the Legacy Treasury Direct records.

(ii) *Transfer from Legacy Treasury Direct to the commercial book-entry system*. A transfer of a security from Legacy Treasury Direct to the commercial book-entry system is effective as provided in subpart B. If a transfer cannot be completed, and the security is sent back to Legacy Treasury Direct, the Department will redeposit the security in the original account.

(iii) *Transfer from Legacy Treasury Direct to TreasuryDirect*. A transfer of a security from Legacy Treasury Direct to TreasuryDirect is effective as provided in 31 CFR part 363. If the transfer cannot be completed, the Department will redeposit the security in the original account.

(b) *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.

(c) *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.

(d) *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.

(e) *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; 64 FR 6527, Feb. 10, 1999; 70 FR 57441, Sept. 30, 2005; 75 FR 78901, Dec. 17, 2010; 76 FR 18064, Apr. 1, 2011]

§ 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 Legacy 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 Legacy 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 Legacy 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 Legacy Treasury Direct® records.

(a) *General.* All records with respect to a Legacy 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 Legacy 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 Legacy 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 Direct Deposit.

(a) *General.* A payment by the Department with respect to a security shall be by direct deposit unless it is deemed necessary by the Department to make payment by another means. Direct Deposit payments are governed by the regulations at 31 CFR part 370.

(b) *Names on account.* Where the Legacy 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.

(c) *Inquiry to financial institution.* 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.

(d) *Payments to master account.* All payments relating to a single account master record must be made to the same designated account at a financial institution.

(e) *Deposit account.* 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.

(Approved by the Office of Management and Budget under control number 1535–0068)

[51 FR 18265, May 16, 1986, as amended at 57 FR 38774, Aug. 27, 1992; 61 FR 6113, Feb. 16, 1996; 64 FR 40487, July 26, 1999]

§ 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.* Any 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 one

year prior to the date of submission of the transaction request.

(2) *Decedent's estate has been settled previously*. If a decedent's estate has been settled previously through judicial proceedings, the persons entitled may make a transaction request. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence will be required.

(3) *Special provisions under the law of the jurisdiction of the decedent's domicile*. If there is no formal or regular administration and no representative of the decedent's estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under applicable local law summary or small estates procedures may make a transaction request. Appropriate evidence will be required.

(4) *When administration is required*. If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000, administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(5) *Voluntary representative for small estates of decedents that are not being otherwise administered*—(i) *General*. A voluntary representative is a person qualified according to paragraph (c)(5)(iii) of this section, to make a transaction request. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's securities and held payments, if any, is determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. Voluntary representative procedures may be used only if:

(A) There has been no administration, no administration is contemplated, and no summary or small estate procedures under applicable local law have been used;

(B) The total redemption value of the Treasury securities and held payments, if any, that are the property of the decedent's estate is $100,000 or less as of the date of death; and

(C) There is a person eligible to serve as the voluntary representative according to paragraph (c)(5)(iii) of this section.

(ii) *Authority of voluntary representative*. A voluntary representative may make a transaction request to distribute the securities to or for the benefit of the persons entitled by laws of the jurisdiction in which the decedent was domiciled at the date of death.

(iii) *Order of precedence for voluntary representative*. An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: A surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(iv) *Liability*. By serving, the voluntary representative warrants that the distribution of securities or proceeds is to or on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of securities or proceeds. Upon distribution of the securities or proceeds at the request of the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all

creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(v) *Creditor*. If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for payment of the amount of the debt, providing the debt has not been barred by applicable local law.

(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 an 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, as amended at 70 FR 57431, Sept. 30, 2006]

§ 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 31 CFR 370.10, 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.

[64 FR 40487, July 26, 1999]

§ 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 Fiscal Service 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 Fiscal Service 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 currently serving as a Treasury Retail Securities Site or to the Bureau of the Fiscal Service, Legacy Treasury Direct®, P.O. Box 426, Parkersburg, West Virginia 26106–0426. A list of the Federal Reserve Banks currently serving as Treasury Retail Securities Sites is 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.

[51 FR 18265, May 16, 1986, as amended at 76 FR 18064, Apr. 1, 2011]

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 Legacy Treasury Direct®.

A depository institution or other entity that transfers to, or receives, a security from Legacy 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 [Reserved]

§ 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 Legacy 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 Legacy 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 Legacy Treasury Direct gradually. The Bureau believes that the benefits of uniformity of rights and interests that Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Fiscal Service, a security held in

Legacy 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 Legacy 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 Legacy 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 Legacy 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.

Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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. Legacy 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 Legacy 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 Legacy 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 Legacy Treasury Direct rule has been retained in the final regulations on the basis of the major differences in the procedures to be used in Legacy 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 Legacy Treasury Direct. The

rule further provided that an institution could not be designated to receive Legacy 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 Legacy Treasury Direct. The basis for this comment was the perception that the receipt of Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 Legacy 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 LEGACY TREASURY DIRECT

A person may hold interests in Treasury book-entry securities either in TRADES[1] or Legacy Treasury Direct. The following summarizes the major differences between the two systems.

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 Legacy 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 Legacy Treasury Direct is a direct account relationship between the beneficial owner of a Treasury book-entry security and Treasury. In Legacy

[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.

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, Legacy 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 Legacy Treasury Direct generally recognized. Accordingly, Legacy 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.

[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.

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 Legacy Treasury Direct. Subpart A of part 357 of 31 CFR contains general information about TRADES and Legacy Treasury Direct. Subpart B contains the TRADES regulations. Subpart C contains the Legacy Treasury 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.

[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.

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 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.

[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)

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.

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

[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 Legacy Treasury Direct. These regulations preempt applicable state law.

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 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.

[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.

[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.

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 50[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.

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

[11] Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

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 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.

[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).

[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.

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.

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.

[14] 51 FR 8846, 8848 (March 14, 1986).

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

[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),

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

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

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.

[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).

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; 63 FR 69191, Dec. 16, 1998]

PART 358—REGULATIONS GOVERNING BOOK-ENTRY CONVERSION OF BEARER CORPORA AND DETACHED BEARER COUPONS

Sec.

358.0 What does this part cover?
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358.2 What regulations cover these securities?
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358.4 Which bearer corpora or detached bearer coupons are eligible for conversion to transferable BECCS or CUBES securities?
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358.6 What is the procedure for converting bearer corpora and detached bearer coupons to book-entry?
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AUTHORITY: 12 U.S.C. 391, 31 U.S.C. Ch. 31.

SOURCE: 65 FR 65701, Nov. 1, 2000, unless otherwise noted.

§358.0 What does this part cover?

(a) This part applies to the conversion to book-entry of United States Treasury bearer corpora and detached bearer coupons.

(b) These instruments are accepted from depository institutions for conversion under the Bearer Corpora Conversion System (BECCS) and Coupons Under Book Entry Safekeeping (CUBES) programs.

(1) For coupons converted after November 1, 2000, these regulations supersede the terms and conditions governing CUBES set forth in the written

''Agreements to the Terms and Conditions Governing CUBES'' signed by depository institutions that previously participated in the CUBES program.

(2) Depository institutions that submit bearer corpora and detached bearer coupons are deemed to agree to the terms and conditions in this part and any other requirements we may prescribe.

§ 358.1 What special terms apply to this part?

Bearer security means a definitive security payable to the bearer on its face at maturity or when called for redemption before maturity in accordance with its terms. Ownership of a bearer security is not recorded. Title to the security may pass by delivery without endorsement or notice. The only remaining unmatured bearer securities are bearer bonds.

BECCS means the Treasury's Bearer Corpora Conversion System.

BECCS security means a United States Treasury bearer security converted to book-entry form and held in BECCS.

Callable means a United States Treasury security subject to call before maturity.

Callable Coupons means the coupons associated with a callable security that are due after the date the security is subject to call.

Conversion, as used in this part, means a change in the form of a security from definitive form to book-entry form.

Corpus (plural corpora) means the principal portion of a United States Treasury bearer security.

Coupon means a definitive bearer interest instrument associated with a United States Treasury bearer security.

CUBES means the Treasury's Coupon Under Book-Entry Safekeeping program.

CUBES security means a definitive coupon detached from a United States Treasury security and held in CUBES.

Definitive security means a security held in paper form.

Depository institution means:

(1) Any insured bank, mutual savings bank, or savings bank as defined in 12 U.S.C. 1813, or any institution eligible to become an insured bank under 12 U.S.C. 1815;

(2) Any insured credit union as defined in 12 U.S.C. 1752, or any credit union eligible to become an insured credit union under 12 U.S.C. 1781;

(3) Any member as defined in 12 U.S.C. 1422; and

(4) Any savings association as defined in 12 U.S.C. that is an insured depository institution as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811 *et seq.*, or is eligible to become an insured depository institution under that Act.

Non-callable means a United States Treasury bearer security not subject to call before maturity.

Non-callable coupons means coupons associated with a non-callable bearer security or coupons associated with a callable bearer security that are due on or before the date on which the callable bearer security is subject to call.

Non-transferable means the ownership of a security held in BECCS or CUBES may not be transferred. See § 358.5.

Transferable means the ownership of a security held in BECCS or CUBES may be transferred. See § 358.4 of this part.

We (or ''us'') refers to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and the Bureau of the Fiscal Service. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

§ 358.2 What regulations cover these securities?

BECCS and CUBES securities are deemed to be securities for the purposes of 31 CFR part 357, subparts A, B, and D, and are governed by that part. Notwithstanding the provisions of 31 CFR part 357, certain BECCS and CUBES securities are non-transferable. See § 358.5.

§ 358.3 Are there any bearer corpora or detached bearer coupons that are not eligible for conversion?

Bearer corpora and detached bearer coupons will not be accepted if they are submitted:

(a) Within 30 days of their maturity date; or

(b) If the call provision has been invoked, within 30 days of their call date.

§ 358.4 Which bearer corpora or detached bearer coupons are eligible for conversion to transferable BECCS or CUBES securities?

(a) 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 transferred separately.

(b) A corpus that is not subject to call will be converted to a transferable BECCS security.

(c) Non-callable coupons will be converted to transferable CUBES securities.

§ 358.5 Which bearer corpora or detached bearer coupons are eligible for conversion to non-transferable BECCS or CUBES securities?

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. Any remaining callable coupons submitted with the corpus will be converted to individual non-transferable CUBES securities.

§ 358.6 What is the procedure for converting bearer corpora and detached bearer coupons to book-entry?

Bearer corpora and detached bearer coupons must be submitted in accordance with our procedures. They must be accompanied by an approved form executed by an authorized officer of the submitting depository institution. Until we verify the submission, the bearer corpora and detached bearer coupons are subject to rejection or adjustment.

§ 358.7 Where do I send my bearer corpora and detached bearer coupons to be converted?

Send bearer corpora and detached bearer coupons to be converted to: Bureau of the Fiscal Service, Division of Customer Service, P. O. Box 426, Parkersburg, WV 26106–0426.

§ 358.8 Are there fees for the conversion of bearer corpora or detached bearer coupons?

We do not charge fees for the conversion of bearer corpora or detached bearer coupons to BECCS or CUBES securities.

§ 358.9 Who is responsible for the cost and risks associated with the shipment of securities?

The following guidelines apply to the transportation of bearer corpora and detached bearer coupons:

(a) Shipment from the depository institution is at the risk and expense of the depository institution;

(b) Shipment between our designated agent and the Department, if required, is at our risk and expense; and

(c) Shipment of securities that are returned to the depository institution is at the risk and expense of the depository institution.

§ 358.10 How are amounts of less than one dollar credited?

Only full dollar amounts can be held in CUBES; principal amounts that include cents cannot be held in CUBES. Upon the conversion of coupons to CUBES, amounts of less than one dollar in aggregate per CUBES CUSIP will not be credited to the account of the depository institution.

Example: A depository institution submits five coupons with face amount of $346.88 each, and a total dollar amount of $1,734.40. Upon conversion of these coupons to CUBES, only $1,734.00 will be credited to the depository institution's account.

§ 358.11 What is required to establish the authority of a depository institution to request conversion?

By submitting bearer corpora and detached bearer coupons for conversion to BECCS and CUBES securities, a depository institution represents that it has the authority to request the conversion.

§ 358.12 What is Treasury's liability if the depository institution does not have authority to convert securities?

We are not liable if the depository institution has no authority to convert the bearer corpora and detached bearer coupons to book-entry form or to take

other actions in respect to book-entry accounts in BECCS and CUBES.

§ 358.13 What is Treasury's liability if the depository institution incurs a loss because it does not follow required procedures?

We are not liable for any loss incurred by the depository institution as a result of its failure to properly follow our procedures.

§ 358.14 What happens when securities are accepted for conversion?

(a) After processing and initial verification, we will transfer the securities accepted to the depository institution's book-entry account, establishing a securities entitlement in TRADES according to 31 CFR part 357 subpart B.

(b) We will do the final verification within twenty (20) business days of initial receipt of the bearer corpora and detached bearer coupons.

(c) If at any time after this twenty (20) day period we determine that the security was improperly credited to the BECCS or CUBES account of the depository institution, such as in the case of a previously undetected, counterfeit security, we reserve the right to adjust the BECCS or CUBES account.

§ 358.15 What happens if securities are adjusted?

(a) If we make an adjustment to all or part of the submitted securities, we will instruct the depository institution to transfer BECCS or CUBES securities of the same payment date and face amount from the depository institution's account to an account that we designate.

(b) If no such BECCS or CUBES securities exist in the depository institution's account, we will instruct the depository institution as to how the adjustment will be made.

(c) If the depository institution fails to comply with our instructions within five (5) business days of receipt of the instructions, we reserve the right to debit the master account of the depository institution for the face value of the adjusted bearer corpora and detached bearer coupons. By the submission of the bearer corpora and detached bearer coupons, the depository institution is deemed to agree to this debit.

§ 358.16 Are BECCS and CUBES accounts maintained separately from the STRIPS program?

BECCS and CUBES accounts are maintained separately from accounts maintained in Treasury's STRIPS (Separate Trading of Registered Interest and Principal of Securities) program.

§ 358.17 Can BECCS and CUBES securities be reconstituted to physical form?

After bearer corpora and detached bearer coupons 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.

§ 358.18 What limitations exist on liability?

(a) Except as otherwise provided by regulation, circular, or written agreement, any fiscal agent designated to act on our behalf is liable for its action or omission only if it failed to exercise ordinary care.

(b) We do not assume any responsibility to any party except the sending and receiving depository institutions involved in a BECCS or CUBES transaction.

(c) We do not assume any responsibility in connection with a BECCS or CUBES transaction for the insolvency, neglect, misconduct, mistake, or default of another bank or person, including the immediate participants.

§ 358.19 Who is responsible for any loss resulting from the conversion of a bearer corpus missing callable coupons?

The submitting depository institution shall indemnify the United States against any loss resulting from the conversion of a bearer corpus that is missing one or more associated callable coupons.

§ 358.20 Can these regulations be waived?

We reserve the right to waive or modify any provision of the regulations in this part for the convenience of the

United States or to relieve any person of unnecessary hardship, if such action is not inconsistent with law, does not impair existing rights, and does not subject the United States to any substantial expense or liability.

§ 358.21 Can these regulations be amended?

We may at any time supplement, amend, or revise the regulations in this part.

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

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

SOURCE: 67 FR 64278, Oct. 17, 2002, unless otherwise noted.

Subpart A—General Information

§ 359.0 What does this part cover?

This part is the offering of United States Savings Bonds of Series I (referred to as Series I bonds or bonds) for sale to the people of the United States by the Secretary of the Treasury (Secretary). This offer was effective September 1, 1998, and will continue until terminated by the Secretary.

§ 359.1 What regulations govern Series I savings bonds?

(a) The regulations in 31 CFR part 360 apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

(c) We expressly disclaim any representations or warranties regarding Series I savings bonds that in any way conflict with these regulations and other applicable law.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 14942, Mar. 23, 2005]

§ 359.2 [Reserved]

§ 359.3 What special terms do I need to know to understand this part?

Accrual date is the first day of any month on which earnings on a Series I bond accrue. The redemption value of a bond does not change between these accrual dates.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Bank account means your account at a United States depository financial institution (whether a bank or other financial institution) to which you have directed that ACH debits and payments be made.

Beneficiary refers to the second individual named in the registration of a security held in definitive form registered ''John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe.'' In the New Treasury Direct system, beneficiary refers to the second individual named in the registration of a security registered ''John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.'' In these examples, Joseph Doe is the beneficiary.

Book-entry bond means a Series I savings bonds maintained by Treasury solely as a computer record.

Composite annual rate means an annual interest rate that combines an annual fixed rate of return and a semi-annual inflation rate.

Converted bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

Coowner means either the first or the second individual named in the registration of a definitive Series I savings bonds registered ''John Doe SSN 123–45–6789 or Joseph Doe.'' In this example, John Doe and Joseph Doe are coowners.

CPI-U, or U.S. City Average All Items Consumer Price Index for All Urban Consumers (non seasonally adjusted) is a monthly index of the prices paid by consumers for consumer goods and services, maintained by the Bureau of Labor Statistics of the U.S. Department of Labor.

Definitive bond means a Series I savings bonds issued in paper form.

Deflation means a decrease in the CPI-U from one month to another.

Face amount refers to the amount inscribed on the front of a definitive Series I savings bonds.

Fiduciary means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for another.

Fixed rate or *fixed rate of return* is a component of the composite annual rate for a Series I savings bonds that is established by the Secretary of the Treasury for the life of the bond.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Inflation means an increase in the CPI-U from one month to another.

Inscription means the information that is printed on the face of the bond.

Interest, as used in this part, is the difference between the principal amount and the redemption value of the bond.

Issue date is the first day of the month in which an authorized issuing agent receives payment of the issue price of the bond.

Issuing agent means an organization that has been qualified under part 317.

New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

Owner is either a single owner, the first individual named in the registration of a bond held in the owner with beneficiary form of registration, or the primary owner of a book-entry bond held in the primary owner with secondary owner form of registration.

Par means the principal amount of a Series I savings bond; for definitive bonds, par is the same as the face amount.

Paying agent means a financial institution that has been qualified under part 321.

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. Person does not mean a Federal Reserve Bank.

Primary owner means the first individual named in the registration of a book-entry bond held in New Treasury Direct registered ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Redemption of a book-entry Series I savings bonds refers to payment of principal and accrued interest on the bond at final maturity, or, at the option of the owner, prior to final maturity. The owner of a book-entry savings bonds held in New Treasury Direct may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption of a definitive Series I savings bonds refers to the payment of principal and accrued interest when the owner presents the bond for payment.

Redemption value means principal plus accrued interest of a Series I savings bonds, as of the date of redemption. In the case of book-entry Series I savings bonds, it also refers to a portion of the principal amount plus a proportionate amount of accrued interest of a bond, as of the date of redemption.

Registration means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named coowner, or purchaser of a gift bond are maintained on our records.

Registration of a book-entry Series I savings bonds means that the name and Taxpayer Identification Number (TIN) of all registrants are maintained on our records for a book-entry bond.

Registration of a definitive Series I savings bonds means that the name and TIN of the owner or first-named coowner are inscribed on the face of the bond.

Secondary owner means the second individual named in the registration of a book-entry bond held in New Treasury Direct registered ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, Joseph Doe is the secondary owner.

Semiannual inflation rate means a component of the composite annual rate that is based on the six-month percentage change in the CPI-U.

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

Series I savings bond means a savings bonds, whether definitive or book-entry, that is purchased at par and pays interest based on a formula that incorporates both an annual fixed rate and a semiannual inflation rate.

Single owner means the person named in the registration of a savings bonds without a coowner, beneficiary or secondary owner.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service; that is, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123–45–6789. An EIN is composed of nine digits separated by one hyphen, for example, 12–3456789. The hyphens are an essential part of the numbers.

We, *us*, or *our* refers to the agency, the Bureau of the Fiscal Service. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Fiscal Service. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or *your* refers to an owner of a Series I savings bonds.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 14942, Mar. 23, 2005; 71 FR 46857, Aug. 15, 2006]

§ 359.4 In what form are Series I savings bonds issued?

Series I savings bonds are issued in book-entry form. Effective January 1, 2012, Treasury discontinued the issuance of definitive Series I savings bonds.

[76 FR 66856, Oct. 28, 2011]

§ 359.5 What is the maturity period of a Series I savings bonds?

Series I savings bonds have a total maturity period of 30 years from the issue date, consisting of an original maturity period of 20 years and an extension period of 10 years.

§ 359.6 When may I redeem my Series I bond?

(a) *Bonds issued on December 1, 2002, or earlier*. You may redeem your Series I savings bond issued on January 1, 2003, or earlier, at any time after six months from its issue date.

(b) Bonds issued on February 1, 2003, or thereafter. You may redeem your Series I savings bond issued on February 1, 2003, or thereafter, at any time after 12 months from its issue date.

[68 FR 2667, Jan. 17, 2003, as amended at 68 FR 7427, Feb. 14, 2003]

§ 359.7 If I redeem a Series I savings bonds before five years after the issue date, is there an interest penalty?

If you redeem a bond less than five years after the issue date, we will reduce the overall earning period by three months. For example, if you redeem a bond issued January 1, 2002, nine months later on October 1, 2002, the redemption value will be determined by applying the value calculation procedures and composite rate for that bond as if the redemption date were three months earlier (July 1, 2002). However, we will not reduce the redemption value of a bond subject to the three-month interest penalty below the issue price (par). This penalty does not apply to bonds redeemed five years or more after the issue date.

§ 359.8 How does interest accrue on Series I savings bonds?

A bond accrues interest based on both a fixed rate of return and a semiannual inflation rate. A single, annual rate called the composite rate reflects the combined effects of the fixed rate and the semiannual inflation rate. For more information, see appendix B of part 359.

§ 359.9 When are interest rates for Series I savings bonds announced?

(a) The Secretary will furnish fixed rates, semiannual inflation rates, and composite rates for Series I savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then

the Secretary will make the announcement on the next business day. However, the effective date of the rates remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 359.10 What is the fixed rate of return?

The Secretary, or the Secretary's designee, determines the fixed rate of return. The fixed rate is established for the life of the bond. The fixed rate will always be greater than or equal to 0.00%.[1] The most recently announced fixed rate is only for bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

[73 FR 65543, Nov. 4, 1008]

§ 359.11 What is the semiannual inflation rate?

The index used to determine the semiannual inflation rate is the nonseasonally adjusted CPI-U (the Consumer Price Index for All Urban Consumers for the U.S. City Average for All Items, 1982–84=100) published by the Bureau of Labor Statistics of the U.S. Department of Labor. (For further information on CPI-U considerations, *see* appendix C to part 359 at section 1.) The semiannual inflation rate reflects the percentage change, if any, in the CPI-U over a six-month period. We announce this rate twice a year, in May and November. The semiannual inflation rate we announced in May 2002 reflects the percentage change between the CPI-U figures from the preceding March 2002 and September 2001. The rate of change over the six-month period, if any, will be expressed as a percentage, rounded to the nearest one-hundredth of one percent. More specifically, the semiannual inflation rate will be determined by the following formula (the resulting rate will be rounded to the nearest one-hundredth of one percent):

Semiannual inflation rate = (CPI − $U_{Current}$ − CPI − U_{Prior}) ÷ CPI − U_{Prior}

§ 359.12 What happens in deflationary conditions?

In certain deflationary situations, the semiannual inflation rate may be negative. Negative semiannual inflation rates will be used in the same way as positive semiannual inflation rates. However, if the semiannual inflation rate is negative to the extent that it completely offsets the fixed rate of return, the redemption value of a Series I bond for any particular month will not be less than the value for the preceding month.

§ 359.13 What are composite rates?

Composite rates are single, annual interest rates that reflect the combined effects of the fixed rate and the semiannual inflation rate. The composite rate will always be greater than or equal to 0.00%.

[73 FR 65544, Nov. 4, 1008]

§ 359.14 How are composite rates determined?

Composite rates are set according to the following formula (See appendix A to part 359 for examples of calculations involving composite interest rates.):

Composite rate = {(Fixed rate ÷ 2) + Semiannual inflation rate + [Semiannual inflation rate × (Fixed rate ÷ 2)]} × 2.[2]

§ 359.15 When is the composite rate applied to Series I savings bonds?

The most recently announced composite rate applies to a bond during its next semiannual rate period. A bond's

[1] However, the fixed rate is not a guaranteed minimum rate. The composite rate is composed of both the fixed rate and a semiannual inflation rate, which could possibly be less than the fixed rate or negative in deflationary situations. In all cases, however, the composite rate will always be greater than or equal to 0.00%.

[2] Example for I bonds issued May 2002–October 2002:
Fixed rate = 2.00%
Inflation rate = 0.28%
Composite rate = [0.0200 ÷ 2 + 0.0028 + (0.0028 × 0.0200 ÷ 2)] ×2
Composite rate = [0.0100 + 0.0028 + 0.000028] ×2
Composite rate = 0.012828 × 2
Composite rate = 0.025656
Composite rate = 0.0257 (rounded)
Composite rate = 2.57% (rounded)

semiannual rate periods are consecutive six-month periods, the first of which begins with the bond's issue date. This means that there can be a delay of several months from the time of a composite rate announcement to the time that rate determines interest earnings for a bond. For example, if you purchased a bond in April, its semiannual rate periods begin every April and October. At the beginning of the semiannual rate period in April, the most recently announced composite rate would have been the rate we announced the previous November. This rate will determine interest earnings for your bond for the next six months, through the end of September. At the beginning of the semiannual rate period in October, the most recently announced composite rate would be the rate announced the previous May. This rate will determine interest earnings for your bond through the end of the following March. However, if you purchased a bond instead in May, its semiannual rate periods begin in May and November. Therefore, the composite rates announced in May and November will apply immediately to this bond. (See appendix C to part 359 at § 2 for a discussion of rate lag.)

§ 359.16 When does interest accrue on Series I savings bonds?

(a) Interest, if any, accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month.

(b) The accrued interest compounds semiannually.

§ 359.17 When is interest payable on Series I savings bonds?

Interest earnings are payable upon redemption.

§ 359.18 Is the determination of the Secretary on rates and values final?

The Secretary's determination of fixed rates of return, semiannual inflation rates, composite rates, and savings bonds redemption values is final and conclusive.

§ 359.19 How is interest calculated?

We base all calculations of interest on a $25 unit. We use the value of this unit to determine the value of bonds in higher denominations. The effect of rounding off the value of the $25 unit increases at higher denominations. This can work to your slight advantage or disadvantage, depending on whether we round the value up or down.[3]

§§ 359.20–359.24 [Reserved]

Subpart B—Definitive Series I Savings Bonds

§ 359.25 What were the denominations and prices of definitive Series I savings bonds?

Prior to January 1, 2012, definitive Series I savings bonds were issued in denominations of $50, $75, $100, $200, $500, $1,000, $5,000, and $10,000. These definitive bonds were sold at par; that is, the purchase price was the same as the denomination (face value).

[76 FR 66856, Oct. 28, 2011]

§ 359.26 When are definitive Series I savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in part 360, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 359.27 What is the issue date of a definitive Series I savings bond?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent received payment of the issue price.

[76 FR 66856, Oct. 28, 2011]

[3] For example: A composite rate of 2.57% will result in a newly purchased $25 unit increasing in value after six months to $25.32, when rounded to the nearest cent. Thus, a $5,000 bond purchased at the same time as the $25 unit will be worth $5,064 after six months ([$5,000 divided by $25] × $25.32 = $5,064.) In contrast, if it applied directly to a $5,000 bond, the rate would render a value of $5,064.25 after six months, a difference of 25 cents. (This example does not include any discussion of the three-month interest penalty that applies if you redeem a bond less than five years after its issue date.)

§ 359.28 Are taxpayer identification numbers (TINs) required for the registration of definitive Series I savings bonds?

The registration of a definitive Series I savings bond must include the TIN of the owner or first-named co-owner. If the bond was purchased as a gift or award and the owner's TIN is not known, the TIN of the purchaser must be included in the registration of the bond.

[71 FR 46857, Aug. 15, 2006, as amended at 76 FR 66856, Oct. 28, 2011]

§§ 359.29–359.33 [Reserved]

§ 359.34 May I purchase definitive Series I savings bonds over-the-counter?

Effective January 1, 2012, Treasury discontinued the over-the-counter sale of definitive Series I savings bonds.

[76 FR 66856, Oct. 28, 2011]

§ 359.35 May I purchase definitive Series I savings bonds through a payroll savings plan?

Treasury discontinued the issuance of definitive Series I savings bonds through a payroll savings plan:

(a) Effective October 1, 2010, for United States government employees, and

(b) Effective January 1, 2011, for all other employees.

[75 FR 52461, Aug. 26, 2010]

§ 359.36 May I purchase definitive Series I savings bonds through employee thrift, savings, vacation, and similar plans?

You may purchase bonds registered in the names of employee plans in authorized denominations through a designated Federal Reserve Bank, as provided in part 360 of this chapter.

§ 359.37 How are definitive Series I savings bonds delivered?

We deliver definitive bonds by mail to your address. If your address is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, we will deliver bonds at our risk. Bonds delivered elsewhere will be delivered at your risk; however, at our discretion, we may require delivery to an address within the United States, or refuse delivery to addresses in countries referred to in part 211 of this chapter.

§ 359.38 How is payment made when definitive Series I savings bonds are redeemed?

A financial institution qualified as a paying agent under the provisions of part 321 will pay the current redemption value of a definitive Series I bond presented for payment. The bond must meet the requirements for payment specified in part 360. You must establish your identity and entitlement to redemption to the satisfaction of the agent, in accordance with our instructions and identification guidelines, and must sign and complete the request for payment.

§ 359.39 How are redemption values calculated for definitive Series I savings bonds?

We determine the redemption value of a definitive savings bonds for the accrual date (the first day of each month) by first determining the composite rate as defined in § 359.13. If the result of the composite rate calculation is a negative value, zero will be the assumed composite rate in the redemption value calculation. Redemption values are calculated using the following formula (For examples of the calculation, see appendix A to part 359):

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

Where:

FV (future value) = redemption value on the accrual date rounded to the nearest cent without consideration of penalty.

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

CR = composite rate converted to decimal form by dividing by 100.

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

§ 359.40 How can I find out what my definitive Series I savings bonds are worth?

(a) *Redemption values.* Redemption values are available for definitive bonds in various formats and media.

(1) You may determine the redemption value for definitive bonds on the Internet at *www.savingsbonds.gov*.

(2) You may download savings bonds calculators from the Internet at *www.savingsbonds.gov*.

(3) You may obtain paper tables from the Bureau of the Fiscal Service, Parkersburg, West Virginia 26106–1328. We reserve the right to cease making paper tables of redemption values available.

(b) *Redemption penalty*. Redemption values published in the tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

§§ 359.41–359.44 [Reserved]

Subpart C—Book-Entry Series I Savings Bonds

§ 359.45 How are book-entry Series I savings bonds purchased and held?

Book-entry bonds must be purchased and held online through your New Treasury Direct account. We provide instructions for opening an account online at *http://www.fiscal.treasury.gov*.

§ 359.46 What are the denominations and prices of book-entry Series I savings bonds?

Book-entry bonds are issued in a minimum amount of $25, with additional increments of one cent. Book-entry bonds are sold at par value.

§ 359.47 How is payment made for purchases of book-entry Series I savings bonds?

You may only purchase book-entry Series I savings bonds online through your New Treasury Direct account. You may pay for your securities through a debit to your designated account at a United States depository financial institution, or by applying the redemption proceeds of a certificate of indebtedness held in your New Treasury Direct account.

[69 FR 50308, Aug. 16, 2004]

§ 359.48 How are redemption payments made for my redeemed book-entry Series I savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution. You may also direct that a payment be used to purchase a certificate of indebtedness to be held in your New Treasury Direct account.

[69 FR 50308, Aug. 16, 2004]

§ 359.49 What is the issue date of a book-entry Series I savings bond?

The issue date of a book-entry Series I savings bond is the first day of the month in which the security posts to the current holdings of the account owner.

[69 FR 50308, Aug. 16, 2004]

§ 359.50 What amount of book-entry Series I savings bonds may I acquire per year?

The principal amount of book-entry Series I savings bonds that you may acquire in any calendar year is provided at § 363.52.

[77 FR 213, Jan. 4, 2012]

§§ 359.51–359.52 [Reserved]

§ 359.53 Are taxpayer identification numbers (TINs) required for registration of book-entry Series I savings bonds?

The TIN of each person named in the registration is required to purchase a book-entry bond.

§ 359.54 When is a book-entry Series I savings bonds validly issued?

A book-entry bond is validly issued when it is posted to your New Treasury Direct account.

§ 359.55 How are redemption values calculated for book-entry Series I savings bonds?

We base current redemption values (CRV) for book-entry Series I savings bonds on the definitive savings bonds CRV. To calculate the book-entry values, we use the CRV for the $100 denomination Series I savings bonds and calculate a CRV prorated to the book-entry par investment amount for the corresponding issue and redemption dates. Calculated book-entry CRV will

be rounded to the nearest one cent.[4] The formula is as follows (Examples of the calculation are given in appendix A to part 359.):

[Book-entry par investment ÷ 100] × [CRV value for $100 bond].

[67 FR 64278, Oct. 17, 2002, as amended at 75 FR 52461, Aug. 26, 2010]

§ 359.56 How can I find out what my book-entry Series I savings bonds are worth?

(a) *Redemption values*. You may access redemption values for your book-entry bonds through your New Treasury Direct account.

(b) *Redemption penalty*. Redemption values shown in your New Treasury Direct account reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

§§ 359.57–359.64 [Reserved]

Subpart D—Miscellaneous Provisions

§ 359.65 [Reserved]

§ 359.66 Is the Education Savings Bonds Program available for Series I savings bonds?

You may be able to exclude from income for Federal income tax purposes all or part of the interest received on the redemption of qualified bonds during the year. To qualify for the program, you or the co-owner (in the case of definitive savings bonds) must have paid qualified higher education expenses during the same year. You also must have satisfied certain other conditions. This exclusion is known as the Education Savings Bonds Program. Information about the program can be found in Internal Revenue Service Publications. (For example, see Publication 17, ''Your Federal Income Tax,'' Publication 550, ''Investment Income and Expenses,'' and Publication 970, ''Tax Benefits of Higher Education.'')

§ 359.67 Does Fiscal Service prohibit the issuance of Series I savings bonds in a chain letter scheme?

We do not permit bonds to be issued in a chain letter or pyramid scheme. We authorize an issuing agent to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is connected with a chain letter. The agent's decision is final.

§ 359.68 [Reserved]

§ 359.69 Does Fiscal Service make any reservations as to issue of Series I savings bonds?

We may reject any application for Series I bonds, in whole or in part. We may refuse to issue, or permit to be issued, any bonds in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

§ 359.70 May Fiscal Service waive any provision in this part?

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

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

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

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

§ 359.71 What is the role of Federal Reserve Banks and Branches?

(a) Federal Reserve Banks and Branches are fiscal agents of the United States. They are authorized to perform such services as we may request of them, in connection with the issue, servicing and redemption of Series I bonds.

(b) We have currently designated the following Federal Reserve Offices to provide savings bonds services:

[4] Example: Calculated value of $25.044 rounds to $25.04; calculated value of $25.045 rounds to $25.05.

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

§ 359.72 May the United States supplement or amend the offering of Series I savings bonds?

We may supplement or amend the terms of this offering of Series I bonds at any time.

APPENDIX A TO PART 359—REDEMPTION VALUE CALCULATIONS

1. What are some general tax considerations?

Interest on savings bonds is subject to taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are exempt from taxation by any State or political subdivision of a State, except for estate or inheritance taxes. (See 31 U.S.C. 3124.)

2. What is an example of a book-entry Series I savings bonds redemption value calculation?

Assume a New Treasury Direct par investment amount in a book-entry Series I savings bonds of $34.59, with an issue date of May, 2001, and a redemption date of December, 2001. The published CRV for a definitive $100 Series I savings bonds issued May, 2001 and redeemed December, 2001 = $101.96.

Calculation:

[(Book-entry par investment) ÷ (100)] × CRV value for $100 bond

[(34.59 ÷ 100)] × 101.96

[0.3459] × 101.96

35.267964

= $35.27

APPENDIX B TO PART 359—COMPOSITE SEMIANNUAL RATE PERIOD TABLE

1. What months make up the composite semiannual rate period?

You may use the following table to find when a bond's semiannual rate period begins and when we'll announce the rate that applies during each period.

If your Bond has an issue date of—	Then its semiannual rate period begins—	We announce the rate that applies during a rate period in—
January	January 1	November 1 (of the previous year).
	July 1	May 1.
February	February 1	November 1 (of the previous year).
	August 1	May 1.
March	March 1	November 1 (of the previous year).
	September 1	May 1.
April	April 1	November 1 (of the previous year).
	October 1	May 1.
May	May 1	May 1.
	November 1	November 1.
June	June 1	May 1.
	December 1	November 1.

If your Bond has an issue date of—	Then its semiannual rate period begins—	We announce the rate that applies during a rate period in—
July	July 1	May 1.
	January 1	November 1 (of the previous year).
August	August 1	May 1.
	February 1	November 1 (of the previous year).
September	September 1	May 1
	March 1	November 1 (of the previous year).
October	October 1	May 1.
	April 1	November 1 (of the previous year).
November	November 1	November 1.
	May 1	May 1.
December	December 1	November 1.
	June 1	May 1.

APPENDIX C TO PART 359—INVESTMENT CONSIDERATIONS

1. What are some index contingencies?

(a) If a previously reported CPI-U is revised, we will continue to use the previously reported CPI-U in calculating redemption values.

(b) If the CPI-U is rebased to a different year, we will continue to use the CPI-U based on the base reference period in effect when the security was first issued, as long as that CPI-U continues to be published.

(c) If, while an inflation-indexed savings bonds is outstanding, the applicable CPI-U is discontinued or, in the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the security, or, in the judgment of the Secretary, altered by legislation or Executive Order in a manner materially adverse to the interests of an investor in the security, Treasury, after consulting with the Bureau of Labor Statistics 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. The Secretary's determinations in this regard will be final.

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

2. How will inflation lag affect my Series I savings bonds?

The inflation rate component of investor earnings will be determined twice each year. This rate will be the percentage change in the CPI-U for the six months ending each March and September. The rate will be included in the composite rate that is announced each May and November. For Series I bonds offered from September 1, 1998, through October 31, 1998, the inflation rate component of investor earnings will be the percentage change in the CPI-U for the six months ending March 31, 1998. This rate will be included in the composite rate that is announced for Series I bonds offered effective from September 1, 1998, through October 31, 1998. In the event the Secretary, or the Secretary's designee, announces a composite rate at an effective date other than May 1 or November 1, the announcement will specify the period to be used to calculate the semiannual inflation rate. Each composite rate will be effective for the entirety of the applicable rate period that begins while the rate is in effect. Thus, an inflation rate may affect interest accruals from 3 to 13 months from the date that the CPI-U is measured.

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

Example 2. The May 1, 2004, rate will apply similarly to a bond purchased in October 1999. Series I bonds issued in October begin new semiannual rate periods in the months of April and October. Thus, for this bond, the May 1, 2004, composite rate (which includes the inflation rate) will not go into effect until a new semiannual rate period begins on October 1, 2004. This rate, therefore, will determine the inflation-indexed portion of each interest accrual from November, 2004, through April, 2005. In this example, the inflation rate will have its latest impact in April 2005, 13 months following the six-month CPI-U period that ended March 31, 2004.

APPENDIX D TO PART 359—TAX CONSIDERATIONS

1. What are some general tax considerations?

General. Interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are also subject to Federal and State estate, inheritance, gift, or other excise taxes. The bonds are exempt from all other taxation by any State or local taxing authority.

2. What reporting methods are available for savings bonds?

(a) *Reporting methods*. You 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 method*. You may defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earliest; or

(2) *Accrual basis method*. You may elect to report the increase each year, in which case the election applies to all Series I bonds that you then own, those subsequently acquired, and to any other obligations purchased on a discount basis, such as savings bonds of Series E or EE.

(b) *Changing methods*. If you use the cash basis method, you may change to the accrual basis method without obtaining permission from the Internal Revenue Service. However, once you elect to use the accrual basis method in paragraph (a)(2), you may change the method of reporting the increase only by following the specific procedures prescribed by the Internal Revenue Service for making an automatic method change. For further information, you may contact the Internal Revenue Service director for your area, or the Internal Revenue Service, Washington, DC 20224.

3. What transactions have potential tax consequences?

The following types of transactions, among others, may have potential tax consequences:

(a) A reissue that affects the rights of any of the persons named on a definitive Series I savings bonds may have tax consequences for the owner.

(b) The transfer of a book-entry Series I savings bonds from one owner to another may have tax consequences for the purchaser.

(c) The redemption of a book-entry Series I savings bonds by the secondary owner may have tax consequences for the primary owner.

(d) The purchase of a Series I savings bonds as a gift may have gift tax consequences for the purchaser.

[67 FR 64278, Oct. 17, 2002, as amended at 68 FR 24806, May 8, 2003]

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

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

EDITORIAL NOTE: Nomenclature changes to part 360 appear at 79 FR 8860, Feb. 14, 2014.

SOURCE: 63 FR 38049, July 14, 1998, unless otherwise noted.

Subpart A—General Information

§ 360.0 Applicability.

(a) The regulations in this part apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through TreasuryDirect®.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in TreasuryDirect®; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through TreasuryDirect®.

[70 FR 14942, Mar. 23, 2005]

§ 360.1 Official agencies.

(a) The Bureau of the Fiscal Service of the Department of the Treasury is responsible for administering the Savings Bonds Program. Authority to process transactions has been delegated to the Federal Reserve Bank of Minneapolis and may be delegated to other Federal Reserve Banks and Branches as fiscal agents of the United States. The Federal Reserve Banks and Branches, and their authority to process transactions as fiscal agents of the United States, are subject to change as determined by the Secretary of the Treasury, or his or her designee.

(b) Information about savings bonds and savings bond transactions, including savings bond transaction forms and email contact information, is available through the Bureau of the Fiscal Service's Web site at *http://www.treasurydirect.gov*. Communications concerning transactions and requests for forms may also be addressed to:

(1) The Bureau of the Fiscal Service, P.O. Box 7012, Parkersburg, WV 26106–7012; or

(2) The Federal Reserve Bank of Minneapolis, Treasury Retail Securities Site, P.O. Box 214, Minneapolis, MN 55480–0214.

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

and as indicated in the regulations in this part.

[63 FR 38049, July 14, 1998, as amended at 79 FR 8859, Feb. 14, 2014]

§ 360.2 Definitions.

(a) *Bond,* or *Series I savings bonds,* as used in this part, means a definitive United States Savings Bonds of Series I.

(b) *Book-entry bond* means a savings bond maintained by Treasury in electronic or paperless form as a computer record.

(c) *Converted savings* bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

(d) *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.

(e) *Inscription* means the information that is printed on the face of the bond.

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

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

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

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

(j) *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.

(k) *Registration* means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named co-owner, or purchaser of a gift bond are maintained on our records.

(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. Reissue may also mean the cancellation and retirement of a bond and the issuance of a book-entry bond or bonds of the same series, same issue date, and same total face amount. All reissues are subject to the restrictions in § 360.48.

(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, attorneys-in-fact, trustees of personal and similar trust estates, or the executors or administrators of decedents' estates.

(n) *Substitute bond* means a bond or book-entry bond issued as a result of a claim or application for relief under subpart F of this part.

(o) *Surrender* means the actual receipt of a definitive bond with an appropriate request for payment or reissue by either a Federal Reserve Bank or Branch or the Bureau of the Fiscal Service, or, if a paying agent is authorized to handle the transaction, the actual receipt of the definitive bond and the request for payment by the paying agent.

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

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

(r) *Voluntary representative* means the person qualified by the Department of the Treasury to request payment or distribution of a decedent's savings bonds pursuant to § 360.71.

[63 FR 38049, July 14, 1998, as amended at 67 FR 64268, Oct. 17, 2002; 70 FR 14942, Mar. 23, 2005; 70 FR 57432, Sept. 30, 2005; 71 FR 46858, Aug. 15, 2006; 79 FR 8860, Feb. 14, 2014]

§ 360.3 Converting definitive savings bonds to book-entry bonds in TreasuryDirect®.

Series I savings bonds that were originally issued as definitive bonds

may be converted to book-entry bonds through TreasuryDirect®, an online system for holding Treasury securities. The Web address for TreasuryDirect® is *www.treasurydirect.gov*. Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

[70 FR 14942, Mar. 23, 2005]

Subpart B—Registration

§ 360.5 General rules.

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

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

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

(c) *Registration of bonds purchased as gifts.* If the bonds were purchased as gifts, awards, prizes, etc., and the taxpayer identifying numbers of the intended owners are not known, the purchaser's number must be furnished. Bonds so registered 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.

[63 FR 38049, July 14, 1998, as amended at 71 FR 46858, Aug. 15, 2006; 76 FR 66856, Oct. 28, 2011]

§ 360.6 Authorized forms of registration.

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

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

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

Example: Julie B. Jones, 123–45–6789.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[63 FR 38049, July 14, 1998, as amended at 71 FR 46858, Aug. 15, 2006]

§ 360.7 Chain letters prohibited.

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

Subpart C—Limitations on Annual Purchases

§ 360.10 Amounts which may be purchased.

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

(a) General annual limitation, $5,000 (par value).

(b) Special limitation, $4,000 (par value) multiplied by the highest number of employees participating in an eligible employee plan, as defined in

§ 360.13, at any time during the calendar year in which the bonds are issued.

[63 FR 38049, July 14, 1998, as amended at 72 FR 67854, Dec. 3, 2007]

§ 360.11 Computation of amount.

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

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

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

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

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

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

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

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

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

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

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

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

§ 360.12 Disposition of excess.

If any person at any time has savings bonds issued during any one calendar year in excess of the prescribed amount, instructions should be obtained from the Bureau of the Fiscal Service, Parkersburg, WV 26106–1328, for appropriate adjustment of the excess. Under the conditions specified in § 360.90, the Commissioner of the Fiscal Service may permit excess purchases to stand in any particular case or class of cases.

§ 360.13 Employee plans—Conditions of eligibility.

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

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

(2) The word *beneficiary* means:

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

(ii) The estate of the employee.

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

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

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

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

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

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

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

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

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

(1) The plan;

(2) Any instructions issued under the plan that concern Series I bonds; and

(3) The trust agreement, in order to establish the plan's eligibility.

(e) *Vacation plans.* Savings bonds may be purchased under certain vacation plans. Questions concerning the eligibility of these plans to purchase bonds in excess of the general limitation should be addressed to the Bureau of the Fiscal Service, Parkersburg, WV 26106–1328.

Subpart D—Limitations on Transfer or Pledge

§ 360.15 Transfer.

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

§ 360.16 Pledge.

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

Subpart E—Judicial Proceedings

§ 360.20 General.

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

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

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

§ 360.21 Payment to judgment creditors.

(a) *Purchaser or officer under levy*. The Department of the Treasury will pay (but not reissue) a savings bond to the purchaser at a sale under a levy or to the officer authorized under appropriate process to levy upon property of the registered owner or coowner to satisfy a money judgment. Payment will be made only to the extent necessary to satisfy the money judgment. The amount paid is limited to the redemption value 60 days after the termination of the judicial proceedings. Except in the case of a levy by the Internal Revenue Service, payment of a bond registered in coownership form pursuant to a judgment or a levy against only one coowner is limited to the extent of that coowner's interest in the bond. That interest must be established by an agreement between the coowners or by a judgment, decree, or order of a court in a proceeding to which both coowners are parties. Payment of a bond registered in coownership form pursuant to a levy by the Internal Revenue Service will be made if the levy is against either coowner on the bond.

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

§ 360.22 Payment or reissue pursuant to divorce.

(a) *Divorce*. (1) The Department of the Treasury will recognize a divorce decree that ratifies or confirms a property settlement agreement disposing of bonds or that otherwise settles the interests of the parties in a bond. Reissue of a savings bond may be made to eliminate the name of one spouse as owner, coowner, or beneficiary or to substitute the name of one spouse for that of the other spouse as owner, coowner, or beneficiary pursuant to the decree. However, if the bond is registered in the name of one spouse with another person as coowner, there must be submitted either:

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

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

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

(b) *Date for determining rights*. When payment or reissue under this section is to be made, the rights of the parties will be those existing under the regulations current at the time of the entry of the final judgment, decree, or court order.

§ 360.23 Evidence.

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

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

than six months prior to the presentation of the bond.

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

§ 360.24 Payment pursuant to judicial or administrative forfeiture.

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

(1) *Contact point* means the individual designated to receive referrals from the Bureau of the Fiscal Service, as provided for in this section, by the Federal investigative agency, United States Attorney's Office, or forfeiting agency specified in Fiscal Service 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) *Fiscal Service Form 1522* means the written notification of the forfeiture provided by the forfeiting agency to the Bureau of the Fiscal Service on a Fiscal Service Form 1522 SPECIAL FORM OF REQUEST FOR PAYMENT OF UNITED STATES SAVINGS AND RETIREMENT SECURITIES WHERE USE OF A DETACHED REQUEST IS AUTHORIZED. Fiscal Service 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 Fiscal Service Form 1522 are to be mailed to the Department of the Treasury, Bureau of the Fiscal Service, Parkersburg, WV 26106–1328.

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

(2) The Bureau of the Fiscal Service 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 Fiscal Service will rely exclusively upon the information provided by the Federal agency in the Fiscal Service 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 Fiscal Service Form 1522.

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

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

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

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

§ 360.25 General.

Relief, by the issue of a substitute bond or by payment, is authorized for the loss, theft, destruction, mutilation, or defacement of a bond after receipt by the owner or his or her representative. As a condition for granting relief,

the Commissioner of the Fiscal Service, as designee of the Secretary of the Treasury, may require a bond of indemnity, in the form, and with the surety, or security, he or she considers necessary to protect the interests of the United States. In all cases, the claimant or claimants must identify the lost, stolen, destroyed, mutilated, or defaced savings bond or savings bonds by serial number or serial numbers and must submit satisfactory evidence of the loss, theft, or destruction, or a satisfactory explanation of the mutilation or defacement.

§ 360.26 Application for relief; after receipt of bond.

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

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

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

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

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

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

(e) If the application is approved on or before February 14, 2014, 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 payment. If the application is approved after February 14, 2014, relief will be granted either by the issuance of a book-entry bond bearing the same issue date as the bond for which the claim was filed or by payment.

[63 FR 38049, July 14, 1998, as amended at 79 FR 8860, Feb. 14, 2014]

§ 360.27 Application for relief; nonreceipt of bond.

If a bond issued on any transaction is not received, the issuing agent must be notified as promptly as possible and given all information available about the nonreceipt. An appropriate form and instructions will be provided. If the application is approved on or before February 14, 2014, relief will be granted by the issuance of a bond bearing the same issue date as the bond that was not received. If the application is approved after February 14, 2014, relief will be granted by the issuance of a book-entry bond bearing the same issue date as the bond that was not received or by payment. Also, relief is authorized for the issuance of bonds for which the Secretary has not received payment, in order to preserve public confidence in dealing with issuing agents.

[79 FR 8860, Feb. 14, 2014]

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

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

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

§ 360.29 Adjudication of claims.

(a) *General.* The Bureau of the Fiscal Service will adjudicate claims for lost, stolen or destroyed bonds on the basis

of records created and regularly maintained in the ordinary course of business.

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

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

Subpart G—General Provisions for Payment

§ 360.35 Payment (redemption).

(a) *General.* Payment of a Series I savings bond will be made to the person or persons entitled under the provisions of the regulations in this part, except that the redemption payment will not be delivered to addresses in areas with respect to which the Department of the Treasury restricts or regulates the delivery of remittances, including checks and electronic payments, drawn against funds of the United States. See Department of the Treasury Circular No. 655, current revision (31 CFR part 211). Payment will be made without regard to any notice of adverse claims to a bond and no stoppage or caveat against payment of a bond will be entered.

(b) *Mandatory initial holding period.* A Series I bond issued on January 1, 2003, or earlier, will be paid at any time after six months from issue date. A Series I bond issued on February 1, 2003, or thereafter, will be paid at any time after 12 months from issue date. Bonds will be paid at the current redemption value determined in the manner described in Department of the Treasury Circular, Fiscal Service Series No. 1–98 (31 CFR part 359).

[63 FR 38049, July 14, 1998, as amended at 68 FR 2667, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]

§ 360.36 Payment during life of sole owner.

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

§ 360.37 Payment during lives of both coowners.

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

§ 360.38 Payment during lifetime of owner of beneficiary bond.

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

§ 360.39 Surrender for payment.

(a) *Procedure for definitive bonds of Series I presented at authorized paying agents.* The owner, coowner, or other person entitled to payment of a definitive Series I bond may present the bond to an authorized paying agent for redemption. The presenter must establish his or her identity and entitlement to payment in accordance with Treasury instructions and identification guidelines. The presenter must sign the request for payment on the bond or, if authorized, on a separate detached request, and add his or her address. If the request for payment has been signed, or signed and certified, before presentation of the bond, the paying agent must be satisfied that the person presenting the bond for payment is the owner, coowner, or other person entitled to payment, and may require the person to sign the request for payment again. If the bond is in order for payment, the paying agent will make payment at the current redemption value without charge to the presenter. Paying agents are not authorized to process any case involving partial redemption.

(b) *Procedure for all other cases.* In the case of definitive bonds to which the procedure in paragraph (a) of this section, does not apply, or if otherwise preferred, the owner or coowner, or other person entitled to payment

should establish his or her identity to the satisfaction of an officer authorized by the regulations in this part to certify requests for payment, sign the requests for payment, and provide delivery information for the payment. The bonds must be forwarded to a designated Federal Reserve Bank or Branch or the Bureau of the Fiscal Service. Usually, payment will be expedited by submission to a designated Federal Reserve Bank or Branch. In all cases, the cost and risk of presentation of a bond will be borne by the owner. Payment will be made to the registered owner or other person entitled and will be delivered according to the instructions of the owner or the other person entitled and the regulations in this part.

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

§ 360.40 Special provisions for payment.

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

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

(c) *Name change.* If the name of the owner, coowner, or other person entitled to payment, as it appears in the registration or in any related evidence or documents has been changed in any legal manner, the signature to the request for payment must show both names and the manner in which the change was made; for example, ''Mary T. Jones Smith (Mary T. J. Smith or Mary T. Smith) changed by marriage from Mary T. Jones'', or ''John R. Young, changed by order of court from Hans R. Jung''. See § 360.50.

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

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

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

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

§ 360.41 Partial redemption.

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

§ 360.42 Nonreceipt or loss of remittance issued in payment.

If a remittance in payment of the redemption value of a bond surrendered for redemption is not received within a reasonable time or is lost after receipt, notice should be given to the same

agency to which the bond was surrendered for payment. The notice should give the date the bond was surrendered for payment and describe the bond by series, denomination, serial number, and registration, including the taxpayer identifying number of the owner.

§ 360.43 Effective date of request for payment.

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

(a) A Federal Reserve Bank or Branch;

(b) The Bureau of the Fiscal Service; or

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

§ 360.44 Withdrawal of request for payment.

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

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

Subpart H—Reissue and Denominational Exchange

§ 360.45 General.

Reissue of a bond may be made only under the conditions specified in these regulations, and only at: A designated Federal Reserve Bank or Branch, or the Bureau of the Fiscal Service. Reissue will not be made if the request is received less than one full calendar month before the maturity date of a bond. See 31 CFR part 359. The request, however, will be effective to establish ownership as though the requested reissue had been made. We reserve the right to reissue savings bonds in book-entry form only. See § 360.48(a).

[63 FR 38049, July 14, 1998, as amended at 76 FR 66856, Oct. 28, 2011; 79 FR 8860, Feb. 14, 2014]

§ 360.46 Effective date of request for reissue.

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

§ 360.47 Authorized reissue; during lifetime.

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

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

(1) To add a coowner or beneficiary; or

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

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

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

(1) A coownership bond may be reissued to name a new owner, with or without a coowner or beneficiary as requested by the new owner, but only if at least one of the coowners and the new owner are parties to a divorce or

annulment, but reissue is limited to the extent of that coowner's interest in the bond (See § 360.22(a)); or

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

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

(1) To substitute another individual as beneficiary; or

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

§ 360.48 Restrictions on reissue; denominational exchange.

(a) *Elimination of definitive Series I bonds*. After February 14, 2014, the Department of the Treasury will no longer reissue Series I bonds in definitive (paper) form. After that date, a request for reissue of a Series I bond for any reason will only be processed under one of the following conditions:

(1) If the new owner requests payment in the same transaction; or

(2) If the new owner provides instructions to reissue in the form of a book-entry bond in a TreasuryDirect® account. This option is available for persons who are eligible to open a TreasuryDirect® account under the regulations in 31 CFR part 363.

(b) *Denominational exchange*. Reissue is not permitted solely to change denominations.

[79 FR 8860, Feb. 14, 2014]

§ 360.49 Correction of errors.

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

§ 360.50 Change of name.

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

§ 360.51 Requests for reissue.

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

Subpart I—Certifying Officers

§ 360.55 Individuals authorized to certify.

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

(a) *Officers generally authorized*—(1) *Banks, trust companies, and member organizations of the Federal Home Loan Bank System*. (i) Any officer of a bank incorporated in the United States, the territories or possessions of the United States, or the Commonwealth of Puerto Rico.

(ii) Any officer of a trust company incorporated in the United States, the territories or possessions of the United States, or the Commonwealth of Puerto Rico.

(iii) Any officer of an organization that is a member of the Federal Home Loan Bank System. This includes Federal savings and loan associations.

(iv) Any officer of a foreign branch or domestic branch of an institution indicated in paragraphs (a)(1)(i) through (iii) of this section.

(v) Any officer of a Federal Reserve Bank, a Federal Land Bank, or a Federal Home Loan Bank.

(vi) Any employee of an institution in paragraphs (a)(1)(i) through (v) of this section, who is expressly authorized to certify by the institution.

(2) *Credit unions*. Any officer or employee of a credit union, who is expressly authorized to certify by the institution. Certification by these officers or designated employees must be authenticated by a legible imprint of either the corporate seal of the institution or of the issuing or paying agent's

stamp. The employee expressly authorized to certify by an institution must sign his or her name over the title ''Designated Employee''.

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

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

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

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

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

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

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

§ 360.56 General instructions and liability.

(a) The certifying officer must:

(1) Require the person presenting a bond, or an appropriate Fiscal Service 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 Fiscal Service transaction form, or in a separate record, showing exactly how identification was established; and

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

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

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

§ 360.57 When a certifying officer may not certify.

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

(a) Have an interest in the bonds; or

(b) Will, by virtue of the requests being certified, acquire an interest in the bonds.

§ 360.58 Forms to be certified.

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

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

§ 360.60 Payment to representative of an estate.

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

(1) If the registration shows the name and capacity of the representative;

(2) If the registration shows the capacity but not the name of the representative and the request is accompanied by appropriate evidence; or

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

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

(2) Except in the case of corporate fiduciaries, the evidence must show that the appointment is in full force and 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)''.

§ 360.61 Payment after death.

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

§ 360.62 Payment to minor.

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

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

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

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

(1) Request by parent:

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

Mary Jones on behalf of John C. Jones

(2) Request by other person:

I certify that John C. Jones does not reside with either parent and that I furnish his chief support. He is ____ years of age and is

not of sufficient understanding to make this request.

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

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

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

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

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

(2) If an amount insufficient to purchase an additional bond of any authorized denomination of savings bond remains after the reinvestment, the voluntary guardian may furnish additional funds sufficient to purchase another savings bond of the lowest available denomination. If additional funds are not furnished, the remaining amount will be paid to the voluntary guardian for the use and benefit of the incapacitated person.

§ 360.65 Reissue.

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

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

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

Subpart K—Deceased Owner, Coowner or Beneficiary

§ 360.70 General rules governing entitlement.

The rules in this section govern ownership or entitlement where one or both of the persons named on a bond have died without the bond having been surrendered for payment or reissue. Appropriate proof of death will be required.

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

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

(2) *Both coowners deceased.* If both coowners named on a bond have died, the

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

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

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

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

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

[63 FR 38049, July 14, 1998, as amended at 70 FR 57432, Sept. 30, 2005]

§ 360.71 Decedent's estate.

(a) *Estate is being administered.* (1) A legal representative of a deceased owner's estate may request payment of savings bonds to the estate, or may distribute the savings bonds to the persons entitled.

(2) Appropriate proof of appointment for the legal representative of the estate is required. Letters of appointment must be dated not more than one year prior to the date of submission of the letters of appointment.

(b) *Estate has been settled previously.* If the estate has been settled previously through judicial proceedings, the persons entitled may request payment or reissue of the savings bonds. A certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence is required.

(c) *Special provisions under the law of the jurisdiction of the decedent's domicile.* If there is no formal or regular administration and no representative of the estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under applicable local law summary or small estates procedures may request payment or reissue of savings bonds. Appropriate evidence is required.

(d) *When administration is required.* If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000, administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(e) *Voluntary representative for small estates that are not being otherwise administered*—(1) *General.* A voluntary representative is a person qualified according to paragraph (e)(3) of this section, to request payment or distribution of a decedent's savings bonds. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's savings bonds and held payments, if any, is determined by the law of the jurisdiction in which the decedent was

domiciled at the date of death. Voluntary representative procedures may be used only if:

(i) There has been no administration, no administration is contemplated, and no summary or small estate procedures under applicable local law have been used;

(ii) The total redemption value of the Treasury securities and held payments, if any, held directly on our records that are the property of the decedent's estate is $100,000 or less as of the date of death; and

(iii) There is a person eligible to serve as the voluntary representative according to paragraph (e)(3) of this section.

(2) *Authority of voluntary representative*. A voluntary representative may:

(i) Redeem the decedent's savings bonds that are eligible for redemption on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death;

(ii) Distribute the decedent's savings bonds to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death.

(3) *Order of precedence for voluntary representative*. An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: A surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(4) *Liability*. By serving, the voluntary representative warrants that the distribution of payments or savings bonds is to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of payments or securities. Upon payment or distribution of the securities at the request of the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(f) *Creditor*. If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for payment of the amount of the debt, providing the debt has not been barred by applicable local law.

[70 FR 57432, Sept. 30, 2005]

§ 360.72 [Reserved]

Subpart L—Fiduciaries

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

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

(b) *Corporate fiduciaries*. If a bond is registered in the name of a public or

private corporation, such as a financial institution, or a governmental body as fiduciary, the request must be signed by an authorized officer in the name of the organization as fiduciary. Ordinarily, a signed and certified request will be accepted without further evidence.

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

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

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

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

Subpart M—Miscellaneous Provisions

§ 360.90 Waiver of regulations.

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

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

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

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

§ 360.91 Additional requirements; bond of indemnity.

The Commissioner of the Fiscal Service, as designee of the Secretary of the Treasury, may require:

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

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

§ 360.92 Supplements, amendments, or revisions.

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

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, and 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 Fiscal Service, 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 Fiscal Service, 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 363—REGULATIONS GOVERNING SECURITIES HELD IN TREASURYDIRECT

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363.1 What Treasury securities are covered by these regulations?
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GENERAL

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GENERAL

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AUTHORITY: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3102, *et seq.;* 31 U.S.C. 3121, *et seq.*

SOURCE: 67 FR 64286, Oct. 17, 2002, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 363 appear at 70 FR 57433, Sept. 30, 2005, 70 FR 57442, Sept. 30, 2005, and 75 FR 70815, Nov. 19, 2010.

Subpart A—General

§ 363.0 What is the TreasuryDirect® system?

The TreasuryDirect system (TreasuryDirect) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

§ 363.1 What Treasury securities are covered by these regulations?

The regulations in this part apply to book-entry Treasury securities held in the TreasuryDirect® system.

§ 363.2 What agency administers TreasuryDirect®?

The Bureau of the Fiscal Service (Fiscal Service), Department of the Treasury (Treasury) is responsible for administering TreasuryDirect. Fiscal Service may delegate authority to process certain transactions in TreasuryDirect to Federal Reserve Banks and Branches as fiscal agents of the United States.

§ 363.3 [Reserved]

§ 363.4 How is TreasuryDirect® different from the Legacy Treasury Direct® system and the commercial book-entry system?

(a) *TreasuryDirect*. TreasuryDirect is a book-entry, online system maintained by Treasury for purchasing, holding and conducting permitted transactions in eligible Treasury securities in electronic form as a computer record on the books of Treasury. TreasuryDirect currently provides for the purchase and holding of eligible book-entry savings bonds, zero-percent certificates of indebtedness, and eligible marketable Treasury securities.

(b) *Legacy Treasury Direct*. The Legacy Treasury Direct system is a non-Internet-based book-entry system maintained by Treasury for holding and conducting permitted transactions in eligible marketable Treasury securities as book-entry products. The terms and conditions for the Legacy Treasury Direct system are found at 31 CFR part 357, subpart C.

(c) *Commercial book-entry system*. The commercial book-entry system is the book-entry system in which Treasury securities are held in a tiered system through securities intermediaries such as financial institutions or brokerage firms. The regulations governing the commercial book-entry system are found at 31 CFR part 357, subpart B, and may be referred to in that part as Treasury/Reserve Automated Debt Entry System (TRADES).

[70 FR 57442, Sept. 30, 2005, as amended at 76 FR 18064, Apr. 1, 2011]

§ 363.5 How do I contact Fiscal Service?

(a) You may use the ''Contact Us'' feature within TreasuryDirect® to communicate information to us over a secure Internet connection.

(b) Emails may be sent to: *treasury.direct@bpd.treas.gov*. We will reply by e-mail unless you request otherwise. We are not responsible for the security of e-mail messages you may send to us, or replies we may send to you.

(c) Letters should be addressed to the address provided on our web site at *http://www.treasurydirect.gov/write.htm*.

[67 FR 64286, Oct. 17, 2002, as amended at 70 FR 57442, Sept. 30, 2005; 74 FR 19416, Apr. 29, 2009]

§ 363.6 What special terms do I need to know to understand this part?

Account means a TreasuryDirect® account as described in § 363.10.

Authentication means confirming that the person accessing a TreasuryDirect account is the same person whose identity was initially verified at account establishment.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Beneficiary refers to the second individual named in the registration of a definitive savings bond, a converted definitive savings bond, or a book-entry security purchased through the TreasuryDirect system, registered, e.g., ''John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.

Book-entry security means a Treasury security maintained by us in electronic or paperless form as a computer record.

Business day means any day that funds may be settled through ACH.

Closed book period means a period of four business days prior to the date a scheduled marketable security interest and/or maturity payment is made, during which time certain transactions will be delayed until after the closed book period is completed. (*See* § 363.210.)

Commercial book-entry system refers to the book-entry system in which you hold your Treasury securities in a tiered system through securities intermediaries such as financial institutions or brokerage firms. (See § 363.4.)

Court means a court of law with jurisdiction over the parties and the subject matter.

Conversion account means a linked account in TreasuryDirect that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

Converted savings bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

Converting coowner is the coowner who initiates and completes the transaction to convert a definitive savings bond to a book-entry bond through his or her TreasuryDirect account.

Coowner means either of the persons named in the registration of a definitive or a converted definitive savings bond, registered, e.g., ''John Doe SSN 123–45–6789 or Joseph Doe.''

Custodian of a minor account means a person who opens an account on behalf of the minor. (See § 363.27 for more information about minor accounts.)

Custom account means an account that you establish for a specific purpose that is linked to your primary account. You use your primary account as the portal to open and access your custom linked account. (See § 363.10 for more information about custom accounts.)

Definitive security means a Treasury security held in paper form.

De-link means the online process by which all securities contained within the minor linked account are moved to the minor's primary TreasuryDirect account and the linked account is deactivated.

Delivery means moving a minimum amount of $25 (consisting of principal and proportionate interest) of a security held as a gift from the account of the purchaser to the account of the recipient.

Entity means any owner of a TreasuryDirect account that is not an individual. Entity is a sole proprietorship, partnership, corporation, limited liability company or professional limited liability company, trust, the estate of a decedent, or the estate of a living person such as an incompetent or a minor.

Entity account manager is the individual who initially opens the TreasuryDirect account for an entity, or his or her replacement; who is authorized by the entity to act alone on its behalf to open, access, and conduct transactions with respect to the account; and who certifies that he or she is so authorized.

Federal Reserve Bank (Reserve Bank) means a Federal Reserve Bank or Branch.

Final maturity of a savings bond means the date beyond which an unredeemed savings bond no longer earns interest.[1]

Financial institution, or depository financial institution, means an entity described in 12 U.S.C. 461 (b)(1)(A)(i)–(vi).

Gift means a Treasury security purchased for or transferred to an intended recipient, without consideration.

Incompetent individual or *incompetent person* means an individual who has been declared by a court to be legally incompetent, incapacitated, or otherwise unable to manage his or her financial affairs.

Individual means a natural person.

Interest on a savings bond means the difference between the purchase price and the redemption value of the bond.

Legacy Treasury Direct® system is a non-Internet-based book-entry system maintained by Treasury since 1986 for holding and conducting permitted transactions in marketable Treasury securities directly with Treasury as book-entry products. (See § 363.4.)

Legal guardian of a minor or incompetent person refers to the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for the minor or incompetent individual.

Legal representative refers to the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to manage and settle the estate of a decedent. The term includes an executor and an administrator.

Legally incompetent means a court has declared an individual to be incapable of handling his or her business affairs.

Linked account means an account that is a separate account from your primary account, but connected to your primary account. You use your primary account as a portal to open and access the linked account. (See

[1] Series EE and Series I savings bonds currently have an original maturity period of 20 years and an extended maturity period of 10 years beyond original maturity during which the bonds continue to earn interest.

§ 363.10 for more information about linked accounts.)

Marketable Treasury security refers to a Treasury bill, note, or bond that is negotiable and transferable, that is, may be bought and sold in the secondary market.

Minor means an individual under the age of 18 years. The term minor is also used to refer to an individual who has attained the age of 18 years but has not yet taken control of the securities contained in his or her minor account.

Minor account means an account that a custodian controls on behalf of a minor, that is linked to the custodian's primary account. (See §§ 363.10 and 363.27 for more information about minor accounts.)

Non-converting coowner is the coowner who does not participate in the transaction to convert a definitive savings bond to a book-entry bond.

Online means use of the Internet.

Owner when referring to an individual, is either the single individual named in the registration of a security held in the single owner form of registration, the first individual named on a security held in the owner with beneficiary form of registration, the first individual named on a security held in the primary owner with secondary owner form of registration, or either individual named on a converted savings bond held in the coowner form of registration; when referring to a minor linked account, the owner is the minor; when referring to an entity, the owner is the entity.

Payroll savings plan is a method for the purchase of savings bonds using periodic ACH credits from your employer or financial institution to purchase a payroll zero-percent certificate of indebtedness until a sufficient amount of payroll zero-percent certificate of indebtedness is accumulated to enable the purchase of a savings bond in an amount, series, and registration that you previously selected using functionality in your TreasuryDirect account. *(See* also the definition of payroll zero-percent certificate of indebtedness.)

Payroll zero-percent certificate of indebtedness is a restricted form of the zero-percent certificate of indebtedness that is held separately from the zero-percent certificate of indebtedness and used only for purchases made through the payroll savings plan. (See also the definition for zero-percent certificate of indebtedness.)

Person means an individual or an entity.

Primary account means the account that you establish when you first open your TreasuryDirect account; your primary account is the portal used to open and access all your linked accounts. (See § 363.10 for more information about primary accounts.)

Primary owner means the first person named in the registration of a security held in TreasuryDirect registered, e.g., ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Recipient means the person to whom a gift is given.

Redemption of a savings bond refers to the payment of principal and interest at final maturity, or prior to final maturity at the option of the owner. The owner may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption value means principal plus accrued interest of a bond, or a portion of the principal plus a proportionate amount of accrued interest on the bond, as of the date of redemption.

Registration or *Registered* means that the name and taxpayer identification number(s) (TIN) of the person(s) named on the security are maintained on our records.

Reinvestment means using the redemption proceeds of a maturing marketable security to purchase a new marketable security of the same type and term, using the automatic reinvestment option available in TreasuryDirect.

Secondary owner means the second person named in the registration of a book-entry security held in TreasuryDirect registered, e.g. ''John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.'' In this example, Joseph Doe is the secondary owner.

Security, or *Treasury security*, as used in this part, means an obligation issued

by Treasury that may be held in TreasuryDirect.

Series EE savings bond is an accrual-type savings bond, issued either in definitive (paper) form or in book-entry form, that accrues interest on the principal based on rates determined by Treasury.

Series I savings bond is a savings bond, issued either in definitive (paper) form or in book-entry form, that accrues interest in accordance with a formula that includes a fixed component and a component indexed to the rate of inflation.

Signature guarantee program means a signature guarantee program established under 17 CFR 240.17Ad–15, issued under authority of the Securities Exchange Act of 1934. For the purpose of this part, we recognize the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP), and the New York Stock Exchange, Inc., Medallion Signature Program (MSP). These certifications are acceptable for transfers of securities, but are not acceptable for offline account establishment.

Single owner means the individual named in the registration of a book-entry Treasury security or a converted savings bond without a beneficiary, secondary owner, or coowner.

Social security account number or *social security number (SSN)* means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service by an individual. A SSN is composed of nine digits separated by two hyphens, for example, 123–45–6789.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service; that is, an individual's social security number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123–45–6789. An EIN is composed of nine digits separated by one hyphen, for example, 12–3456789. The hyphens are an essential part of the numbers.

Tender means an offer, or bid, to purchase a marketable Treasury security.

Transaction is any action affecting Treasury securities or account information.

Transfer is a transaction to move a security, or a portion of a security, to or from a TreasuryDirect account. (See § 363.26.)

Verification means confirming the identity of an online applicant for a TreasuryDirect account at account establishment using an online verification service or offline verification.

Verification service means a public or private service that confirms the identity of an online applicant for a TreasuryDirect account at account establishment using information provided by the applicant.

Voluntary representative means the person qualified by the Department of the Treasury to accept payment or direct distribution of a decedent's securities pursuant to § 363.44.

We, us, or *our* refers to the Bureau of the Fiscal Service. The term includes the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Fiscal Service. The term also includes any fiscal or financial agent we designate to act on behalf of the United States.

You or your refers to a TreasuryDirect primary account holder.

Zero-percent certificate of indebtedness is a one-day, non-interest-bearing security that automatically matures and is rolled over each day until you request that it be redeemed.

[67 FR 64286, Oct. 17, 2002, as amended at 68 FR 24807, May 8, 2003; 69 FR 2507, Jan. 16, 2004; 69 FR 50308, Aug. 16, 2004; 70 FR 14942, Mar. 23, 2005; 70 FR 57433, Sept. 30, 2005; 70 FR 57442, Sept. 30, 2005; 72 FR 30978, June 5, 2007; 74 FR 19416, Apr. 29, 2009; 75 FR 26090, May 11, 2010; 75 FR 70815, Nov. 19, 2010; 75 FR 78901, Dec. 17, 2010; 76 FR 18064, Apr. 1, 2011]

Subpart B—General Provisions Governing Securities Held in TreasuryDirect

§§ 363.7–363.8 [Reserved]

§ 363.9 What does this subpart cover?

This subpart provides general rules governing securities held within the TreasuryDirect® system. Provisions in

the subparts governing specific securities that conflict with these general rules will supersede these general rules.

[70 FR 57433, Sept. 30, 2005]

§ 363.10 What is a TreasuryDirect® account?

A TreasuryDirect account is an online account maintained by us solely in your name in which you may hold and conduct transactions in eligible book-entry Treasury securities.

(a) *Primary account.* The primary account is the account that you establish when initially opening your TreasuryDirect account. The primary account may contain the following Treasury securities:

(1) *Individual.* A primary account for an individual may contain Treasury securities purchased initially as book-entry securities that are your personal holdings registered in single owner, owner with beneficiary, and primary owner with secondary owner forms of registration; gifts of savings bonds that have not yet been delivered; and converted savings bonds that were transferred from the conversion linked account.

(2) *Entities.* A primary account for an entity may contain Treasury securities purchased initially as book-entry securities registered in the name of the entity and converted savings bonds in the name of the entity that were transferred from the conversion linked account.

(b) *Linked account.* A linked account is an account that is a separate account from your primary account, but that is connected to your primary account. You use your primary account as a portal to open and access the linked account. Linked accounts include the following:

(1) *Custom account.* A custom account is an account that is linked to your primary account. You use your primary account as the portal to open and access your custom account. You may informally designate a purpose for the custom account, for example, ''vacation fund'', or ''Johnny's college fund''. However, the designation as to purpose has no legal effect; the registration of the securities held in the custom account determines ownership (Annual purchase limitations include securities held in custom accounts). You, as an individual owner, may use your custom account to buy, redeem, and transfer securities that you own in single owner, owner with beneficiary, and primary owner with secondary owner forms of registration. An individual owner may also buy and deliver gift savings bonds from the custom account. An entity account manager, acting on behalf of an entity, may use the entity's custom account to buy, redeem, and transfer securities registered in the entity form of registration.

(2) *Minor account.* A minor account is an account established by an individual custodian for an individual who has not yet reached the age of 18 years. We do not permit an entity to open a minor account. A minor account is linked to the custodian's primary account. The minor is the owner of the securities, but the custodian controls the account on behalf of the minor. (See § 363.27 for more information about minor accounts.)

(3) *Conversion account* means a linked account in TreasuryDirect that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

(c) *Closing an account.* If a TreasuryDirect primary account and all associated linked accounts have had no holdings and no activity for a period of two years, we reserve the right to close the account, along with all linked accounts.

[69 FR 2507, Jan. 16, 2004, as amended at 70 FR 14943, Mar. 23, 2005. Redesignated at 70 FR 57433, Sept. 30, 2005, as amended at 70 FR 57442, Sept. 30, 2005; 74 FR 19417, Apr. 29, 2009; 75 FR 78901, Dec. 17, 2010]

§ 363.11 Who is eligible to open a TreasuryDirect® account?

Only an individual or an entity is eligible to open a TreasuryDirect account. In order to open a TreasuryDirect account, an individual or entity account manager must have a valid social security number (SSN), be 18 years of age or over, and be legally competent. An entity must have a valid SSN or employer identification number. The account owner must have a United States address of record and

have an account at a United States depository financial institution that will accept debits and credits using the Automated Clearing House method of payment.

[74 FR 19417, Apr. 29, 2009]

§ 363.12 Who may purchase and hold book-entry securities in TreasuryDirect®?

(a) A TreasuryDirect account owner may purchase and hold securities through his or her account.

(b) We do not permit a legally incompetent person to open an account, purchase securities, or convert savings bonds once we have been provided with an order from a court with appropriate jurisdiction determining incompetence to perform such activities.

(c) We do not permit a voluntary representative to purchase securities on behalf of the estate of a decedent.

(d) We may reject any application for the purchase of a security, in whole or in part. We may refuse to issue a security in any case or class of cases, if we deem the action to be in the public interest. Our decision in any such respect is final.

[70 FR 57433, Sept. 30, 2005, as amended at 74 FR 19417, Apr. 29, 2009]

§ 363.13 How can I open a TreasuryDirect® account?

(a) *General*. You must establish a TreasuryDirect account online before you purchase a Treasury security to be held in your account. Instructions for online account establishment may be found at the official Fiscal Service website at *http://www.treasurydirect.gov*, or such other Internet address as Fiscal Service may from time to time announce by publication in the FEDERAL REGISTER. When you have completed the application, you will create a password to access your account. We will verify your identity and send your account number to you by e-mail when your account application is approved. In addition to your password, we may require you to use any other form(s) of authentication that we consider necessary for the protection of your account.

(b) *Entities*. An individual, referred to as an entity account manager, must establish an account on behalf of an entity. We will verify the identity of the entity account manager. We may verify the identity of the entity using any evidence we deem appropriate. The entity account manager must certify that he or she is authorized to open and access an account for the entity and has the authority to act alone on behalf of the entity with regard to the account.

[74 FR 19417, Apr. 29, 2009]

§ 363.14 How will you verify my identity?

(a) *Individual*. When you establish an account, we may use a verification service to verify your identity using information you provide about yourself on the online application. At our option, we may require offline verification.

(b) *Entity*. When an entity account manager establishes an online account on behalf of an entity, we may use a verification service to verify the identity of the entity account manager using information that the entity account manager provides about himself or herself on the online application. At our option, we may require offline verification of the entity account manager. At our option, we may require any evidence we deem appropriate to verify the identity of the entity.

[74 FR 19417, Apr. 29, 2009]

§ 363.15 What is the procedure for offline verification?

In the event we require offline verification, we will provide a printable verification form for the individual account owner or entity account manager to sign. The signature on the form must be certified or guaranteed as provided at § 363.43, and the form must be mailed to us at the address provided in § 363.5. We may require documentary verification of an entity as we deem appropriate.

[74 FR 19417, Apr. 29, 2009]

§ 363.16 How do I access my account?

You may access your account online using your account number, password, and any other form(s) of authentication that we may require.

[72 FR 30978, June 5, 2007]

§ 363.17 Who is liable if someone else accesses my TreasuryDirect® account using my password?

You are solely responsible for the confidentiality and use of your account number, password, and any other form(s) of authentication we may require. We will treat any transactions conducted using your password as having been authorized by you. We are not liable for any loss, liability, cost, or expense that you may incur as a result of transactions made using your password.

[72 FR 30978, June 5, 2007]

§ 363.18 Is Fiscal Service liable if the electronic transmission of my data is intercepted?

We are not liable for any interception of electronic data or communication.

[67 FR 64286, Oct. 17, 2002. Redesignated at 70 FR 57434, Sept. 30, 2005]

§ 363.19 What should I do if I become aware that my password or other form of authentication has become compromised?

If you become aware that your password has become compromised, that any other form of authentication has been compromised, lost, stolen, or misused, or that there have been any unauthorized transactions in your account, you may place a hold on your account so that it cannot be accessed by anyone, and you should notify us immediately by e-mail or telephone. Contact information is available on the TreasuryDirect Web site.

[72 FR 30978, June 5, 2007]

§ 363.20 What do I need to know about the forms of registration that are available for purchases of securities through my TreasuryDirect® account?

(a) *General principles.* (1) Registration must express the actual ownership of, and interest in, the security. Registration conclusively establishes ownership of a security.

(2) You must provide a last name and a first name for each individual included in the registration of the security.

(3) You must provide the valid taxpayer identification number for each person named in the registration of the security.

(b) *Forms of registration for individuals.* The forms of registration available for individuals for purchases of securities made through your TreasuryDirect account are single owner, owner with beneficiary, and primary owner with secondary owner, unless the forms of registration available for a security are specifically limited by the subpart governing that security.

(1) *Single owner.* (i) A single owner is the individual named in the registration of a book-entry security or a converted savings bond without a beneficiary, secondary owner, or coowner.

(ii) A single owner may add a beneficiary or secondary owner.

(iii) A single owner may conduct permitted online transactions on securities held in his or her account.

(iv) Upon the death of the single owner, his or her estate is entitled to the security. In determining entitlement, the law of the decedent's domicile will be followed.

(v) Registration example: ''John Doe, SSN 123–45–6789.''

(2) *Owner with beneficiary.* (i) The purchaser must be named as the owner with another individual as beneficiary.

(ii) The owner may remove or change the beneficiary without the consent of the beneficiary.

(iii) The owner may conduct permitted online transactions on securities held in his or her account without the consent of the beneficiary.

(iv) The beneficiary has no ownership rights to the security during the owner's lifetime. Upon the death of the owner, the security becomes the property of the surviving beneficiary, despite any attempted testamentary disposition or any applicable local law to the contrary.

(v) If the beneficiary does not survive the owner, the security belongs to the estate of the owner.

(vi) If both the owner and the beneficiary die under conditions where it cannot be established, either by presumption of law or otherwise, who died first, the security is the property of the estate of the owner.

(vii) In order for the beneficiary to obtain the security or the redemption proceeds after the death of the owner,

the beneficiary must provide proof of death of the owner. If the beneficiary has a TreasuryDirect account, the security will be transferred to that account. If the beneficiary does not have an account, he or she may establish an account. Alternatively, a beneficiary named on a savings bond may request redemption. If the beneficiary requests redemption, he or she must provide ACH instructions for the payment.

(viii) Registration example: ''John Doe, SSN 123–45–6789 POD (payable on death to) Jane Doe, SSN 987–65–4321.''

(3) *Primary owner with secondary owner.* (i) The purchaser must be named in the registration as the primary owner with another individual as secondary owner.

(ii) The primary owner holds the securities in his or her account and may view or conduct permitted online transactions in the securities.

(iii) The primary owner may remove the secondary owner without the consent of the secondary owner.

(iv) The secondary owner has no rights to view or conduct transactions in any security unless the primary owner gives the secondary owner these rights.

(v) The primary owner may give the secondary owner the right to view any security or rights to view and conduct transactions in any security online from the account of the secondary owner.

(vi) Once the right to conduct transactions in a security has been given to the secondary owner, the primary owner may view and conduct transactions in the security from the primary owner's account, and the secondary owner may view and conduct transactions in the security using the secondary owner's own account.

(vii) The primary owner may revoke any rights previously given to the secondary owner at any time.

(viii) Upon the death of either the primary or secondary owner, the security becomes the property of the survivor, despite any attempted testamentary disposition or any applicable local law to the contrary.

(ix) If both the primary and the secondary owner die under conditions where it cannot be established, either by presumption of law or otherwise, who died first, the security is the property of the estate of the primary owner.

(x) In order for the secondary owner to obtain the security or the security proceeds after the death of the primary owner, the secondary owner must provide proof of death of the primary owner. If the secondary owner has a TreasuryDirect account, the security will be transferred to that account. If the secondary owner does not have an account, he or she may establish an account. Alternatively, a secondary owner named on a savings bond may request redemption. If the secondary owner requests redemption, he or she must provide ACH instructions.

(xi) Registration example: ''John Doe, SSN 123–45–6789 with Joseph Doe, SSN 987–65–4321.''

(c) *Forms of registration for entities.* The forms of registration available for entities are sole proprietorship; partnership; corporation; limited liability company or professional limited liability company (LLC or PLLC); trust; decedent's estate; and estate of a living person such as an incompetent or a minor.

(1) *Sole proprietorship.* A sole proprietorship form of registration is available for an individual who is doing business as a sole proprietor. The entity account manager must be the owner of the business. Registration example: ''John Doe DBA Doe Plumbing Supplies, EIN 12–3456789, [or SSN 123–45–6789].''

(2) *Partnership.* A partnership form of registration is available for two or more individuals who are doing business as a partnership, including a limited liability partnership. Unless the name of a partnership includes the word ''partnership,'' the registration must include descriptive words indicating partnership status. The entity account manager must be a general partner, and must certify that he or she has the authority to act alone on behalf of the partnership with regard to this account. Registration example: ''Smith and Jones Construction Company, a partnership, EIN 98–7654321, or SSN 987–65–4321.''

(3) *Corporation.* A corporate form of registration is available for an entity that has been incorporated pursuant to

state law. The registration must contain a reference to the corporate status. The entity account manager must be a corporate officer or designated employee and must certify that he or she has the authority to act alone on behalf of the corporation with regard to this account. Registration example: ''ABC Corporation, EIN 23–4567891.''

(4) *Limited Liability Company (LLC) or Professional Limited Liability Company (PLLC).* A LLC or PLLC form of registration is available for an entity that has registered articles of organization pursuant to state law. The registration must contain a reference to the company's status. The entity account manager must be a company official or designated employee and must certify that he or she has the authority to act alone on behalf of the company with regard to this account. Registration example: ''Paine Dental Associates, PLLC, EIN 34–5678912'' or ''Summit Consulting Service, LLC, EIN 12–3456789.''

(5) *Trust.* A trust form of registration is available. The trust form of registration is not available for trusts in which the trustee is acting on behalf of a federal, state, or local government. The registration must identify the trust with specificity; at a minimum, it must include the authority or document creating the trust, the date the document was executed (except in the case of a probated will when the date is not necessary), the name of a trustee of the trust who is authorized to act alone on behalf of the trust with regard to the account, and any information that is necessary to distinguish the trust from any other trust. The registration may also include the names of additional trustees and the full name of the trust. If one or more of the trustees are individuals, and the entity account manager is an individual trustee, the entity account manager must be named in the registration. If an organization serving as a trustee of the trust will administer this account, the entity account manager must be a duly authorized employee of that organization who has the authority to act alone on behalf of the organization in its role as trustee of the trust with regard to the account, and the organization must be named in the registration. In either case, the entity account manager must certify that he or she has the authority to act alone on behalf of the trust with regard to the account. Registration examples: ''John Doe, Trustee under Declaration of Trust dated January 1, 2001, SSN 123–45–6789''; ''First National Bank, Trustee under Agreement with William Jones dated January 1, 2001, EIN 12–3456789''; ''John Doe or Sarah Jones, Trustees under Agreement with Jane Doe dated January 1, 2001, SSN 123–45–6789''; ''Sarah Jones, Trustee under the Will of Matthew Smith, deceased, SSN 123–45–6789''; ''Jane Doe, Trustee of the Doe Family Trust dated January 1, 2001, EIN 12–3456789.''

(6) *The estate of a decedent.* The decedent's estate form of registration is available for an individual or organization that has been appointed by a court according to state law to act on behalf of the estate of a decedent. This form of registration is not available where the legal representative is acting on behalf of a federal, state, or local government. The entity account manager must be a court-appointed individual legal representative who has the authority to act alone with regard to the account, or an employee of the court-appointed organizational legal representative who has the authority to act alone with regard to the account on behalf of the organization in its role as legal representative of the estate. Registration example: ''John Doe, Legal Representative of the Estate of William Jones, a decedent, EIN 12–3456789, or SSN 123–45–6789.''

(7) *The estate of a living person such as an incompetent or a minor.* A form of registration is available for an individual or organization that has been appointed according to state law to act on behalf of the estate of an incompetent person, a minor, or other living person. This form of registration is not available where the legal guardian is acting on behalf of a federal, state, or local government. The entity account manager must be a court-appointed legal guardian who has the authority to act alone with regard to the account, or an employee of the court-appointed organizational legal guardian who has the authority to act alone with regard to the account on behalf of the organization in its role as legal

guardian. Registration example: ''John Doe, Legal Guardian of the estate of William Jones.'' The SSN of the incompetent person or the minor will be used.

[70 FR 57434, Sept. 30, 2005, as amended at 74 FR 19417, Apr. 29, 2009; 79 FR 8860, Feb. 14, 2014]

§ 363.21 When may you require offline authentication and documentary evidence?

We may require offline authentication and documentary evidence at our option.

[74 FR 19419, Apr. 29, 2009]

§ 363.22 Who has the right to conduct online transactions in book-entry securities?

(a) *Individual*—(1) *Single owner form of registration*. A single owner can conduct transactions in securities held in his or her TreasuryDirect® account.

(2) *Owner with beneficiary form of registration*. The owner can conduct transactions in securities held in his or her TreasuryDirect account. The beneficiary has no rights during the lifetime of the owner and therefore cannot conduct transactions in the securities.

(3) *Primary owner with secondary owner form of registration*. (i) The primary owner can conduct any permitted transaction in a security held in the primary owner's TreasuryDirect account. (See § 363.20(e)).

(ii) If the primary owner has given the secondary owner the right to conduct transactions in a security, and has not revoked that right, then the secondary owner can conduct transactions in the security. Transactions that may be conducted by the secondary owner include transferring a marketable security, redeeming a savings bond, and changing the destination of interest and redemption payments for marketable securities.

(b) *Converted savings bonds*. The rules for transactions governing converted savings bonds are contained in subpart E of this part.

(c) *Entity*. The entity account manager can conduct transactions in the securities held within the entity's account. Initially, the entity account manager is the individual who opens the account. The entity account manager may be changed to a different individual using procedures available on our Web site. The entity account manager must certify that he or she is authorized to act alone on behalf of the entity in accessing and conducting transactions on behalf of the entity with regard to the entity's account.

[70 FR 57434, Sept. 30, 2005 as amended at 70 FR 57443, Sept. 30, 2005; 74 FR 19419, Apr. 29, 2009; 75 FR 78901, Dec. 17, 2010]

§§ 363.23–363.24 [Reserved]

§ 363.25 How do I conduct transactions in my account or in Treasury securities held in my account?

We will provide online instructions for conducting transactions through your account. If you are unable to conduct a transaction online, you should contact us at the address provided in § 363.5. Offline transactions will require a certified or guaranteed signature. See § 363.43 for instructions for obtaining a certified or guaranteed signature.

§ 363.26 What is a transfer?

(a) A transfer is a transaction to:

(1) Move a Treasury security, or a portion of a Treasury security, from one account to another within TreasuryDirect®;

(2) Move a marketable Treasury security to or from a TreasuryDirect account and an account in the commercial book-entry system;

(3) Move a marketable Treasury security to a TreasuryDirect account from a Legacy Treasury Direct® account.

(b) Transfers of a specific type of security may be limited by the subparts that refer to that security.

(c) *Gift delivery is not a transfer*. A transfer does not include delivery of a gift savings bond from the donor to the recipient. This is referred to as a delivery.

[67 FR 64286, Oct. 17, 2002, as amended at 70 FR 57443, Sept. 30, 2005; 76 FR 18064, Apr. 1, 2011]

§ 363.27 What do I need to know about accounts for minors who have not had a legal guardian appointed by a court?

(a) We do not permit a minor to purchase securities.

(b) *Opening an account in the name of a minor*. (1) A parent or an individual who provides the chief financial support of a minor may open an account for a minor. The person opening the account for a minor is referred to as the custodian of the minor's account.

(2) The custodian is a fiduciary for the minor as to the securities held in the minor's account.

(3) The custodian must have an existing primary TreasuryDirect® account in order to open the minor's account.

(i) The minor's account is an account that is linked to the custodian's primary account.

(ii) The custodian must use his or her primary TreasuryDirect account as a portal to open and access the minor's account.

(4) Securities contained in the minor's account will be registered in the name and SSN of the minor, in either sole owner, owner with beneficiary, or primary owner with secondary owner forms of registration.

(c) *Procedure for opening an account for a minor*. (1) Online instructions will be provided for establishing an account for a minor.

(2) The custodian must certify that all transactions conducted through the account will be on the minor's behalf.

(d) *Procedure for conducting transactions in the minor's account*. The custodian must conduct all transactions in the minor's account on behalf of the minor. Access to the minor's account is through the custodian's primary account.

(e) *Transactions permitted in the minor's account*. (1) The custodian may purchase securities for and on behalf of the minor through the minor's account.

(2) The custodian may redeem savings bonds on behalf of the minor through the minor's account. We will report the interest earned on the security to the name and SSN of the minor.

(3) The custodian may not purchase gift savings bonds from the minor's account.

(4) The custodian may transfer a security to another TreasuryDirect account, provided the account is a linked account bearing the name and taxpayer identification number of the minor. The custodian can transfer a marketable Treasury security to an account in the commercial book-entry system.

(5) Securities may be transferred to the minor's account.

(6) Gift savings bonds may be delivered to the minor's account.

(7) The custodian may grant rights to view and conduct transactions in the security as may be permitted by § 363.22.

(8) The custodian may purchase a zero-percent certificate of indebtedness on behalf of the minor. The zero-percent certificate of indebtedness is the property of the minor.

(f) *When the minor reaches the age of 18 years*. (1) The only transactions that the custodian may make in the minor's account after the minor attains the age of 18 years are to purchase new securities, and to transfer the securities contained in the minor's account to another account in the name and SSN of the minor. The receiving account in the name and SSN of the minor may be a primary account established by the minor, or it may be another minor linked account with the same or a different custodian. The custodian may transfer one or more of the securities at a time, or the custodian may de-link the account and transfer all of the securities contained in the account to the minor's previously established primary TreasuryDirect account. The minor must establish his or her own primary TreasuryDirect account prior to transfer of his or her securities.

(2) In order to gain control of the securities held in the minor's account, the minor must first open his or her own primary account.

(3) The minor may gain control of the securities held in the minor's account by the custodian transferring the securities held in the minor's account to the minor's primary account, or the minor may request that Fiscal Service transfer the securities to his or her primary account.

(4) The minor may gain control of his or her zero-percent certificate of indebtedness by the custodian de-linking the account and transferring the zero-percent certificate of indebtedness to the minor's primary account, or the minor may request that Fiscal Service de-link the account and transfer the

zero-percent certificate of indebtedness to his or her primary account.

(g) *Liability*. We rely on the certification of the custodian that he or she is acting on behalf of the minor. We are not liable to the minor, or any other person or party acting on behalf of the minor, for the actions of the custodian, nor are we liable for the application of any proceeds from the transfer or redemption of securities held in the minor's account. The custodian agrees to indemnify and hold harmless the United States in the event that we suffer any loss on account of any claim relating to a minor account.

[69 FR 2507, Jan. 16, 2004, as amended at 69 FR 50309, Aug. 16, 2004; 70 FR 57443, Sept. 30, 2005; 74 FR 19419, Apr. 29, 2009; 75 FR 78901, Dec. 17, 2010; 76 FR 18064, Apr. 1, 2011]

§ 363.28 Does Fiscal Service reserve the right to require that any TreasuryDirect® transaction be conducted in paper form?

We reserve the right to require any transaction to be conducted in paper form. Signatures on paper transactions must be certified or guaranteed as provided in § 363.43.

[70 FR 57434, Sept. 30, 2005]

§ 363.29 May Treasury close an account, suspend transactions in an account, or refuse to open an account?

We reserve the right to take any of the following actions if, in our sole discretion, we deem the action to be in the best interests of the United States:

(a) Refuse to open an account for any person;

(b) Close any existing account, redeem, sell, or liquidate the securities held in the account, and pay the proceeds to the person entitled;

(c) Suspend transactions with respect to an account or any security held in an account; or

(d) Take any other action with regard to any account that we deem necessary, if not inconsistent with existing law and existing rights.

[70 FR 57434, Sept. 30, 2005, as amended at 72 FR 30978, June 5, 2007]

§ 363.30 What actions may Treasury take if funds used to purchase a security were credited or debited in error or through fraud?

(a) If Treasury sustains a loss because the funds used to purchase a security were debited from an account at a financial institution from which the TreasuryDirect account owner did not have the right to authorize such ACH debit entry, we reserve the right to redeem that security from the account and use the proceeds to reimburse Treasury for the loss. If such security has been transferred to another TreasuryDirect account, we reserve the right to reverse the transfer, redeem the security, and use the proceeds to reimburse Treasury for the loss. If such security has been redeemed or has matured and the proceeds paid to the account owner, we reserve the right to take any action that we deem appropriate, including redeeming other securities remaining in the account and using the proceeds to reimburse Treasury for the loss.

(b) If an employer or a third-party agent acting on behalf of one or more employers certifies, under penalty of perjury, that it has made an erroneous ACH credit entry to purchase a TreasuryDirect certificate of indebtedness, we reserve the right to redeem securities from the TreasuryDirect account to which the entry was made in the amount of the erroneous entry and return the funds. No action will be taken if the certification is not received by Treasury within 45 days of the erroneous entry. We will only return funds if the erroneous entry was made to an account that does not belong to the intended recipient, is a duplicate payment, is in an amount that is greater than was authorized by the recipient, or was made in error because the employee was not in a pay status. We reserve the right to refuse to return an entry. By requesting that Treasury correct an erroneous entry, the employer agrees to indemnify Treasury for any loss that Treasury may incur as a result of the correction of the error and agrees to provide such information and assistance as Treasury may require.

(c) If a financial institution, except a financial institution acting on behalf

of an employer, makes an erroneous ACH credit entry to a TreasuryDirect® account and provides a certification as to the circumstances of the erroneous entry within 6 months of the entry date, we will notify the account owner of the erroneous ACH credit entry and attempt to resolve the issue. We reserve the right to place a hold on and to redeem securities from the TreasuryDirect® account to which the ACH credit entry was made in the amount of the erroneous credit entry and return the funds to the financial institution. The financial institution agrees to indemnify Treasury for any loss that Treasury may incur as a result of the correction of the error and agrees to provide information and assistance as Treasury may require.

[75 FR 70815, Nov. 19, 2010]

§§ 363.31–363.32 [Reserved]

§ 363.33 Can an attorney-in-fact conduct transactions in my TreasuryDirect® account?

(a) An attorney-in-fact who provides a copy of a durable power of attorney granting him or her the authority to conduct TreasuryDirect transactions on behalf of the owner may conduct transactions online.

(b) An attorney-in-fact who provides a copy of a limited power of attorney may only conduct transactions that he or she is permitted by his or her power. Such transactions will be through an offline process.

(c) A written copy of the power of attorney must be sent to the address provided in § 363.5. We may require any additional evidence that we consider necessary to support the power.

§ 363.34 What happens if an owner becomes incompetent after opening a TreasuryDirect® account?

If we receive notice that the owner of a TreasuryDirect account has become incompetent, we will suspend all transactions in the account until we establish the authority of another person to act in his or her behalf.

[67 FR 64286, Oct. 17, 2002, as amended at 68 FR 24807, May 8, 2003]

§ 363.35 When is a transaction effective?

A transaction is effective when we post it to our records.

§ 363.36 What securities can I purchase and hold in my TreasuryDirect® account?

You can purchase and hold eligible Treasury securities in your account. Eligible securities are Series EE and Series I savings bonds, zero-percent certificates of indebtedness, and marketable Treasury securities that are available for purchase through the TreasuryDirect Web site. In addition, you can hold converted savings bonds and eligible marketable Treasury securities that have been transferred from the Legacy Treasury Direct system or the commercial book-entry system.

[70 FR 57443, Sept. 30, 2005]

§ 363.37 How do I purchase and make payment for eligible Treasury securities through my TreasuryDirect® account?

(a) *Online purchase.* Purchases of eligible Treasury securities through your TreasuryDirect account must be made online.

(b) *Payment for savings bonds and marketable Treasury securities.* You can pay for eligible savings bonds and marketable Treasury securities by either a debit from your designated account at a United States financial institution using the ACH method, or by using the redemption proceeds of your zero-percent certificate of indebtedness. You can pay for savings bonds automatically using the redemption proceeds of your payroll zero-percent certificate of indebtedness through the payroll savings plan.

(c) *Payment for zero-percent certificate of indebtedness.* You can pay for a zero-percent certificate of indebtedness by:

(1) A credit from your financial institution or employer using the ACH method to your TreasuryDirect® account;

(2) A debit from your designated account at a financial institution using the ACH method, limited to $1000 or less per transaction; or

(3) Using the proceeds of maturing securities held in your TreasuryDirect® account.

(d) *Payment for a payroll zero-percent certificate of indebtedness.* The only method available to purchase a payroll zero-percent certificate of indebtedness is to arrange for your employer or financial institution to send a credit by the ACH method to purchase a payroll zero-percent certificate of indebtedness in your TreasuryDirect® account.

[70 FR 57443, Sept. 30, 2005, as amended at 75 FR 70816, Nov. 19, 2010]

§ 363.38 What happens if my financial institution returns an ACH debit?

If your designated financial institution returns an ACH debit, we reserve the right to reinitiate the debit at our option. We also reserve the right to reverse the transaction, thereby removing the security from your TreasuryDirect® account. If the ACH return occurs after the security has been redeemed, transferred, or has matured and the proceeds paid, we reserve the right to reverse previously processed security transactions. We are not responsible for any fees your financial institution may charge relating to returned ACH debits.

[70 FR 57443, Sept. 30, 2005]

§ 363.39 Will I receive a confirmation of my request to purchase a Treasury security?

At the time that you submit a request to purchase a Treasury security through your TreasuryDirect® account, we will make available a printable online confirmation of your request. Final confirmation will occur when the security is issued into your account. You will not receive a mailed confirmation.

§ 363.40 How are payments of principal and interest made?

(a) *Payment of a savings bond that has reached final maturity.* We will purchase a zero-percent certificate of indebtedness in your TreasuryDirect® account using the proceeds of a matured savings bond.

(b) *Payments of interest and principal (except a savings bond that has reached final maturity).* (1) We provide two methods of receiving payments of principal and interest:

(i) Payment to your account at a financial institution by the ACH method, or

(ii) Payment to your TreasuryDirect account to purchase a zero-percent certificate of indebtedness.

(2) You may select different payment destinations for principal and interest for a marketable Treasury security. You may change your payment destination at any time, unless the security is in the closed book period. (See § 363.210.)

(3) If we are unable to deliver a payment, we will use the payment to purchase a zero-percent certificate of indebtedness in your TreasuryDirect account.

[70 FR 57443, Sept. 30, 2005]

§ 363.41 What happens if an ACH payment is returned to Fiscal Service?

We will notify you electronically of the returned payment. We will hold your payment until you provide us with instructions. Returned payments will not earn interest. We reserve the right to redirect a returned payment to the bank account at a financial institution that you have designated in your TreasuryDirect® account as your primary bank account, if that account is different from the one that returned the payment to us. We are not responsible for any fees your financial institution may charge relating to returned ACH payments.

[69 FR 50308, Aug. 16, 2004]

§ 363.42 How will my interest income be reported for tax purposes?

When you open your TreasuryDirect® account, you consent to receive the appropriate tax reporting forms by electronic means. We will notify you when your tax reporting forms are available. The form will be available in printable form through your TreasuryDirect account. If you withdraw your consent to receive tax reporting forms by electronic means, we reserve the right to redeem any savings bonds held in your account and close your account.

[67 FR 64286, Oct. 17, 2002, as amended at 70 FR 57435, Sept. 30, 2005]

§ 363.43 What are the procedures for certifying my signature on an offline application for a TreasuryDirect® account, or on an offline transaction form?

(a) *Certification within the United States*. For certifications within the United States, the certifying individual must be authorized to bind his or her institution by his or her acts, to guarantee signatures to assignments of securities, or to certify assignments of securities. The following table provides a list of authorized certifying individuals and the required evidence of authority. Members of Treasury-recognized signature guarantee programs are for security transfers only.

Who can certify signatures in the U.S.	Evidence of certifying individual's authority
(1) Officers and employees of depository institutions	(i) We require the institution's seal or signature guarantee stamp. (ii) If the institution is an authorized paying agent for U.S. Savings Bonds, we require a legible imprint of the paying agent's stamp.
(2) Institutions that are members of Treasury—recognized signature guarantee programs (for security transfers only).	We require the imprint of the signature guarantee stamp, i.e., 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 Inc. Medallion Signature Program.
(3) Officers and employees of corporate central credit unions, Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives, the Central Bank for Cooperatives, and Federal Home Loan Banks.	We require the entity's seal.
(4) Commissioned or warrant officers of the United States Armed Forces, for signatures executed by Armed Forces personnel, civilian field employees, and members of their families.	(i) We require a statement that the person executing the assignment is one whose signature the officer is authorized to certify under our regulations. (ii) The certifying official's rank must be shown.
(5) A judge or clerk of the court	We require the seal of the court.
(6) Other persons as designated by the Commissioner or Deputy Commissioner of Fiscal Service.	Evidence is determined by our procedures.

(b) *Certification within foreign countries*. The following table lists the authorized certifying individuals for foreign countries and the required evidence of the individual's authority.

Who can certify signatures in foreign countries	Evidence of certifying individual's authority
(1) United States diplomatic or consular officials	(i) We require the seal or stamp of the office. (ii) If there is no seal or stamp, then we require certification by some other authorized individual, under seal or stamp.
(2) Managers and officers of foreign branches of U.S. depository institutions and institutions that are members of Treasury-recognized signature guarantee programs (for security transfers only).	We require the seal of the depository institution, or the imprint of the signature guarantee stamp, i.e., 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.
(3) Notaries Public and other officers authorized to administer oaths, provided their authority is certified by a United States diplomatic or consular official.	(i) We require the official seal or stamp of the office. (ii) If there is no seal or stamp, the position must be certified by some other authorized individual, under seal or stamp, or otherwise proved to our satisfaction.

(c) *Duties and liabilities of certifying individuals*. (1) The certifying individual must first establish the identity of the signer.

(2) The form must be signed in the presence of the certifying individual.

(3) If the certifying individual is not an officer, the certifying individual must insert the words ''Authorized Signature'' in the space provided for the title.

(4) If the certifying individual is negligent in making the certification, the certifying individual and his or her organization are jointly and severally liable for any loss the United States may incur as a result of the negligence.

(d) *Guaranteed signatures*. (1) A security or other form requiring certification need not be executed in the presence of a certifying individual if

the signature is unconditionally guaranteed by the certifying individual. To guarantee a signature, the certifying individual must add a dated endorsement after the signature. For example:

Signature guaranteed, First National Bank of Smithville, Smithville, NH, by A. B. Doe, President, dated 1/1/2001.

(2) The certifying individual and his or her organization unconditionally guarantee to us that the signature is genuine and the signer had the legal capacity to execute the assignment or related form.

(e) *Guaranteed absence of a signature.* (1) A form requiring a certified signature need not be signed when a certifying individual associated with a depository financial institution places the following endorsement on the security or the form:

Absence of signature by owner and validity of transaction guaranteed, Second State Bank of Jonesville, Jonesville, NC, by B. R. Butler, Vice President, dated 11/1/2001.

(2) The endorsement must be dated and the seal of the institution must be added.

(3) This form of endorsement is an unconditional guarantee to us that the institution is acting for the signer under proper authorization.

(f) *Persons who cannot act as certifying individuals.* Any person having an interest in a security involved in the transaction cannot act as a certifying individual. However, an authorized officer or employee of a depository financial institution that is a member of a Treasury-recognized signature guarantee program can act as a certifying individual for transfer of a security to the institution or on behalf of the institution.

[67 FR 64286, Oct. 17, 2002, as amended at 70 FR 57435, Sept. 30, 2005]

§ 363.44 What happens when a TreasuryDirect® account owner dies and the estate is entitled to securities held in the account?

(a) *Estate is being administered.* For an estate that is being administered, the legal representative of the estate must open a TreasuryDirect account in the name of the estate in order to conduct transactions. The legal representative of the estate may then conduct any transactions that are available to an individual account owner. We will require appropriate proof of appointment for the legal representative of the estate. Letters of appointment must be dated not more than one year prior to the date of submission of the letters of appointment.

(b) *Estate has been settled previously.* If the estate has been settled previously through judicial proceedings, the persons entitled may request payment of securities, if the securities are eligible for redemption, or may transfer the securities to the TreasuryDirect accounts of the persons entitled, if the securities are eligible for transfer. We will require a certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence. If payment is requested, we will require ACH instructions to process the request.

(c) *Special provisions under the law of the jurisdiction of the decedent's domicile.* If there is no formal or regular administration and no representative of the estate is to be appointed, the person appointed to receive or distribute the assets of a decedent's estate without regular administration under summary or small estates procedures under applicable local law may request payment of securities, if the securities are eligible for redemption, or may transfer the securities to or on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death, if the securities are eligible for transfer. We will require appropriate evidence. If payment is requested, we will require ACH instructions to process the request.

(d) *When administration is required.* If the total redemption value of the Treasury securities and undelivered payments, if any, held directly on our records that are the property of the decedent's estate is greater than $100,000, administration of the decedent's estate will be required. The redemption value of savings bonds and the principal amount of marketable securities will be used to determine the value of securities, and will be determined as of the date of death. Administration may also be required at the discretion of the Department for any case.

(e) *Voluntary representative for small estates that are not being otherwise administered*—(1) *General*. A voluntary representative is a person qualified according to paragraph (e)(3) of this section, to redeem or transfer a decedent's securities. The voluntary representative procedures are for the convenience of the Department; entitlement to the decedent's securities and held payments, if any, is determined by the law of the jurisdiction in which the decedent was domiciled at the date of death. Voluntary representative procedures may be used only if:

(i) There has been no administration, no administration is contemplated, and no summary or small estate procedures under applicable local law have been used;

(ii) The total redemption value of the Treasury securities and held payments, if any, held directly on our records that are the property of the decedent's estate is $100,000 or less, as of the date of death, and

(iii) There is a person eligible to serve as the voluntary representative according to paragraph (e)(3) of this section.

(2) *Authority of voluntary representative*. A voluntary representative may:

(i) Redeem the decedent's savings bonds that are eligible for redemption. Payment may be made to the voluntary representative on behalf of or directly to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death;

(ii) Transfer the decedent's securities to the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death.

(3) *Order of precedence for voluntary representative*. An individual eighteen years of age or older may act as a voluntary representative according to the following order of precedence: a surviving spouse; if there is no surviving spouse, then a child of the decedent; if there are none of the above, then a descendant of a deceased child of the decedent; if there are none of the above, then a parent of the decedent; if there are none of the above, then a brother or sister of the decedent; if there are none of the above, then a descendant of a deceased brother or sister of the decedent; if there are none of the above, then a next of kin of the decedent, as determined by the laws of the decedent's domicile at the date of death. As used in this order of precedence, child means a natural or adopted child of the decedent.

(4) *Liability*. By serving, the voluntary representative warrants that the distribution of payments or securities are to or on behalf of the persons entitled by the law of the jurisdiction in which the decedent was domiciled at the date of death. The United States is not liable to any person for the improper distribution of payments or securities. Upon payment or transfer of the securities to the voluntary representative, the United States is released to the same extent as if it had paid or delivered to a representative of the estate appointed pursuant to the law of the jurisdiction in which the decedent was domiciled at the date of death. The voluntary representative shall indemnify and hold harmless the United States and all creditors and persons entitled to the estate of the decedent. The amount of the indemnification is limited to an amount no greater than the value received by the voluntary representative.

(5) *Creditor*. If there has been no administration, no administration is contemplated, no summary or small estate procedures under applicable local law have been used, and there is no person eligible to serve as a voluntary representative pursuant to paragraph (e) of this section, then a creditor may make a claim for payment of the amount of the debt, providing the debt has not been barred by applicable local law.

[70 FR 57435, Sept. 30, 2005, as amended at 70 FR 57443, Sept. 30, 2005; 74 FR 19419, Apr. 29, 2009]

§ 363.45 What are the rules for judicial and administrative actions involving securities held in TreasuryDirect®?

(a) *Notice of adverse claim or pending judicial proceedings*. We are not subject to and will not accept a notice of an adverse claim or notice of pending judicial proceedings involving a security held in TreasuryDirect.

(b) *Competing claims to a security*. The Department of the Treasury, Fiscal Service, and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a security held in TreasuryDirect.

(c) *Divorce decree*. We will recognize a divorce decree that either disposes of a security held in TreasuryDirect or ratifies a property settlement agreement disposing of a security that is the property of either of the parties. If the divorce decree does not set out the terms of the property settlement agreement, we will require a certified copy of the agreement.

(d) *Final court order*. We will recognize a final order entered by a court that affects ownership rights in a security held in TreasuryDirect only to the extent that the order is consistent with the provisions of this part. The owner of the security must be a party to the proceedings.

(e) *Levy to satisfy money judgment*. We 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 a security held in TreasuryDirect pursuant to a money judgment against the owner of the security, as owner is defined in § 363.6 of this part. In the case of savings bonds, we will only make payment pursuant to the court order to the extent of the money judgment. We will not transfer the savings bonds.

(f) *Internal Revenue Service (IRS) levy*. We will honor an IRS notice of levy under section 6331 of the Internal Revenue Code:

(1) Against the owner, as owner is defined in § 363.6 of this part, including a levy against the owner in the capacity of nominee, transferee, or alter ego;

(2) Against a secondary owner, if the secondary owner has the right to conduct transactions in a security at the date and time the notice of levy is delivered to Fiscal Service; or

(3) Against an owner's property to which a federal tax lien is attached.

(g) *Trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer*. We will honor a transaction request submitted by a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer, if the original court order is against the owner, as owner is defined in § 363.6 of this part. In the case of savings bonds, we will only make payment. We will not transfer the savings bonds.

(h) *Court order that attempts to defeat or impair survivorship rights*. We will not recognize a court order that attempts to defeat or impair the survivorship rights of a beneficiary, secondary owner, coowner of a converted savings bond, or the registered owner of an undelivered gift security held in TreasuryDirect.

[70 FR 57435, Sept. 30, 2005, as amended at 75 FR 70816, Nov. 19, 2010]

§ 363.46 What evidence is required to establish the validity of judicial proceedings?

(a) We will require certified copies of the final judgment, decree, or court order, and any necessary supplementary proceedings.

(b) A transaction request by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of appointment and qualification.

(c) A transaction request 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 receiver or similar court officer to take possession and control of the security.

[70 FR 57435, Sept. 30, 2005]

§ 363.47 Will Fiscal Service pay Treasury securities pursuant to a forfeiture proceeding?

(a) *General*. We will honor a judicial or administrative forfeiture order or declaration of forfeiture submitted by a federal agency. We will rely exclusively upon the information provided by the Federal forfeiting agency 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 transaction request. The amount to be paid or transferred is limited to the value of the security as of the date of forfeiture.

(b) *Definition of special terms relating to forfeitures*.

Contact point means the individual designated by the Federal investigative agency, United States Attorney's Office, or forfeiting agency, to receive referrals from Fiscal Service.

Forfeiting agency means the federal law enforcement agency responsible for the forfeiture.

Forfeiture means the process by which property may be forfeited by a federal agency. Administrative forfeiture is forfeiture by a federal agency without judicial proceedings resulting in a declaration of forfeiture; judicial forfeiture is a forfeiture through either a civil or criminal proceeding in a United States District Court resulting in a final judgment and order of forfeiture.

(c) *Procedures for a forfeiting agency to request forfeiture of Treasury securities.* A forfeiting agency must request forfeiture. An individual authorized by the forfeiting agency must sign the transaction request. The request must be mailed to the Department of the Treasury, Bureau of the Fiscal Service, Parkersburg, WV 26106–7015.

(d) *Fiscal Service procedures upon receipt of forfeiture request.* Upon receipt and review of the transaction request, we will make payment to the forfeiture fund specified, if the security is eligible for payment, or we will transfer the security pursuant to the transaction request. We will record the forfeiture, the forfeiture fund into which the proceeds were paid or the security transfer records, the contact point, and any related information.

(e) *Inquiries from previous owner.* All inquiries or claims from the previous owner will be referred to the contact point of the forfeiting agency. We will tell the person who inquired that we referred his or her inquiry to the contact point. We will not investigate the inquiry. We 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.

[70 FR 57436, Sept. 30, 2005]

§§ 363.48–363.49 [Reserved]

Subpart C—Book-Entry Savings Bonds Purchased Through TreasuryDirect

GENERAL

§ 363.50 What Treasury securities does this subpart govern?

This subpart governs:

(a) Series EE and Series I book-entry savings bonds that were originally issued as book-entry bonds through TreasuryDirect®; and

(b) Converted savings bonds that are registered in:

(1) The single owner or entity form of registration of any series,

(2) The owner with beneficiary form of registration of Series EE and Series I savings bonds,

(3) The owner with beneficiary form of registration of Series E savings bonds in which the beneficiary has consented to a change in the registration of the bond after conversion, and

(4) The coowner form of registration of any series in which the non-converting coowner has consented to a change in the registration of the bond after conversion.

[70 FR 14943, Mar. 23, 2005, as amended at 74 FR 19419, Apr. 29, 2009]

§ 363.51 [Reserved]

§ 363.52 What is the principal amount of book-entry Series EE and Series I savings bonds that I may acquire in one year?

(a) The principal amount of book-entry savings bonds that you may acquire in any calendar year is limited to $10,000 for Series EE savings bonds and $10,000 for Series I savings bonds.

(b) Bonds purchased or transferred as gifts will be included in the computation of this limit for the account of the recipient for the year in which the bonds are delivered to the recipient.

(c) Bonds purchased as gifts or in a fiduciary capacity are not included in the computation for the purchaser. Bonds received due to the death of the registered owner are not included in the computation for the recipient.

(d) We reserve the right to take any action we deem necessary to adjust the

excess, including the right to remove the excess bonds from your TreasuryDirect account and refund the payment price to your bank account of record using the ACH method of payment.

[77 FR 213, Jan. 4, 2012]

§ 363.53 What is the minimum amount of book-entry savings bonds that I may purchase in any transaction?

Each bond purchase must be in a minimum amount of $25, with additional one-cent increments above that amount, in any one transaction. For example, a purchase may be $25.00, $25.01, $25.02, or $25.03, and so forth.

§ 363.54 What is the minimum amount of a book-entry savings bond that I must hold in my account?

Each bond held in your account must have a redemption value of at least $25. If you request a transaction that would reduce the remaining redemption value of the bond to an amount less than $25, we will not permit the transaction to occur.

§ 363.55 May I transfer my book-entry savings bonds to another person?

(a) You may transfer a savings bond or a portion of a savings bond to the TreasuryDirect® account of another person in a minimum amount of $25. The transfer may only be made as a gift or in response to a final judgment, court order, divorce decree, or property settlement agreement. You must certify online that the transfer is a gift or a specified exception.

(b) We do not permit the transfer of savings bonds for consideration, unless it is an exception specified in paragraph (a) of this section.

(c) If the bond is being transferred to an individual, the bond will be transferred in the single owner form of registration. If the bond is being transferred to an entity, the bond will be transferred in the entity form of registration.

(d) We reserve the right to limit the transferability of savings bonds at any time by amendment to these regulations.

[67 FR 64286, Oct. 17, 2002, as amended at 68 FR 24807, May 8, 2003; 70 FR 57436, Sept. 30, 2005; 74 FR 19419, Apr. 29, 2009]

§ 363.56 What is the minimum amount of book-entry savings bonds that I may transfer in any one transaction?

Each transfer must be in a minimum amount of $25 redemption value, with additional one-cent increments above that amount, in any one transaction. For example, you may transfer $25.00, $25.01, $25.02, or $25.03, and so forth. Transfers will be comprised of principal and proportionate interest.

§ 363.57 What is the minimum amount of book-entry savings bonds that I may redeem in any one transaction?

Each redemption must be in a minimum amount of $25 redemption value, with additional one-cent increments above that amount, in any one transaction. For example, you may redeem $25.00, $25.01, $25.02, or $25.03, and so forth. Redemptions will be comprised of principal and proportionate interest.

§ 363.58 May book-entry savings bonds be pledged or used as collateral?

Bonds may not be pledged or used as collateral for the performance of an obligation.

§ 363.59 What is a payroll savings plan?

A payroll savings plan is an automatic method of purchasing savings bonds. (See the definition in § 363.6.) You may open your payroll savings plan by selecting an amount, series, and registration for your savings bond purchases using functionality in your TreasuryDirect® account. Each bond purchase must be in a minimum amount of $25 with additional one-cent increments above that amount, up to a maximum amount of $5000, in any one transaction. The series may be either a Series EE or Series I savings bond. The registration may be any authorized form of registration for an electronic savings bond. You must also initiate a request to your employer or your financial institution to send credits on a recurring basis to your payroll savings plan through the ACH method to purchase a payroll zero-percent certificate of indebtedness. (See Subpart D for more information about a payroll zero-percent certificate of indebtedness.)

When you have accumulated a sufficient amount of payroll zero-percent certificate of indebtedness to purchase a savings bond in the amount, series, and registration that you selected, the TreasuryDirect® system will automatically redeem your payroll zero-percent certificate of indebtedness and purchase your selected savings bond.

[75 FR 70816, Nov. 19, 2010]

§ 363.60 How do I discontinue my participation in my payroll savings plan?

You may discontinue your participation in your payroll savings plan by arranging with your employer or financial institution to discontinue sending funds.

[75 FR 70816, Nov. 19, 2010]

§§ 363.61–363.82 [Reserved]

§ 363.83 May an account owner transfer a book-entry savings bond to a minor?

An account owner may transfer a bond to a minor as a gift or pursuant to one of the specified exceptions in § 363.55(a).

§§ 363.84–363.94 [Reserved]

GIFTS

§ 363.95 How may I give, and who can receive, a book-entry savings bond as a gift?

You may give a book-entry savings bond as a gift in two ways:

(a) An individual may purchase a book-entry savings bond online as a gift and give it to an individual; or

(b) A person who owns a bond may transfer that bond to another person as a gift with immediate delivery.

[67 FR 64286, Oct. 17, 2002, as amended at 68 FR 24807, May 8, 2003; 70 FR 57437, Sept. 30, 2005; 74 FR 19419, Apr. 29, 2009]

§ 363.96 What do I need to know if I initially purchase a bond as a gift?

(a) An entity may not purchase a gift savings bond.

(b) The gift bond will be registered in the name of the recipient(s). The registration is irrevocable with regard to the owner named on the gift bond.

(c) You must provide the SSN of the recipient.

(d) You may deliver the bond upon purchase, or you may hold the bond in your TreasuryDirect® account until you are ready to deliver the bond to the owner named on the gift bond.

(e) If the purchaser dies before delivering a gift bond to the recipient, the bond belongs to the owner named on the gift bond, notwithstanding any testamentary attempts to the contrary by the purchaser, or any state law to the contrary. We will hold the bond until we receive instructions from the owner named on the gift bond.

[67 FR 64286, Oct. 17, 2002, as amended at 69 FR 2508, Jan. 16, 2004; 74 FR 19419, Apr. 29, 2009]

§ 363.97 What do I need to know if I transfer a book-entry savings bond to another person as a gift?

(a) You must certify online that the transfer is a gift.

(b) You must provide the SSN or EIN of the recipient.

(c) Once the transfer is made, the gift is irrevocable.

(d) The bond will be transferred in the single owner form of registration for individual account owners, and in the entity form of registration for account owners that are entities.

[67 FR 64286, Oct. 17, 2002, as amended at 74 FR 19420, Apr. 29, 2009]

§ 363.98 [Reserved]

§ 363.99 What is the minimum amount of a bond that I may transfer or deliver as a gift in any one transaction?

You may transfer or deliver gift bonds in any one-cent increment value equal to or greater than $25.00 redemption value. For example, you may deliver a gift bond with a redemption value of $25.00, $25.01, $25.02, and so forth. If the bond was held in your account prior to delivery to the recipient for a period of time and has accrued interest, the delivery will include principal and proportionate interest.

§ 363.100 What are the rules for purchasing and delivering gift savings bonds to minors?

(a) A TreasuryDirect® account owner can purchase a savings bond as a gift with a minor as the recipient.

(b) An account owner can deliver a bond purchased as a gift to a minor. The account owner must deliver the security to the minor's linked account. Once delivered, the bond will be under the control of the custodian of the minor's account. (See § 363.27.)

[70 FR 57444, Sept. 30, 2005]

§ 363.101 Can an account owner transfer a book-entry savings bond to a minor?

An account owner can transfer a book-entry savings bond held in TreasuryDirect® to a minor as a gift or pursuant to one of the specified exceptions in § 363.55(a).

[70 FR 57444, Sept. 30, 2005]

§§ 363.102–363.124 [Reserved]

PAYMENT

§ 363.125 How is payment made on a book-entry savings bond?

We will make payment by the ACH method to the designated account at a United States depository financial institution.

§ 363.126 Under what circumstances will payment be made?

We will make payment:

(a) Upon your request for redemption prior to maturity;

(b) When the bond reaches final maturity; and

(c) If a person who becomes entitled to the bond is unable, unwilling or ineligible to open a TreasuryDirect® account.

§§ 363.127–363.129 [Reserved]

Subpart D—Zero-Percent Certificate of Indebtedness

SOURCE: 69 FR 50309, Aug. 16, 2004, unless otherwise noted.

GENERAL

§ 363.130 What does this subpart cover?

This subpart is the offering of the zero-percent certificate of indebtedness by the Secretary of the Treasury (Secretary), and will continue until suspended or terminated by the Secretary. This subpart is also the governing regulations for the zero-percent certificate of indebtedness.

§ 363.131 What is a TreasuryDirect® zero-percent certificate of indebtedness?

A TreasuryDirect® zero-percent certificate of indebtedness is a non-interest-bearing security that is issued daily, with a one-day maturity, which automatically rolls over at maturity until you request redemption. A zero-percent certificate of indebtedness has a minimum purchase amount of one cent. The only purpose of a zero-percent certificate of indebtedness is to accumulate funds for the purchase of another eligible security in the TreasuryDirect system. A zero-percent certificate of indebtedness within a minor's account is the property of the minor alone. The payroll zero-percent certificate of indebtedness is a restricted form of the zero-percent certificate of indebtedness that is held separately from the zero-percent certificate of indebtedness and used only for purchases made through the payroll savings plan.

[69 FR 50309, Aug. 16, 2004, as amended at 75 FR 70816, Nov. 19, 2010]

§ 363.132 Can the sale of the zero-percent certificate of indebtedness be suspended?

The Secretary may suspend and rescind the suspension of sales of the zero-percent certificate of indebtedness by announcement at any time.

§ 363.133 What happens to my zero-percent certificate of indebtedness if the offering is terminated by the Secretary?

Upon the termination of this offering by the Secretary, the zero-percent certificate of indebtedness ceases to roll over; the proceeds will be paid by the ACH method to the bank account at a

financial institution that you designated in your TreasuryDirect® account as your primary bank account.

§ 363.134 What regulations cover a zero-percent certificate of indebtedness?

The regulations in part 363 apply to a zero-percent certificate of indebtedness. We expressly disclaim representations or warranties regarding a zero-percent certificate of indebtedness that in any way conflict with these regulations and other applicable law.

§ 363.135 In what form is a zero-percent certificate of indebtedness issued?

A zero-percent certificate of indebtedness is issued in electronic form only in the TreasuryDirect® system.

§ 363.136 Do zero-percent certificates of indebtedness pay interest?

Zero-percent certificates of indebtedness do not pay any interest. However, the Secretary may prescribe a rate of interest, or change the interest rate, for zero-percent certificates of indebtedness by announcement at any time. The new rate would apply to zero-percent certificates of indebtedness issued thereafter, as provided in the announcement. The Secretary's determination of the rate will be final.

§ 363.137 What do I need to know about the registration of a zero-percent certificate of indebtedness?

A zero-percent certificate of indebtedness is automatically registered in the name of the TreasuryDirect® account owner.

[74 FR 19420, Apr. 29, 2009]

§ 363.138 Is Treasury liable for the purchase of a zero-percent certificate of indebtedness that is made in error?

We are not liable for any deposits of funds for the purchase of a zero-percent certificate of indebtedness that are made in error by your financial institution or employer.

[69 FR 50309, Aug. 16, 2004. Redesignated at 75 FR 70816, Nov. 19, 2010]

§ 363.139 May I transfer or deliver my zero-percent certificate of indebtedness?

A zero-percent certificate of indebtedness is nontransferable. You may not deliver a zero-percent certificate of indebtedness to another TreasuryDirect® account as a gift.

[69 FR 50309, Aug. 16, 2004. Redesignated at 75 FR 70816, Nov. 19, 2010]

§ 363.140 May a zero-percent certificate of indebtedness be pledged or used as collateral?

A zero-percent certificate of indebtedness may not be pledged or used as collateral for the performance of an obligation.

[69 FR 50309, Aug. 16, 2004. Redesignated at 70 FR 57437, Sept. 30, 2005, and further redesignated at 75 FR 70816, Nov. 19, 2010]

ZERO-PERCENT CERTIFICATE OF INDEBTEDNESS

§ 363.141 How do I purchase a zero-percent certificate of indebtedness?

(a) *Primary and linked accounts.* You may purchase a zero-percent certificate of indebtedness through one or more of the following four methods:

(1) Payroll deduction, in which your employer sends funds through the ACH method to your TreasuryDirect® account;

(2) Deposit by your financial institution, in which your financial institution sends funds by the ACH method to your TreasuryDirect® account on a recurring or one-time basis;

(3) Through the Buy Direct function of your TreasuryDirect® account, in which you direct us to debit funds from your financial institution account to purchase a zero-percent certificate of indebtedness. This method is limited to an amount no greater than $1000 per transaction. When you use the Buy Direct function to debit funds to purchase all or a portion of a zero-percent certificate of indebtedness, you will not be permitted to schedule a redemption to your financial institution from the zero-percent certificate of indebtedness within five business days after the settlement date of the debit entry; and

(4) By using the proceeds from the redemption of a savings bond, the proceeds of a maturing security, or an interest payment from a security to purchase a zero-percent certificate of indebtedness.

(b) *Payroll savings plan.* You may purchase a payroll zero-percent certificate of indebtedness for your payroll savings plan through payroll deduction, in which your employer sends funds through the ACH method to your TreasuryDirect® payroll savings plan, or through a credit using the ACH method by your financial institution, in which your financial institution sends funds by the ACH method to your TreasuryDirect® payroll savings plan.

[75 FR 70816, Nov. 19, 2010]

§ 363.142 When is a zero-percent certificate of indebtedness issued?

A zero-percent certificate of indebtedness is issued the business day after the purchase transaction is made.

[69 FR 50309, Aug. 16, 2004. Redesignated at 75 FR 70816, Nov. 19, 2010]

§ 363.143 How do I purchase a security using the redemption proceeds of my zero-percent certificate of indebtedness?

You may purchase an eligible security by redeeming all or a portion of your zero-percent certificate of indebtedness and applying the proceeds toward the purchase of another eligible security. To do this, your zero-percent certificate of indebtedness must be of sufficient value to cover the cost of the security. If you are paying for a security using the redemption proceeds of a zero-percent certificate of indebtedness, you must pay the full amount of the purchase price of the security using the redemption proceeds.

[69 FR 50309, Aug. 16, 2004. Redesignated at 75 FR 70816, Nov. 19, 2010]

§ 363.144 Can I redeem my zero-percent certificate of indebtedness?

You can redeem part or all of the value of your zero-percent certificate of indebtedness at any time, with one exception: if you purchased all or a portion of your zero-percent certificate of indebtedness through a debit using the ACH method, you may not schedule a redemption from your zero-percent certificate of indebtedness within five business days after the date of the debit entry.

[70 FR 57444, Sept. 30, 2005. Redesignated at 75 FR 70816, Nov. 19, 2010]

§ 363.145 May I delete a pending transaction involving a zero-percent certificate of indebtedness?

(a) You may delete a pending purchase of a zero-percent certificate of indebtedness initiated from your TreasuryDirect® account.

(b) You may delete a pending purchase of a security using a zero-percent certificate of indebtedness as payment.

(c) You may not delete a pending redemption of all or part of the value of a zero-percent certificate of indebtedness.

[69 FR 50309, Aug. 16, 2004. Redesignated at 75 FR 70816, Nov. 19, 2010]

PAYROLL ZERO-PERCENT CERTIFICATE OF INDEBTEDNESS

§ 363.146 Who may purchase a payroll zero-percent certificate of indebtedness?

Only an individual TreasuryDirect® account owner may purchase a payroll zero-percent certificate of indebtedness, only through his or her primary account, and only through the payroll savings plan.

[75 FR 70817, Nov. 19, 2010]

§ 363.147 How do I purchase a payroll zero-percent certificate of indebtedness?

You may purchase a payroll zero-percent certificate of indebtedness through your TreasuryDirect® account using your payroll savings plan. (See §§ 363.59 and 363.60 for more information on opening a payroll savings plan.) The only method of purchase for a payroll zero-percent certificate of indebtedness is a credit of funds from your employer or financial institution using the ACH method. You cannot purchase a payroll zero-percent certificate of indebtedness by using a debit from your financial institution.

[75 FR 70817, Nov. 19, 2010]

§ 363.148 Can I redeem all or a portion of my accumulated payroll zero-percent certificate of indebtedness?

You may redeem all or a portion of your accumulated payroll zero-percent certificate of indebtedness to any financial institution that is of record in your TreasuryDirect® account.

[75 FR 70817, Nov. 19, 2010]

§§ 363.149–363.152 [Reserved]

Subpart E—Conversion of a Definitive Savings Bond

SOURCE: 70 FR 14943, Mar. 23, 2005, unless otherwise noted.

§ 363.160 What subparts govern the conversion of definitive savings bonds?

(a) This subpart governs:

(1) The process of converting definitive savings bonds of all eligible series and types of registration to book-entry bonds in TreasuryDirect®;

(2) Converted savings bonds of all series registered in the coowner form of registration, unless the non-converting coowner consents to a change in the registration of the bonds after conversion;

(3) Converted savings bonds of Series E registered in the owner with beneficiary form of registration, unless the beneficiary consents to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series that are held as gift bonds by the person who converted the bonds.

(b) Subpart C governs:

(1) Converted savings bonds of any series registered in the single owner or entity form of registration;

(2) Converted Series EE and Series I savings bonds registered in the owner with beneficiary form of registration;

(3) Converted Series E savings bonds registered in the owner with beneficiary form of registration, where the beneficiary has consented to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series registered in the coowner form of registration, where the non-converting coowner has consented to a change in the registration of the bonds after conversion.

[70 FR 14943, Mar. 23, 2005, as amended at 70 FR 57347, Sept. 30, 2005; 74 FR 19420, Apr. 29, 2009]

§ 363.161 What definitive savings bonds are eligible to be converted to book-entry bonds?

Series E, Series EE, and Series I savings bonds issued in denominations of $25 or greater are eligible for conversion to book-entry bonds in TreasuryDirect®.

[74 FR 19420, Apr. 29, 2009]

§ 363.162 Who may convert a definitive savings bond?

The owner of a TreasuryDirect® primary account may convert a definitive savings bond.

(a) *Bond that is registered to the account owner*. The following persons may convert a definitive savings bond of an eligible series to a book-entry bond to be held in the person's TreasuryDirect account:

(1) The owner of a definitive savings bond registered in the single owner or entity form of registration;

(2) Either co-owner of a bond registered in the coowner form of registration; and

(3) The owner of a bond registered in the owner with beneficiary form of registration.

(b) *Bond that is registered to someone other than the account owner*. We will convert an eligible definitive savings bond submitted by an individual account owner who is not the registered owner of the savings bond. See the special rules in § 363.166.

[74 FR 19420, Apr. 29, 2009]

§ 363.163 How do I convert an eligible definitive savings bond?

We will provide online instructions for converting your definitive savings bond. You must surrender to us the definitive bond to be converted at the time of conversion.

§ 363.164 Is a converted savings bond eligible to be converted back into a definitive bond?

Once a definitive savings bond has been converted to a book-entry bond, it

may not be converted back into a definitive bond.

§ 363.165 What happens when I convert a savings bond that is registered in my name as a single owner, either coowner, an owner with a beneficiary, or an entity?

(a) *Unmatured savings bond*. When the conversion is approved, an unmatured savings bond that is registered in the name of the TreasuryDirect® account owner as a single owner, either coowner, an owner with beneficiary, or an entity, will be released to the account owner's conversion linked account.

(b) *Matured savings bond*. A savings bond that has reached final maturity and is registered in the name of the TreasuryDirect account owner as a single owner, either coowner, an owner with beneficiary, or an entity, will be converted to a book-entry savings bond and automatically redeemed. The redemption proceeds will be used to purchase a zero-percent certificate of indebtedness in the account owner's name in the primary account.

[74 FR 19420, Apr. 29, 2009]

§ 363.166 What happens when I convert a savings bond that is not registered in my name as owner, either coowner, or owner with beneficiary (including a bond registered in the name of a minor)?

We will presume that a savings bond registered in the name of someone other than the TreasuryDirect® account owner (including a bond registered in the name of a minor) was purchased by the account owner as a gift for the registered owner. We will not permit an entity to convert a savings bond that is not registered in the name of the entity.

(a) *Unmatured savings bond*—(1) *General*. An unmatured savings bond registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond to the account owner's conversion linked account, and held until delivered to the TreasuryDirect account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of unmatured gift bond to registered owner*. The TreasuryDirect account owner may deliver the converted gift bond to the TreasuryDirect account (or minor linked account, if the registered owner is a minor) of the registered owner, or, if the bond is registered in the coowner form of registration, to the account of either coowner. A bond registered in coowner or owner with beneficiary form of registration will retain the coowner or beneficiary form of registration upon delivery.

(b) *Savings bond that has reached final maturity*—(1) *General*. A savings bond that has reached final maturity and is registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond into the account owner's conversion linked account, and automatically redeemed. We will hold the redemption proceeds in the name of the registered owner of the definitive bond until the proceeds are delivered to the TreasuryDirect account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of bond proceeds to registered owner*. If the gift bond has reached final maturity and has been automatically redeemed, then the Treasury Direct account owner may direct that the held redemption proceeds be delivered to the Treasury Direct account of the registered owner (or minor linked account, if the registered owner is a minor), where we will use the proceeds to purchase a zero-percent certificate of indebtedness in the name of the registered owner. If the bond is registered in the coowner form of registration, the account owner may direct that the held redemption proceeds be delivered to the account of either coowner, where we will use the proceeds to purchase a zero-percent certificate of indebtedness in the name of the coowner to whose account the bond was delivered.

[70 FR 14943, Mar. 23, 2005, as amended at 70 FR 57347, Sept. 30, 2005; 74 FR 19420, Apr. 29, 2009]

§ 363.167 How will a converted savings bond be registered?

The registration of the converted bond will be the same as on the definitive bond, provided that it was registered properly in an authorized form

of registration. We will change a definitive savings bond that was not registered in an authorized form of registration to the closest authorized form of registration. For example, a definitive savings bond erroneously registered ''John Doe and Jane Doe'' will be changed to ''John Doe or Jane Doe.'' We are not liable to any person for any such decision as to the closest form of authorized registration.

§ 363.168 What rules regarding registration apply to a converted savings bond?

(a) *Savings bond of any series registered in the single owner or entity form of registration.* By converting a definitive bond of any eligible series registered in the single owner or entity form of registration to book-entry in TreasuryDirect®, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(b) *Savings bond of Series EE or Series I registered in the owner with beneficiary form of registration.* By converting a definitive bond of Series EE or Series I registered in an owner with beneficiary form of registration to a book-entry bond in TreasuryDirect, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The registration of a converted savings bond of Series E registered in the owner with beneficiary form of registration may be changed upon the request of the owner and the consent of the beneficiary. The transaction will not be conducted through the registered owner's TreasuryDirect account.

(d) *Savings bond of any series registered in the coowner form of registration.* The registration of a converted savings bond of any eligible series registered in the coowner form of registration may be changed upon the request of one coowner and the consent of the other coowner. The transaction will not be conducted through the registered owner's TreasuryDirect account.

[70 FR 14943, Mar. 23, 2005, as amended at 74 FR 19420, Apr. 29, 2009]

§ 363.169 What transactions can I conduct in a converted savings bond on which I am registered as the single owner, either coowner, the owner with a beneficiary, or an entity?

(a) *Savings bond of any series registered in the single owner or entity form of registration.* By converting a definitive savings bond of any series registered in the single owner or entity form of registration to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in TreasuryDirect®. The bond will be subject to the provisions of subpart C of this part. Any transaction available for a book-entry bond originally issued in the TreasuryDirect system is available for a converted bond registered in single owner or entity form of registration.

(b) *Savings bond of Series EE and Series I registered in the owner with beneficiary form of registration.* By converting a definitive savings bond registered in the owner with beneficiary form of registration to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in TreasuryDirect. The bond will be subject to the provisions of subpart C of this part. Any transaction available for a book-entry bond purchased in the TreasuryDirect system is available for a converted bond of Series EE and Series I registered in the owner with beneficiary form of registration.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The owner of a converted Series E bond registered in the owner with beneficiary form of registration may make the following transactions:

(1) *Provide view rights to the beneficiary.* The owner may provide the beneficiary with the right to view the bond in the beneficiary's TreasuryDirect account. Once the right to view the bond is provided to the beneficiary, the owner may not revoke that right.

(2) *Transfer without change in registration.* The owner may transfer the bond without a change of registration to another account in the name of the owner.

(3) *Remove the beneficiary from the registration.* The owner may remove the

beneficiary's name from the registration with the consent of the beneficiary. The transaction will not be conducted through the registered owner's TreasuryDirect account. The bond will be changed to the single owner form of registration. Once the transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in TreasuryDirect, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the TreasuryDirect system.

(4) *Transfer to the beneficiary or a third party with a change in registration.* The owner may remove his or her name from the registration and transfer the bond to the account of the beneficiary or a third party, with the consent of the beneficiary. The transaction will not be conducted through the registered owner's TreasuryDirect account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry bond in TreasuryDirect, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the TreasuryDirect system.

(d) *Savings bond of any series registered in the coowner form of registration.* The converting coowner of a converted bond registered in the coowner form of registration may make the following transactions:

(1) *Provide view or transact rights to non-converting coowner.* The converting coowner may provide the non-converting coowner with the rights to view the bond or to view and redeem the bond through the non-converting coowner's TreasuryDirect account. Once either of these rights is provided to the non-converting coowner, the converting coowner may not revoke the right.

(2) *Transfer without change in registration.* The converting coowner may transfer the bond without a change in registration to another account in the name of the converting coowner. The bond may be transferred without the consent of the non-converting coowner, and will retain the coowner registration.

(3) *Remove a coowner from the registration.* The converting coowner (or the non-converting coowner, if the bond has been previously transferred to the account of the non-converting coowner) may remove the other coowner from the registration. The consent of the other coowner is required. The bond must reside in the account of the coowner who is requesting the transaction. The transaction will not be conducted through the registered owner's TreasuryDirect account. The bond's registration will be changed to the single owner form of registration. Once this transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in TreasuryDirect, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the TreasuryDirect system.

(4) *Transfer to non-converting coowner or a third party with a change in registration.* The converting coowner may remove his or her name from the registration and transfer the bond to either the account of the non-converting coowner or to the account of a third party. The consent of the non-converting coowner is required. The transaction will not be conducted through the registered owner's TreasuryDirect account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry bond in TreasuryDirect, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the TreasuryDirect system.

[70 FR 14943, Mar. 23, 2005, as amended at 74 FR 19420, Apr. 29, 2009]

§ 363.170 What transactions can I conduct in a savings bond that I converted on which I am not registered as the owner, either coowner, or owner with beneficiary?

The only transaction that you may conduct on a savings bond that you converted on which you are not registered as the owner, either coowner, or owner with beneficiary is to deliver the

converted bond to the TreasuryDirect® account of the registered owner.

§ 363.171 How do I redeem a converted savings bond?

(a) *Before final maturity*—(1) *Savings bond of any series registered in the single owner, owner with beneficiary, or entity form of registration.* You may redeem your converted savings bond of any series registered either in the single owner, owner with beneficiary, or entity form of registration any time prior to final maturity after the minimum holding period through your TreasuryDirect® account.

(2) *Savings bond of any series registered in the coowner form of registration.* The converting coowner may redeem the converted savings bond of any series registered in the coowner form of registration at any time prior to final maturity after the minimum holding period through his or her TreasuryDirect account. The non-converting coowner may redeem the converted savings bond at any time prior to final maturity after the minimum holding period provided that he or she has been granted transaction rights in the converted bond by the converting coowner.

(b) *Upon final maturity*—(1) *Savings bond of any series registered in the single owner, owner with beneficiary, coowner, or entity forms of registration.* If you have not previously redeemed or transferred your converted savings bond of any series registered in the single owner, owner with beneficiary, coowner, or entity forms of registration, it will be automatically redeemed for you at final maturity.

(2) The redemption proceeds will be automatically used to purchase a zero-percent certificate of indebtedness registered in your name and held in your TreasuryDirect account.

[70 FR 14943, Mar. 23, 2005, as amended at 74 FR 19420, Apr. 29, 2009]

§§ 363.172–363.175 [Reserved]

§ 363.176 May a converted savings bond be pledged or used as collateral?

A converted savings bond may not be pledged or used as collateral for the performance of an obligation.

§§ 363.177–363.178 [Reserved]

§ 363.179 Does Fiscal Service make any reservations as to the conversion of an eligible savings bond?

We may reject any application for conversion or refuse to convert a savings bond in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

§§ 363.180–363.199 [Reserved]

Subpart F—Marketable Treasury Securities

SOURCE: 70 FR 57444, Sept. 30, 2005, unless otherwise noted.

§ 363.200 What Treasury securities does this subpart govern?

This subpart provides the rules for holding marketable Treasury bills, notes, and bonds in book-entry form in TreasuryDirect®.

§ 363.201 What other regulations govern book-entry marketable book-entry Treasury bills, notes, and bonds?

(a) 31 CFR part 356 governs the sale and issue of marketable book-entry Treasury securities on or after March 1, 1993, whether held in TreasuryDirect®, Legacy Treasury Direct, or the commercial book-entry system.

(b) 31 CFR part 357 governs holding marketable book-entry Treasury bills, notes, and bonds in the Legacy Treasury Direct system and in the commercial book-entry system.

§ 363.202 What marketable Treasury securities may I purchase and hold through my TreasuryDirect® account?

(a) *Purchase.* (1) *Advance purchase.* You may purchase any marketable Treasury security that is available for purchase through the TreasuryDirect® website. One day each week, marketable securities that are scheduled for auction within 8 weeks will be made available on the TreasuryDirect

website for scheduling an advance purchase, and are the only marketable securities that you can schedule for advance purchase.

(2) *Purchases scheduled prior to May 15, 2010, with an effective issue date on or after May 15, 2010.* (i) Any marketable security purchase scheduled prior to May 15, 2010, and with an effective issue date of May 15, 2010, through July 9, 2010, will be treated as a new purchase, even if the transaction would have been treated as a reinvestment under the rules in effect prior to May 15, 2010.

(ii) Any marketable security purchase scheduled prior to May 15, 2010, with an effective issue date after July 9, 2010, will be canceled.

(b) *Hold.* You may transfer into the system and maintain in your TreasuryDirect account any eligible marketable book-entry Treasury bill, note, or bond.

[70 FR 57444, Sept. 30, 2005, as amended at 75 FR 26090, May 11, 2010]

§ 363.203 After I purchase my marketable Treasury security in TreasuryDirect®, is there a period of time during which I may not transfer the security?

Once you purchase a marketable Treasury security in TreasuryDirect, you may not transfer that security for a period of 45 calendar days after the issue date of the security, or the term of the security, whichever is less.

§ 363.204 What registrations are available for my marketable Treasury securities held in TreasuryDirect®?

You may register your marketable Treasury securities in any form of registration permitted by § 363.20 of this part.

§ 363.205 How do I reinvest the proceeds of a maturing security held in TreasuryDirect®?

(a) *Method for reinvesting a maturing security.* The only method of reinvesting a maturing marketable security in TreasuryDirect® is through the automatic reinvestment option available in your TreasuryDirect account. Purchasing a security by directing that the proceeds of a maturing security be used to purchase a zero-percent certificate of indebtedness, and then scheduling the purchase of a new security using the redemption proceeds of the zero-percent certificate of indebtedness, is not a reinvestment.

(b) *When a reinvestment can be scheduled, edited, or canceled.* You can schedule your reinvestment either at the time of purchase or after the security is issued into your TreasuryDirect account. You cannot schedule, edit, or cancel a reinvestment when the maturing security goes into a closed book period, or when a noncompetitive bid for the replacement security is no longer accepted, whichever comes first.

(c) *What securities can be reinvested.* Any marketable security can be reinvested.

(d) *Limits on scheduling reinvestments.* Reinvestments will be limited at any one time to 25 times for a 4-week bill, 7 times for a 13-week bill, 3 times for a 26-week bill, and once for all other marketable security types.

(e) *Canceling reinvestments.* If there is no security available for reinvestment with an issue date that coincides with the maturity date or call date, if invoked, of the maturing security, and with the same type and term, the scheduled reinvestment will be canceled and the proceeds of the maturing security will be returned to the customer.

(f) *Procedure if there are insufficient funds from the maturing security to pay the full purchase price of the replacement security.* If there are insufficient funds from the maturing security to pay the full purchase price of the replacement security, we will either debit your primary account at a financial institution or pay the additional funds using the redemption proceeds of your zero-percent certificate of indebtedness.

(1) *Debit from primary account at financial institution.* If the maturing security is purchased on or after May 15, 2010, we will pay the additional funds by a debit from your primary account at a financial institution if the maturing security was purchased within TreasuryDirect by a debit from a financial institution account or if the maturing security was received through a

transfer. If we are unable to obtain sufficient funds from your primary account at a financial institution, the reinvestment will be canceled and we will refund the proceeds of the maturing security.

(2) *Withdrawal of funds from zero-percent certificate of indebtedness.* If the maturing security is purchased on or after May 15, 2010, we will pay the additional funds using the redemption proceeds of your zero-percent certificate of indebtedness if the purchase of the maturing security was made using the zero-percent certificate of indebtedness. If the amount available from a redemption of the zero-percent certificate of indebtedness is insufficient to pay the additional amount, the reinvestment will be canceled and we will refund the proceeds of the maturing security.

(3) *Special rules if the maturing security was purchased prior to May 15, 2010.* If the maturing security was purchased within TreasuryDirect or received through a transfer prior to May 15, 2010, we will debit your primary account at a financial institution for the additional funds. If we are unable to obtain sufficient funds from your primary account at a financial institution, the reinvestment will be canceled and we will refund the proceeds of the maturing security.

[75 FR 26090, May 11, 2010]

§ 363.206 How can I transfer my marketable Treasury security into my TreasuryDirect® account from another book-entry system?

(a) *Legacy Treasury Direct to TreasuryDirect.* 31 CFR part 357, subpart C, governs the transfer of a marketable book-entry Treasury security from your Legacy Treasury Direct account into TreasuryDirect.

(b) *Commercial book-entry system to TreasuryDirect.* You may transfer your marketable Treasury security from the commercial book-entry system by contacting the financial institution or broker that handles your commercial book-entry account.

(c)(1) *Individuals.* When a security is transferred into the TreasuryDirect account of an individual, it will be transferred in the name of the individual account owner in the single owner form of registration, regardless of the form of registration prior to the transfer. After the transfer is completed, you can change the registration to any form of registration permitted by these regulations.

(2) *Entities.* When a security is transferred into the TreasuryDirect account of an entity, the security will be transferred in the name of the entity, regardless of the form of registration prior to the transfer.

(d) *Amounts transferred.* You can only transfer in increments of $1000.

[70 FR 57444, Sept. 30, 2005, as amended at 74 FR 19421, Apr. 29, 2009]

§ 363.207 Can I transfer my marketable Treasury security from my TreasuryDirect® account to another TreasuryDirect account?

After the initial 45-calendar day holding period for your marketable Treasury security (see § 363.203) you can transfer your security to another TreasuryDirect account in increments of $1000.

§ 363.208 Can I transfer my marketable Treasury security from my TreasuryDirect® account to an account in another book-entry system?

After the initial 45-calendar day holding period for your marketable Treasury security (see § 363.203) you can transfer your security to an account in the commercial book-entry system in increments of $1000.

[70 FR 57444, Sept. 30, 2005, as amended at 76 FR 18064, Apr. 1, 2011]

§ 363.209 [Reserved]

§ 363.210 Is there any period of time during which I will be unable to process certain transactions regarding my security?

A closed book period will be in effect for four business days prior to the date a marketable security interest and/or redemption payment is made. During the closed book period, you cannot change the registration of the security, change the payment destination of the proceeds, change the view or transaction rights, make transfers, or schedule, edit, or cancel a reinvestment. We

will hold transactions requiring submission of a form for processing until the closed book period ends.

[75 FR 26091, May 11, 2010, as amended at 75 FR 78901, Dec. 17, 2010]

§§ 363.211–363.249 [Reserved]

Subpart G [Reserved]

Subpart H—Miscellaneous

§ 363.250 May Fiscal Service waive these regulations?

We may waive or modify any provision of the regulations in this part. We 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 the waiver would not be inconsistent with law or equity;

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

(c) If we are satisfied that the waiver would not subject the United States to any substantial expense or liability.

[67 FR 64286, Oct. 17, 2002. Redesignated at 70 FR 14943, Mar. 23, 2005. Redesignated at 70 FR 57444, Sept. 30, 2005]

§ 363.251 Can I be required to provide additional evidence to support a transaction?

We may require additional evidence and/or a bond of indemnity, with or without surety, in any case where we determine it necessary to protect the interests of the United States.

[67 FR 64286, Oct. 17, 2002. Redesignated at 70 FR 14943, Mar. 23, 2005. Redesignated at 70 FR 57444, Sept. 30, 2005]

§ 363.252 May Fiscal Service amend or supplement these regulations?

We may amend, revise, or supplement these regulations at any time.

[67 FR 64286, Oct. 17, 2002. Redesignated at 70 FR 14943, Mar. 23, 2005. Redesignated at 70 FR 57444, Sept. 30, 2005]

PART 370—ELECTRONIC TRANSACTIONS AND FUNDS TRANSFERS RELATING TO UNITED STATES SECURITIES

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AUTHORITY: 12 U.S.C. 391; 31 U.S.C. chapter 31.

SOURCE: 64 FR 40487, July 26, 1999, unless otherwise noted.

Subpart A—General Information

§ 370.0 What does this part cover?

(a) *Scope*. This part applies to the transfer of funds by the Automated Clearing House method as used by us in connection with United States securities. This part also provides regulations for the electronic submission of transaction requests through us, except as varied by agreement or as otherwise provided. This part does not apply to transactions for the sale of United States Savings Bonds accomplished through savings bond issuing agents generally, except and to the extent we direct otherwise.

(b) *Operating Rules of the National Automated Clearing House Association and Regulations of the Financial Management Service*. The Operating Rules of the National Automated Clearing House Association generally apply to these transactions. However, the Operating Rules do not apply to the extent that the Operating Rules are preempted entirely and excluded specifically by application of Financial Management Service regulations in part 210 of this chapter. In the event of any inconsistencies between this part 370 and either the Operating Rules or part 210, this part 370 applies.

(c) *Regulations of the Board of Governors of the Federal Reserve*. To the extent that Regulation E (12 CFR part 205) and Regulation Z (12 CFR part 226) of the Board of Governors of the Federal Reserve System apply to transactions authorized by this part, those Federal laws are unaffected by this part 370.

(d) *Variance by agreement*. The terms of this part may be varied by agreement.

§ 370.1 What special terms do I need to know to understand this part?

Automated Clearing House (ACH) entry means a transaction in accordance with the Operating Rules of the National Automated Clearing House Association, as modified by these regulations and other law. The regulations in this part control in the event of any inconsistencies with the applicable Operating Rules.

Credit entry means an ACH entry for the payment of money to a deposit account.

Debit entry means an ACH entry for the collection of money from a deposit account.

Deposit account means a demand deposit (checking), savings, or asset account (other than an occasional or incidental credit balance in a credit plan) held directly or indirectly by a financial institution.

Digital signature means a type of electronic signature. A signer creates a digital signature by using public-key encryption to transform a message digest of an electronic message. If a recipient of the digital signature has an electronic message, message digest function, and the signer's public key, the recipient can verify:

(1) Whether the transformation was accomplished with the private key that corresponds to the signer's public key; and

(2) Whether the electronic message has been altered since the transformation was made.

Electronic message means information that is stored in an electronic medium and is retrievable in perceivable form.

Electronic signature means a signature of an electronic message that:

(1) Identifies and authenticates a particular person as the source of the electronic message; and

(2) Indicates such person's approval of the information contained in the electronic message.

Financial institution means:

(1) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank that is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(2) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank that is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(3) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank that is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(4) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union that is eligible to make application to become an insured credit union pursuant to section 201 of such Act (12 U.S.C. 1781);

(5) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) that is an insured depository institution as defined in that act or is eligible to apply to become an insured depository institution under that act; and

(6) Any Federal branch or agency of a foreign bank as defined in section 1(b) of the International Banking Act, as amended (12 U.S.C. 3101).

Investor account is our record of your *TreasuryDirect* holdings, including a list of your total security holdings, the exact form of registration of your account, your mailing address, your *TreasuryDirect* account number, your social security account number or employer identification number, and your deposit account instructions.

Message digest function means an algorithm that transforms an electronic message into a seemingly unintelligible, generally smaller, result called the message digest. A message digest function has these qualities:

(1) The same electronic message yields the same message digest every time the algorithm is executed;

(2) It is computationally infeasible that an electronic message can be derived from the message digest result produced by the algorithm; and

(3) it is computationally infeasible that two electronic messages can be found that produce the same message digest using the algorithm.

Payment means, for the purpose of this part, funds paid by us to you.

Person means any natural person or organization.

Public-key encryption means a cryptographic process which generates and employs a key pair, consisting of a public key and a different but mathematically related private key. One use of the public key is to verify a digital signature created by the private key.

Security means an obligation offered by the Secretary of the Treasury.

Settlement date means the date an exchange of funds with respect to an ACH entry is reflected on the books of the Federal Reserve Bank(s).

Signature means any symbol or method executed or adopted by a person with present intention to be bound.

We (or ''us'') refers to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Fiscal Service. The term also extends to any fiscal or financial agent acting on behalf of the United States when designated to act by the Secretary or the Secretary's delegates. The term does not extend to United States Savings Bond issuing and paying agents.

You means a deposit account owner, in subparts B and C, unless stated otherwise. The word ''you'' means a person who electronically submits transaction requests through us, in subpart D.

Subpart B—Credit ACH Entries

§ 370.5 How can I appoint a financial institution to receive payments on my behalf?

You must name a financial institution to receive payments through credit entries using the ACH method. You also must identify the deposit account to which payments are to be made. To

do this, you must use a form approved by us.

§ 370.6 What requirements apply to a financial institution that handles a credit entry?

A financial institution that accepts and handles a credit entry initiated by us agrees to the provisions of this subpart, and warrants that it will comply with all requirements imposed upon Receiving Depository Financial Institutions under the Operating Rules of the National Automated Clearing House Association, as modified by these regulations and other law.

§ 370.7 How can my financial institution change my designated deposit account?

If your financial institution requests us to make a change in your deposit account number or type of your account, we will change the information without requiring any confirmation from you. The request from the financial institution must be made following the Operating Rules of the National Automated Clearing House Association. The financial institution's request will be deemed an agreement by the institution to indemnify us and you for any loss resulting from the requested change.

§ 370.8 Are there any requirements related to a prenotification entry?

(a) *Use of prenotification in our discretion.* In our discretion, we may initiate a prenotification entry to a financial institution before we send a credit entry. We may also send a prenotification message whenever there is a change in the payment instructions. If we send a prenotification message, we will follow the time frames as established by the Operating Rules of the National Automated Clearing House Association. A prenotification is a zero-dollar ACH entry that can help us determine whether there might be problems with sending a subsequent credit entry.

(b) *Requirements placed upon financial institution that receives a prenotification.* A financial institution must respond to a prenotification within the time frame for such responses as established by the Operating Rules of the National Automated Clearing House Association. If the receiving financial institution does not respond to the prenotification message within the specified time period, we may interpret the nonresponsiveness as the financial institution's agreement to this subpart. Furthermore, a financial institution warrants by its nonresponsiveness that the deposit account number and the type of account contained in the prenotification entry message was accurate as of the moment the financial institution received it.

§ 370.9 How can my payment instructions be changed?

Your payment instructions will continue to apply until either you or your financial institution requests us to make a change.

§ 370.10 What can cause my payments to be suspended?

(a) *Change in deposit account.* We will suspend payments if we receive notice that your deposit account has been closed, that someone named on your deposit account is dead or has been declared legally incompetent, that there is a change in the title of your deposit account that alters your interests; or, if a corporation is the owner, that it has been dissolved.

(b) *Change in status of owner.* We will suspend payments when we receive notice that an owner of a bond, security, or investor account is dead or has been declared legally incompetent, or in any case where we receive notice of a change in the name or status of an organization or representative named on a bond, security, or investor account.

(c) *Continuation of suspension.* Payments will continue to be suspended until we receive satisfactory evidence as to who is authorized or entitled to receive payments.

§ 370.11 What must my financial institution do when it receives a payment?

An institution which receives a payment on behalf of its customer must:

(a) Upon receipt, make the payment available to you 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 make a credit entry to the designated account, it must return the payment in accordance with the Operating Rules of the National Automated Clearing House Association.

(b) Promptly notify us when your account has been closed, or when it is on notice of the death or legal incapacity of you or any other individual named on your account, or when it is on notice of the dissolution of a corporation in whose name the deposit account is held. The institution must return all payments received along with an explanation for the return.

§ 370.12 What happens if an error is made in a credit entry, or if a duplicate credit entry is made?

If we make an erroneous credit entry under this part, we will make a corrected credit entry to your account. We will then take action to recover the erroneous credit entry, or any duplicate credit entry, as follows:

(a) *Return of amount of erroneous or duplicate credit entry by financial institution*. We will send a notice to the financial institution to which the erroneous or duplicate credit entry was sent. When it receives this notice, the financial institution must immediately return to the appropriate Federal Reserve Bank an amount equal to the credit entry. If the institution is unable to do this, the institution must immediately notify us, and provide any information that it has about the matter. We reserve the right to request the return of a partial amount of an erroneous or duplicate credit entry.

(b) *Collection of amount of unreturned erroneous or duplicate credit entry*. Where the erroneous or duplicate credit entry has not been returned, we will undertake any other actions that are appropriate. To the extent permitted by law, the collection action may include deducting the amount owed from future credit entries made to the deposit account to which the erroneous or duplicate credit entry was made.

(c) *Authorization of Debit to collect unreturned dulicate or erroneous credit entry*. If a financial institution has not responded within 60 calendar days of the notice, its acceptance of the credit entry will be considered an authorization for a debit in the amount of the entry. The debit will be made from the account maintained or utilized by the financial institution at the Federal Reserve Bank to which the entry was made. An institution designated by a financial institution to receive payment on its behalf, in permitting the usage, is deemed to have authorized a debit. The debit will be made from its account maintained at the Federal Reserve Bank to which the entry was made. The institution to which the credit entry has been directed is deemed to have agreed to provide information and assistance to recover any erroneous or duplicate entry. You are also deemed to have agreed to provide information and assistance, and to take any action provided by law to recover an erroneous or duplicate credit entry.

§ 370.13 Can time limits for taking an action on a credit entry be extended?

If we or your financial institution are delayed beyond applicable time limits in taking any action with respect to a credit entry because of circumstances beyond our control, then the time for taking that action will be extended as necessary until the cause of the delay ends.

§ 370.14 Can substitute payment procedures be used?

We may use substitute payment procedures, instead of ACH, if we consider it to be necessary. Any such action is final.

§ 370.15 What limitations exist on liability?

(a) We may rely on the information provided by you or anyone else authorized to provide information concerning your financial institution or deposit account to which payments are to be made. We do not need to verify this information. We are not liable for any action we may take in reliance on the information furnished.

(b) Our liability does not extend beyond the amount of the payment due.

(c) When you name a financial institution to receive payments on your behalf, you are appointing that institution as your agent for the receipt of payments. When a credit entry is made to your financial institution for deposit to your account following your instructions, we no longer have any further responsibility for that payment. Where your financial institution has arranged with the Federal Reserve Bank to have payments made through another financial institution, the crediting of your payment to that institution relieves us of any further responsibility for that payment.

Subpart C—Debit Entries

§ 370.20 What requirements apply if I want to authorize a debit entry to my deposit account?

(a) *General*. You may pay for a security and related fees by authorizing us to initiate one or more debit entries to your deposit account. For a purchase of a book-entry security to be held in an investor account maintained by us, you must be named on the investor account. The authorization must be accomplished only through forms or means approved by us.

(b) *Single-entry and recurring debit entries*. You only may authorize single-entry debits for purchases of book-entry securities held in *TreasuryDirect*. You only may authorize recurring debit entries for purchases of definitive savings bonds.

(c) *Credit entries to be made to same deposit account*. To the extent that payments by us with respect to a security are to be made through credit entries, you must receive debit and credit entries in the same deposit account.

(d) *Signature*. The authorization must have your signature and that of any other person whose signature is required to withdraw funds from the deposit account. We need not verify your identity or the authenticity of your signature.

§ 370.21 Are there any requirements related to a prenotification entry?

(a) *Use of prenotification in our discretion*. In our discretion, we may initiate a prenotification entry to a financial institution prior to sending a debit entry. A prenotification is a zero-dollar ACH entry that can help us determine whether there might be problems with sending a subsequent debit entry.

(b) *Requirements placed upon financial institution that receives a prenotification*. If sent, a financial institution must respond to a prenotification within the time frame for such responses as established by the National Automated Clearing House Association. If the receiving financial institution does not respond to the prenotification message within the specified time period, we may interpret the nonresponsiveness as the financial institution's agreement to this subpart. Furthermore, a financial institution warrants by its nonresponsiveness that the deposit account number and the type of account contained in the prenotification entry message was accurate as of the moment the financial institution received it.

§ 370.22 What requirements apply to a financial institution that debits a deposit account?

A financial institution that debits a deposit account upon receiving a debit initiated by us agrees to the provisions of this subpart. A financial institution that does so also warrants that it has the authority to receive debit entries.

§ 370.23 What other requirements apply to a financial institution?

The financial institution warrants that it will comply with all requirements imposed upon Receiving Depository Financial Institutions under the Operating Rules of the National Automated Clearing House Association, as modified by these regulations and other law.

§ 370.24 What right does the Bureau of the Fiscal Service have to terminate or suspend debit entries?

We may terminate or suspend the availability of one or more debit entries in any case or class of cases, and may do so without notice at any time. A decision to terminate or suspend the availability of debit entries is in our sole discretion and is final.

§ 370.25 What rights do I have to terminate or suspend debit entries?

(a) *General.* If you are an investor account owner or deposit account owner, you generally may terminate or suspend one or more debit entries by notifying us orally or in writing at least three business days before the scheduled date of a transfer. In response to an oral notice, we may require you to give written notice, to be received by us within fourteen days of an oral notice. An oral notice ceases to be binding after fourteen days if you fail to provide the required written confirmation. A suspension will remain in effect for the duration you specify, but for no more than six months. The termination and suspension methods need not be recited in the authorization. These termination or suspension rights are in addition to those that you may have through your financial institution under Regulation E of the Board of Governors of the Federal Reserve System (12 CFR part 205).

(b) *Exception.* If you submit a debit entry authorization in conjunction with a Treasury auction tender for the purchase of a book-entry security, you cannot terminate or suspend a debit entry after the auction closes.

§ 370.26 What limitations exist on liability?

If we sustain a loss because a financial institution fails to handle an entry in accordance with this part, the financial institution is liable to us for the loss, but not beyond the amount of the debit entry. In no instance does our liability extend beyond the amount of the debit entry.

Subpart D—Electronic Submission of Transaction Requests Through the Bureau of the Fiscal Service

§ 370.35 Does the Bureau of the Fiscal Service accept all electronically signed transaction requests?

An electronic signature will not be accepted if it has not been accomplished through a method that has been approved for specific purposes by us.

§ 370.36 When does a transaction request become effective?

Except for auction bids of U.S. securities or unless otherwise agreed, a transaction request becomes effective at the moment we send a confirmation message. In no instance does a transaction request become effective before we actually receive the request.

§ 370.37 Where is the point of transaction for an electronically submitted transaction request?

For jurisdiction and venue purposes, the point of transaction for a transaction request handled pursuant to this subpart is Parkersburg, West Virginia, regardless of from where the transaction request is transmitted or where the transaction request is actually processed.

§ 370.38 What is the legal effect of an electronic signature?

An electronic signature and any electronic message to which it is affixed or attached may not be denied legal effect, including legal effect as a signature, a writing, or an original, solely because the signature or record is in electronic form.

§ 370.39 To what extent is a digital signature admissible in any civil litigation or dispute?

In asserting a digital signature against you in any civil litigation or dispute, extrinsic evidence of authenticity as a condition precedent of admissibility (such as testimony about the scientific validity of digital signatures) is not necessary to establish:

(a) That a digital signature corresponds to a specific public key pair, and;

(b) That an electronic message to which the digital signature is affixed has not been altered from its original form.

§ 370.40 Can I be held accountable if my negligence contributes to a forged signature?

(a) *General.* If your failure to exercise ordinary care substantially contributes to the submission of a forged signature, then you cannot claim that the signature is a forgery. However, we cannot invoke this section against you if we

cannot first establish that we were reasonable in relying upon the signature. If we can do so, you bear the burden of production and the burden of persuasion in establishing your exercise of ordinary care. If you cannot do so, then you cannot claim that the signature is a forgery.

(b) *Exception*. This section has no application in any dispute involving a debit authorization or credit card transaction.

§ 370.41 What limitations exist on liability?

In no instance does our liability extend beyond the amount of the transaction.

Subpart E—Additional Provisions

§ 370.45 What is the status of a security if the remittance cannot be collected?

If we cannot promptly collect all of the remittance for a security, we may in our discretion cancel the security unless it has been legally transferred for value to a third person who had no knowledge of the improper debit entry at the time of the transfer.

§ 370.46 Are there any situations in which the Bureau of the Fiscal Service may waive these regulations?

We reserve the right, in our discretion, to waive any provision of these regulations in any case or class of cases. We may do so if such action is not inconsistent with law and will not subject the United States to substantial expense or liability.

§ 370.47 To what extent may the Bureau of the Fiscal Service change these regulations?

Any aspect of this part may be changed at any time and without notice. You assume the risk that a change may terminate a provision that was to your advantage. Nothing in this part creates vested rights in your favor.

PART 375—MARKETABLE TREASURY SECURITIES REDEMPTION OPERATIONS

Subpart A—General Information

Sec.
375.0 What authority does the Treasury have to redeem its securities?
375.1 Where are the rules for the redemption operation located?
375.2 What special definitions apply to this rule?
375.3 What is the role of the Federal Reserve Bank of New York in this process?

Subpart B—Offering, Certifications, and Delivery

375.10 What is the purpose of the redemption operation announcement?
375.11 Who may participate in a redemption operation?
375.12 How do I submit an offer?
375.13 What requirements apply to offers?
375.14 Do I have to make any certifications?
375.15 Who is responsible for delivering securities?

Subpart C—Determination of Redemption Operation Results; Settlement

375.20 When will the Treasury decide on which offers to accept?
375.21 When and how will the Treasury announce the redemption operation results?
375.22 Will I receive confirmations and, if I am submitting offers for others, do I have to provide confirmations?
375.23 How does the securities delivery process work?

Subpart D—Miscellaneous Provisions

375.30 Does the Treasury have any discretion in this process?
375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 3111; 12 U.S.C. 391.

SOURCE: 65 FR 3116, Jan. 19, 2000, unless otherwise noted.

Subpart A—General Information

§ 375.0 What authority does the Treasury have to redeem its securities?

Section 3111 of Title 31 of the United States Code authorizes the Secretary of the Treasury to use money received from the sale of an obligation and

other money in the general fund of the Treasury to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the United States Government. For the purposes of this part, we will refer to these outstanding obligations as ''securities''.

§ 375.1 Where are the rules for the redemption operation located?

The provisions in this part and the redemption operation announcement govern the redemption of marketable Treasury securities under 31 U.S.C. 3111. (See § 375.10.)

§ 375.2 What special definitions apply to this rule?

The definitions in 31 CFR part 356 govern this part except as follows:

Accrued interest means an amount payable by the Treasury as part of the settlement amount for the interest income earned between the last interest payment date up to and including the settlement date.

Bank means the Federal Reserve Bank of New York.

Customer means a person or entity on whose behalf a submitter has been directed to submit an offer of a specified amount of securities in a specific redemption operation.

Minimum offer amount means the smallest par amount of a security that may be offered to the Treasury. We will state the minimum offer amount in the redemption operation announcement.

Multiple means the smallest additional par amount of a security that may be offered to the Treasury. We will state the multiple in the redemption operation announcement.

Offer means an offer to deliver for redemption a stated par amount of a specific security to the Treasury at a stated price.

Price means the dollar amount to be paid for a security expressed as a percent of its current par amount.

Privately held amount means the total amount outstanding of a security less holdings of the Federal Reserve System and Federal Government accounts.

Redemption amount means the maximum par amount of securities that we are planning to redeem through a redemption operation. We will state the redemption amount in the redemption operation announcement.

Redemption operation means a competitive process by which the Treasury accepts offers of marketable Treasury securities that by their terms are not immediately payable.

Security means an outstanding unmatured obligation of the United States Government that the Secretary is authorized to buy, redeem or refund under section 3111 of Title 31 of the United States Code.

Settlement means full and complete delivery of and payment for securities redeemed.

Settlement amount means the par amount of each security that we redeem, multiplied by the price we accept in a redemption operation, plus any accrued interest.

Settlement date means the date specified in the redemption operation announcement on which you must deliver a security to the Treasury for payment.

Submitter means an entity submitting offers directly to the Treasury for its own account, for the account of others, or both. (See § 375.11(a)).

Tender means a computer transmission or document submitted in a redemption operation that contains one or more offers.

We (''us'') means the Secretary of the Treasury and his or her delegates, including the Treasury Department, the Bureau of the Fiscal Service, and their representatives. The term also includes the Federal Reserve Bank of New York, acting as fiscal agent of the United States.

You means a prospective submitter in a redemption operation.

§ 375.3 What is the role of the Federal Reserve Bank of New York in this process?

As fiscal agent of the United States, the Federal Reserve Bank of New York performs various activities necessary to conduct a redemption operation under this part. These activities may include but are not limited to:

(a) Accepting and reviewing tenders;

(b) Calculating redemption operation results;

(c) Issuing notices of redemptions;

(d) Accepting deliveries of Treasury securities at settlement; and

(e) Processing the Treasury payment for securities delivered at settlement.

Subpart B—Offering, Certifications, and Delivery

§ 375.10 What is the purpose of the redemption operation announcement?

We provide public notice that we are redeeming Treasury securities by issuing a redemption operation announcement. This announcement lists the details of each proposed redemption operation, including the maximum redemption amount, the range of maturities of eligible securities, descriptions of the securities that fall within that maturity range, and the redemption operation and settlement dates. The redemption operation announcement and this part specify the terms and conditions of a redemption operation. If anything in the redemption operation announcement differs from anything in this part, the redemption operation announcement will apply. Accordingly, you should read the applicable redemption operation announcement along with this part.

§ 375.11 Who may participate in a redemption operation?

(a) *Submitters*. To be a submitter, you must be an institution that the Federal Reserve Bank of New York has approved to conduct open market transactions with the Bank.

(b) *Others*. A person or entity other than a submitter may participate only if it arranges to have an offer or offers submitted on its behalf by a submitter.

§ 375.12 How do I submit an offer?

As a submitter, you must submit an offer in a tender to the Treasury via the Federal Reserve Bank of New York. You must submit any tenders in an approved format and the Bank must receive them prior to the closing time stated in the redemption operation announcement. If we do not receive your tenders timely, we will reject them. Your tenders are binding on you after the closing time specified in the redemption operation announcement. You are responsible for ensuring that we receive your tenders on time. We will not be responsible in any way for any unauthorized tender submissions or for any delays, errors, or omissions in submitting tenders.

§ 375.13 What requirements apply to offers?

(a) *General*. You may only submit competitive offers (specifying a price). All offers must state the security description, par amount, and price of each security offered. All offers must equal or exceed the minimum offer amount, and be in the multiple, stated in the redemption operation announcement.

(b) *Price format*. You must express offered prices in terms of price per $100 of par with three decimals, e.g., 102.172. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6. For example, an offer of 102.172 means one hundred two and seventeen 32nds and two eighths of a 32nd, or in decimals, 102.5390625.

(c) *Maximum number of offers*. There is no limit on the number of offers you may make for each eligible security. There is also no limit on the number of eligible securities you may offer.

§ 375.14 Do I have to make any certifications?

By submitting a tender offering a security or securities for sale, you certify that you are in compliance with this part and the redemption operation announcement.

§ 375.15 Who is responsible for delivering securities?

As a submitter, you are responsible for delivering any securities we accept in the redemption operation, including any securities for which you submitted offers on behalf of others. (See § 375.23.) All securities you deliver must be free and clear of all liens, charges, claims, and any other restrictions.

Subpart C—Determination of Redemption Operation Results; Settlement

§ 375.20 When will the Treasury decide on which offers to accept?

We will determine which offers or portions of offers to accept after the closing time for receipt of tenders. All such determinations will be final.

§ 375.21 When and how will the Treasury announce the redemption operation results?

We will make an official announcement of the redemption operation results through a press release. For each security we redeem, the press release will include such information as the amounts offered and accepted, the highest price accepted, and the remaining privately held amount outstanding.

§ 375.22 Will I receive confirmations and, if I am submitting offers for others, do I have to provide confirmations?

(a) *Confirmations to submitters.* We will provide a confirmation of acceptance or rejection in the form of a results message to submitters of offers by the close of the business day of the redemption operation.

(b) *Confirmation of customer offers.* If you submit a successful offer for a customer, you are responsible for notifying that customer of the impending redemption.

§ 375.23 How does the securities delivery process work?

If any of the offers you submitted are accepted, you must transfer the correct book-entry Treasury securities in the correct par amount against the correct settlement amount on the settlement date. You must deliver the securities to the account specified in the redemption operation announcement.

Subpart D—Miscellaneous Provisions

§ 375.30 Does the Treasury have any discretion in this process?

(a) We have the discretion to:

(1) Accept or reject any offers or tenders submitted in a redemption operation;

(2) Redeem less than the amount of securities specified in the redemption operation announcement;

(3) Add to, change, or waive any provision of this part; or

(4) Change the terms and conditions of a redemption operation.

(b) Our decisions under this part are final. We will provide a public notice if we change any redemption operation provision, term or condition.

§ 375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?

(a) *General.* If a person or entity fails to comply with any of the redemption operation rules in this part, we will consider the circumstances and take what we deem to be appropriate action. This could include barring the person or entity from participating in future redemption operations under this part and future auctions under 31 CFR part 356. We also may refer the matter to an appropriate regulatory agency.

(b) *Liquidated damages.* If you fail to deliver securities on time, we may require you to pay liquidated damages of up to 1% of your projected settlement amount.

PART 380—COLLATERAL ACCEPTABILITY AND VALUATION

Subpart A—General Information

Sec.
380.0 What do these regulations govern?
380.1 What special definitions apply to this part?

Subpart B—Acceptable Collateral and Its Valuation

380.2 What collateral may I pledge if I am a depositary or a financial agent of the Government under 31 CFR part 202, and what value will you assign to it?
380.3 What collateral may I pledge if I am a Treasury Tax and Loan depositary under 31 CFR part 203, and what value will you assign to it?
380.4 What collateral may I pledge instead of a surety bond under 31 CFR part 225, and what value will you assign to it?

Subpart C—Miscellaneous Provisions

380.5 Where can I find current information, and who can I contact for additional guidance and interpretation?

AUTHORITY: 12 U.S.C. 90, 265–266, 332, 391, 1452(d), 1464(k), 1767, 1789a, 2013, 2122, 3101–3102; 26 U.S.C. 6302; 31 U.S.C. 321, 323, 3301–3304, 3336, 9301, 9303.

SOURCE: 73 FR 75590, Dec. 12, 2008, unless otherwise noted.

Subpart A—General Information

§ 380.0 What do these regulations govern?

The regulations in this part govern the types of acceptable collateral that you may pledge to secure deposits of public monies and other financial interests of the Federal Government, as well as the valuation of that collateral. Specifically, the regulations in this part apply to the programs governed by the Department of the Treasury's regulations at 31 CFR part 202 (Depositaries and Financial Agents of the Government), 31 CFR part 203 (Payment of Federal Taxes and the Treasury Tax and Loan Program), and 31 CFR part 225 (Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties). The regulations in this part apply only to the acceptability and valuation of collateral that may be pledged under these programs. 31 CFR parts 202, 203, and 225 continue to govern the respective programs themselves.

§ 380.1 What special definitions apply to this part?

Special definitions that may apply to this part are contained in 31 CFR parts 202, 203 and 225.

Subpart B—Acceptable Collateral and Its Valuation

§ 380.2 What collateral may I pledge if I am a depositary or a financial agent of the Government under 31 CFR part 202, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also post updated information and guidance on Treasury's Bureau of the Fiscal Service Web site at *http://www.treasurydirect.gov*.

§ 380.3 What collateral may I pledge if I am a Treasury Tax and Loan depositary under 31 CFR part 203, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also post updated information and guidance on Treasury's Bureau of the Fiscal Service Web site at *http://www.treasurydirect.gov*.

§ 380.4 What collateral may I pledge instead of a surety bond under 31 CFR part 225, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also post updated information and guidance on Treasury's Bureau of the Fiscal Service Web site at *http://www.treasurydirect.gov*.

Subpart C—Miscellaneous Provisions

§ 380.5 Where can I find current information, and who can I contact for additional guidance and interpretation?

You can find a current list of acceptable classes of securities, instruments and respective valuations on Treasury's Bureau of the Fiscal Service Web site at *http://www.treasurydirect.gov*. You may also contact the Office of the Commissioner. We can be reached by postal mail at: Department of the Treasury, Bureau of the Fiscal Service, Office of the Commissioner, Government Securities Regulations Staff, 799 9th Street, NW., 8th Floor, Washington, DC 20239–0001, or by e-mail at *govsecreg@bpd.treas.gov*.

PART 391—WAIVER OF INTEREST, ADMINISTRATIVE COSTS, AND PENALTIES

Sec.

391.0 Scope of regulations.
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 Fiscal Service 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 Fiscal Service 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 Fiscal Service 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.

PARTS 392–399 [RESERVED]

SUBCHAPTER B—RESERVED

CHAPTER IV—SECRET SERVICE, DEPARTMENT OF THE TREASURY

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PART 400 [RESERVED]

PART 401—SEIZURE AND FORFEITURE OF VESSELS, VEHICLES AND AIRCRAFT USED TO TRANSPORT COUNTERFEIT COINS, OBLIGATIONS, SECURITIES, AND PARAPHERNALIA

Sec.

401.1 Secret Service agents authorized to make seizures.
401.2 Custody.
401.3 Authority of District Directors of Customs to hold in custody.
401.4 Duties of Bureau of Customs.
401.5 Disposition.

AUTHORITY: Sec. 8, 53 Stat. 1293; 49 U.S.C. 788.

SOURCE: 33 FR 4257, Mar. 7, 1968, unless otherwise noted.

§ 401.1 Secret Service agents authorized to make seizures.

All officers of the U.S. Secret Service engaged in the enforcement of counterfeiting laws are hereby authorized and designated to seize such vessels, vehicles, and aircraft as may be subject to seizure because of violations of the said act of August 9, 1939, pertaining to contraband articles referred to in section 1(b) (3) of said act.

§ 401.2 Custody.

Each vessel, vehicle, or aircraft seized pursuant to the said act of August 9, 1939, and the regulations in this part shall forthwith be placed by the seizing officer in the custody of the District Director of Customs for the customs district in which such seizure is made. Such placing in custody shall be effected by immediate notification of the appropriate District Director of Customs of the seizure, together with a statement of the facts including a description of the vessel, vehicle, or aircraft, and the holding by the seizing officer of such vessel, vehicle, or aircraft subject to the instructions of the said district director of customs.

§ 401.3 Authority of District Directors of Customs to hold in custody.

District Directors of Customs are hereby authorized and designated to hold in custody awaiting appropriate disposition vessels, vehicles, and aircraft seized pursuant to the said act of August 9, 1939, and the regulations in this part.

§ 401.4 Duties of Bureau of Customs.

With respect to every vessel, vehicle, and aircraft seized and placed in the custody of a district director of customs pursuant to the said act of August 9, 1939, and the regulations in this part, the appropriate officials of the Bureau of Customs are hereby authorized and designated as the officers who shall perform such administrative duties in connection with—

(a) The summary and judicial forfeiture and condemnation of such vessel, vehicle, or aircraft;

(b) The disposition of such vessel, vehicle, or aircraft or the proceeds from the sale thereof;

(c) The remission or mitigation of the forfeiture of such vessel, vehicle, or aircraft; and

(d) The compromise of claims and the award of compensation to informers in respect to such vessel, vehicle, or aircraft;

as may be necessary and proper by virtue of the provisions of said act of August 9, 1939, and by virtue of the provisions of the customs laws which the said act makes applicable in connection with seizures and forfeitures incurred or alleged to have been incurred under the said act and the regulations in this part. In the performance of said administrative duties the said appropriate officials of the Bureau of Customs shall be governed by the procedures established by the customs regulations, insofar as such procedures are applicable and not inconsistent with the provisions of the said act of August 9, 1939, and the regulations in this part. Powers of the character of those exercised by the Secretary of the Treasury and Commissioner of Customs is connection with the remission or mitigation of forfeitures under the customs laws and in connection with the compromise of claims and the award of compensation to informers under the customs laws shall be exercised by the Secretary of the Treasury in connection with the remission or mitigation of forfeitures under the said act of August 9, 1939, and in connection with the

compromise of claims and the award of compensation to informers under the said act.

§ 401.5 Disposition.

With respect to each vessel, vehicle, and aircraft seized pursuant to the said act of August 9, 1939, and the regulations in this part, the Director of the Secret Service shall promptly notify the Administrator of the General Services Administration and the Commissioner of Customs whether the Secret Service desires to have such vessel, vehicle, or aircraft for its official use. When forfeiture of any vessel, vehicle, or aircraft has been perfected otherwise than by court decree, the district director holding in custody such vessel, vehicle, or aircraft shall:

(a) Either return the same to the Secret Service if the Director of the Secret Service has requested it for the official use of the Secret Service

(b) Or, if the Secret Service does not desire such vessel, vehicle, or aircraft for its official use, hold such vessel, vehicle, or aircraft subject to the instructions of the Administrator of the General Services Administration.

(Secs. 301–308, 49 Stat. 879–880; 40 U.S.C. 304f–304m)

PART 402—REPRODUCTION OF CANCELED UNITED STATES INTERNAL REVENUE STAMPS

AUTHORITY: Secs. 474, 492, 62 Stat. 706, 710; 18 U.S.C. 474, 492.

§ 402.1 Reproductions authorized.

Authority is hereby given to make, hold, and dispose of black and white reproductions of canceled U.S. internal revenue stamps: *Provided,* That such reproductions are made, held and disposed of as part of and in connection with the making, holding, and disposition, for lawful purposes, of the reproductions of the documents to which such stamps are attached.

[33 FR 4257, Mar. 7, 1968]

PART 403—AUTHORIZATION OF ALL BANKS, U.S. POST OFFICES, AND DISBURSING OFFICERS OF THE UNITED STATES AND THEIR AGENTS TO DELIVER TO THE TREASURY DEPARTMENT COUNTERFEIT OBLIGATIONS AND OTHER SECURITIES AND COINS OF THE UNITED STATES OR OF ANY FOREIGN GOVERNMENT

AUTHORITY: Sec. 492, 62 Stat. 710; 18 U.S.C. 492.

§ 403.1 Delivery of counterfeit obligations and other securities and coins authorized.

Authority is hereby given to all banks and banking institutions of any nature whatsoever organized under general or special Federal or State statutes, to all U.S. Post Offices, and to all disbursing officers of the United States and their agents, to take possession of and deliver to the Treasury Department through the Secret Service all counterfeit obligations and other securities and coins of the United States or of any foreign government which shall be presented at their places of business.

[33 FR 4257, Mar. 7, 1968]

PART 405—ILLUSTRATION OF SAVINGS BONDS

AUTHORITY: Sec. 474, 62 Stat. 706; 18 U.S.C. 474.

§ 405.1 Illustrations authorized.

(a) Authority is hereby given to make, hold, dispose of, and use illustrations of U.S. savings bonds for publicity purposes in connection with the campaign for the sale of such bonds.

(b) The making of any reproduction of a U.S. savings bond in any manner or any form is not permitted other than as provided in this part or pursuant to title 18, United States Code, section 504 (18 U.S.C. 504).

[36 FR 21338, Nov. 6, 1971]

PART 406—SEIZURE AND FORFEITURE OF GOLD FOR VIOLATIONS OF GOLD RESERVE ACT OF 1934 AND GOLD REGULATIONS

Sec.
406.1 Secret Service officers authorized to make seizures of gold.
406.2 Custody of seized gold valued not in excess of $2,500.
406.3 Forfeiture of gold valued not in excess of $2,500.
406.4 Duties of customs officers.
406.5 Forfeiture of gold valued in excess of $2,500.

AUTHORITY: R.S. 161, as amended, sec. 4, 48 Stat. 340; 5 U.S.C. 301, 31 U.S.C. 443.

SOURCE: 33 FR 4258, Mar. 7, 1968, unless otherwise noted.

§ 406.1 Secret Service officers authorized to make seizures of gold.

All agents of the U.S. Secret Service, in addition to officers of the customs, are hereby authorized and designated to seize any gold which may be subject to forfeiture for violations of the Gold Reserve Act of 1934 (31 U.S.C. 440–445) and the Gold Regulations.

§ 406.2 Custody of seized gold valued not in excess of $2,500.

Any gold, the value of which does not exceed $2,500, seized by officers of the Secret Service pursuant to the Gold Reserve Act of 1934 and the Gold Regulations, if not needed as evidence or for further investigation by the Secret Service, shall be placed forthwith by the seizing officer in the custody of the district director of customs for the customs district in which such seizure is made. Such gold shall be accompanied by a report from the Secret Service showing the basis of the seizure and a citation to each of the statutes and sections of the Gold Regulations violated.

§ 406.3 Forfeiture of gold valued not in excess of $2,500.

The district director of customs receiving custody of gold seized by the Secret Service, shall, if no petition is filed for the remission of mitigation of the forfeiture incurred, institute summary forfeiture proceedings in the judicial district in which such seizure is made under the appropriate provisions of the law and Customs Regulations applicable to the forfeiture of merchandise imported contrary to law.

§ 406.4 Duties of customs officers.

The appropriate officials of the Bureau of Customs are hereby authorized and designated as the officers who shall perform such administrative duties in connection with the summary forfeiture of gold seized by the Secret Service, the sale or other disposition of such gold, and the remission or mitigation of the forfeiture of such gold, as may be necessary or proper by virtue of the provisions of the Gold Reserve Act of 1934 and the Gold Regulations, and by virtue of the provisions of the customs laws which the said Gold Reserve Act makes applicable in connection with the seizures and forfeitures incurred or alleged to have been incurred under the said act and regulations. In the performance of said administrative duties the appropriate officials of the Bureau of Customs shall be governed by the procedures established by the Customs Regulations insofar as such procedures are applicable and not inconsistent with the provisions of the Gold Reserve Act of 1934 and the Gold Regulations.

§ 406.5 Forfeiture of gold valued in excess of $2,500.

When the value of the gold seized by the Secret Service exceeds $2,500, the seizing officer shall furnish a report, approved by the principal local officer, to the U.S. attorney, and shall include in such report a statement of all the facts and circumstances of the case, together with the names of the witnesses and a citation to each of the statutes and sections of the Gold Regulations believed to have been violated and on which reliance may be had for forfeiture.

PART 407—REGULATIONS GOVERNING CONDUCT IN THE TREASURY BUILDING AND THE TREASURY ANNEX

Sec.
407.1 Authority.
407.2 Applicability.
407.3 Recording presence.
407.4 Preservation of property.

407.5 Conformity with signs and directions.
407.6 Nuisances.
407.7 Gambling.
407.8 Intoxicating beverages and narcotics.
407.9 Soliciting, vending, debt collection, and distribution of handbills.
407.10 Photographs for news, advertising, or commercial purposes.
407.11 Dogs and other animals.
407.12 Vehicular and pedestrian traffic.
407.13 Weapons and explosives.
407.14 Penalties and other law.

AUTHORITY: 5 U.S.C. 301; FPMR Temp. Reg. D–40, 38 FR 20650; Treasury Dept. Order 177–25 (Revision 2), 38 FR 21947.

SOURCE: 33 FR 7149, May 15, 1968, unless otherwise noted.

§ 407.1 Authority.

The regulations in this part governing conduct in and on the Treasury Building and grounds and the Treasury Annex Building and grounds are promulgated pursuant to the authority vested in the Secretary of the Treasury, including (5 U.S.C. 301), and that vested in him by delegation from the Administrator of General Services, 38 FR 20650 (1973), and in accordance with the authority vested in the Director of the U.S. Secret Service by Treasury Department Order No. 177–25 (Revision 2), 38 FR 21947 (1973).

[38 FR 31975, Nov. 20, 1973]

§ 407.2 Applicability.

The regulations in this part apply to the building and grounds of the Main Treasury Building and the Treasury Annex Building located in Washington, DC, at 15th Street and Pennsylvania Avenue NW., and Madison Place and Pennsylvania Avenue NW., respectively, and to all persons entering in or on such property. The Main Treasury Building and grounds and the Treasury Annex Building and grounds shall hereafter be referred to in the regulations in this part as ''property''.

§ 407.3 Recording presence.

Except as otherwise ordered, the property shall be closed to the public after normal working hours and at such other times as may be necessary for the orderly conduct of the business of the Treasury Department. The property shall also be closed to the public when, in the opinion of the Assistant Secretary for Administration, or his delegate, an emergency situation exists. Admission to the property during periods when the property is closed to the public will be limited to authorized individuals who may be required to sign the register and/or display identification documents when requested by Treasury guards or other authorized individuals.

§ 407.4 Preservation of property.

No person shall, without proper authority, willfully destroy, damage, deface, or remove property or any part thereof, or any furnishings therein.

§ 407.5 Conformity with signs and directions.

Persons in and on the property shall comply with the instructions of Treasury guards, with official signs of a prohibitory or directory nature, and with the directions of other authorized officials.

§ 407.6 Nuisances.

The use of loud, abusive, or profane language, unwarranted loitering, unauthorized assembly, the creation of any hazard to persons or things, improper disposal of rubbish, spitting, prurient prying, the commission of any obscene or indecent act, or any other disorderly conduct on the property is prohibited. The throwing of any articles of any kind in, upon, or from the property and climbing upon any part thereof is prohibited.

§ 407.7 Gambling.

Participating in games for money or other property, the operation of gambling devices, the conduct of a lottery or pool, the selling or purchasing of numbers tickets, or any other gambling, in or on the property is prohibited.

§ 407.8 Intoxicating beverages and narcotics.

Entering or being on the property, or operating a motor vehicle thereon, by a person under the influence of intoxicating beverages or narcotic drugs is prohibited.

§ 407.9 Soliciting, vending, debt collection, and distribution of handbills.

The unauthorized soliciting of alms and contributions, the commercial soliciting and vending of all kinds, the display or distribution of commercial advertising, or the collecting of private debts, in or on the property is prohibited. This prohibition does not apply to Department of Treasury concessions or notices posted by authorized employees on the bulletin boards. Distribution of material such as pamphlets, handbills, and flyers is prohibited without prior approval from the Assistant Secretary for Administration, or his delegate.

§ 407.10 Photographs for news, advertising, or commercial purposes.

Except where security regulations apply, or a Federal court order or rule prohibits it, photographs for news purposes may be taken in areas on the property to which the public customarily has access without prior permission. Photographs for advertising and commercial purposes may be taken in such areas only with the prior written permission of the Assistant Secretary for Administration, or his delegate.

§ 407.11 Dogs and other animals.

Dogs and other animals, except seeing-eye dogs, shall not be brought upon the property for other than official purposes.

§ 407.12 Vehicular and pedestrian traffic.

(a) Drivers of all vehicles in or on the property shall drive in a careful and safe manner at all times and shall comply with the signals and directions of Treasury guards and all posted traffic signs.

(b) The blocking of entrances, driveways, walks, loading platforms, or fire hydrants in or on the property is prohibited.

(c) Parking in or on the property is not allowed without a permit or specific authority. Parking without authority, parking in unauthorized locations, or in locations reserved for other persons, or contrary to the directions of Treasury guards or posted signs is prohibited.

(d) This section may be supplemented from time to time with the approval of the Assistant Secretary for Administration, or his delegate, by the issuance and posting of specific traffic directives as may be required and when so issued and posted such directives shall have the same force and effect as if made a part hereof.

§ 407.13 Weapons and explosives.

No person while on the property shall carry firearms, other dangerous or deadly weapons, or explosives, either openly or concealed, except for official purposes.

§ 407.14 Penalties and other law.

Whoever shall be found guilty of violating the regulations in this part while on the property is subject to a fine of not more than $50 or imprisonment of not more than 30 days, or both (see 40 U.S.C. 318c). Nothing contained in these regulations shall be construed to abrogate any other Federal laws or regulations of the District of Columbia applicable to the property referred to in § 407.2 and governed by the regulations.

PART 408—DESIGNATION OF TEMPORARY RESIDENCE OF THE PRESIDENT OR OTHER PERSON PROTECTED BY THE SECRET SERVICE AND TEMPORARY OFFICES OF THE PRESIDENT AND STAFF, OR OTHER PERSON PROTECTED BY THE SECRET SERVICE—RULES GOVERNING ACCESS

Sec.
408.1 Authority.
408.2 Designation.
408.3 Rules governing access.

AUTHORITY: 18 U.S.C. 1752 (84 Stat. 1891, 96 Stat. 1451).

SOURCE: 49 FR 28553, July 13, 1984, unless otherwise noted.

§ 408.1 Authority.

The designation of the buildings and grounds in this part which constitute the temporary residence of the President or other person protected by the Secret Service and the temporary offices of the President and Presidential staff or of any other person protected

by the Secret Service and the regulations governing access to such restricted areas where the President or any other person protected by the Secret Service is or will be temporarily visiting, are promulgated pursuant to the authority vested in the Secretary of the Treasury by 18 U.S.C. 1752 (84 Stat. 1891, 96 Stat. 1451).

§ 408.2 Designation.

(a) For the purpose of 18 U.S.C. 1752, the buildings and grounds which constitute temporary residence of the President are as follows:

Santa Barbara County, California home. That certain tract land in the County of Santa Barbara, State of California, shown and designated as ''Parcel 1'' on Parcel Map No. 11697 filed January 2, 1973 in Book 11, page 40 of Parcel Maps in the office of the County Recorder of said County.

This property and the related conditions, restrictions, reservations, easements, rights and rights of way of record are more fully described in a Grant Deed recorded with the Santa Barbara County Recorder's Office (Book 2540, Pages 1381–1385).

(b) For the purposes of 18 U.S.C. 1752, the buildings and grounds which constitute temporary residences of other persons protected by the Secret Service shall be that property which each designates for protection by the Secret Service in accord with the provisions of section 3 of Pub. L. 95–524 (90 Stat. 2475). To the extent that a further description of such property may be necessary, such description shall be provided by the Secret Service in the form of a verbal or written notice to prospective visitors at each protective site.

(c) For purposes of 18 U.S.C. 1752, the buildings and grounds which constitute temporary offices of the President and Presidential staff or offices of other persons protected by the Secret Service shall be those offices outside of Washington, DC, which are either supplied to the individual protectee by the government by virtue of that individual's position/former position with the government or those offices in which the individual conducts/is conducting his or her business affairs. To the extent that a further description of such property may be necessary, such description shall be provided by the Secret Service in the form of a verbal or written notice to prospective visitors at each protective site.

§ 408.3 Rules governing access.

(a) For the purposes of 18 U.S.C. 1752 (84 Stat. 1891, 96 Stat. 1451), ingress or egress to or from the buildings or grounds designated in § 408.2 and any posted, cordoned off, or otherwise restricted areas of a building or grounds where the President or other person protected by the United States Secret Service is or will be visiting is authorized only for the following persons:

(1) Invitees: Persons invited by or having appointments with the protectee, the protectee's family, or members of the protectee's staff;

(2) Members of the protectee's family and staff;

(3) Military and Communications Personnel assigned to the Office of the President;

(4) Federal, state, and local law enforcement personnel engaged in the performance of their official duties and other persons, whose presence is necessary to provide services or protection for the premises or persons therein;

(5) Holders of grants of easement to the property, provided such persons or their authorized representatives show title to the grant of easement and obtain authorization from the United States Secret Service.

(b) Authorized persons must possess and display identification documents issued by or satisfactory to the United States Secret Service.

(c) Unauthorized entry is prohibited.

(d) The term ''protectee'' as used in this rule includes the President and any other person receiving protection from the United States Secret Service as provided by law.

PART 409—STANDARD AND PROCEDURES UTILIZED IN ISSUING A SECURITY CLEARANCE IN CONNECTION WITH AN APPLICATION FOR A PRESS PASS TO THE WHITE HOUSE

Sec.
409.1 Standard.
409.2 Procedures.

AUTHORITY: 18 U.S.C. 3056 and 3 U.S.C. 202.

§ 409.1 Standard.

In granting or denying a request for a security clearance made in response to an application for a White House press pass, officials of the Secret Service will be guided solely by the principle of whether the applicant presents a potential source of physical danger to the President and/or the family of the President so serious as to justify his or her exclusion from White House press privileges.

[43 FR 26718, June 22, 1978]

§ 409.2 Procedures.

(a) If the Special Agent in Charge of the Secret Service, Technical Security Division, in applying the standard set forth in § 409.1, anticipates that a denial of the security clearance should be issued, the applicant will be notified in writing, by that official, of the basis for the proposed denial in as much detail as the security of any confidential source of information will permit. This notification will be sent by registered mail.

(b) The notification of the proposed denial sent to the applicant will also contain a statement advising the applicant of his right to respond to the proposed denial and to rebut any factual basis supporting the proposed denial by contacting the Assistant Director—Protective Operations, United States Secret Service, 1800 ''G'' Street, NW., Washington, DC 20223.

(c) The applicant shall be allowed thirty days from the date of the mailing of the proposed denial notification to respond in writing. The response shall consist of any explanation or rebuttal deemed appropriate by the applicant and will be signed by the applicant under oath or affirmation.

(d) If the applicant is unable to prepare a response within thirty days, an extension for one additional thirty day period will be granted upon receipt of the applicant's written request for such an extension.

(e) At the time of the filing of the applicant's written response to the notification of the proposed denial the applicant may request, and will be granted, the opportunity to make a personal appearance before the Assistant Director—Protective Operations of the Secret Service for the purpose of personally supporting his eligibility for a security clearance and to rebut or explain the factual basis for the proposed denial. This official shall exercise final review authority in the matter. The applicant may be represented by counsel during this appearance.

(f)(1) On the basis of the applicant's written and personal response and the factual basis for the proposed denial, the Assistant Director—Protective Operations of the Secret Service will determine whether or not further inquiry or investigation concerning the issues raised, is necessary.

(2) If a decision is made that no such inquiry is necessary a final decision will be issued in conformity with paragraph (g) of this section.

(3) If a decision is made that such further inquiry is necessary the Assistant Director—Protective Operations of the Secret Service, will conduct such further inquiry as that official deems appropriate. At the official's discretion, the inquiry may consist of:

(i) The securing of documentary evidence;

(ii) Personal interviews;

(iii) An informal hearing;

(iv) Any combination of paragraphs (f)(3)(i) through (iii) of this section.

(g) On the basis of the applicant's written and personal response, the factual basis for the proposed denial and the additional inquiry provided for, if such inquiry is conducted, a final decision will be expeditiously made by the Assistant Director—Protective Operations of the United States Secret Service in accordance with the standard set forth in § 409.1. If a final adverse decision is reached, the applicant will be notified of this final decision in writing. This notification will set forth, as precisely as possible and to the extent that security considerations permit, the factual basis for the denial in relation to the standard set forth in § 409.1. This notification will be sent by registered mail and will be signed by the Assistant Director—Protective Operations of the Secret Service.

[43 FR 26718, June 22, 1978]

PART 411—COLOR ILLUSTRATIONS OF UNITED STATES CURRENCY

AUTHORITY: 18 U.S.C. 504; Treasury Directive Number 15–56, 58 FR 48539 (September 16, 1993)

SOURCE: 61 FR 27281, May 31, 1996, unless otherwise noted.

§ 411.1 Color illustrations authorized.

(a) Notwithstanding any provision of chapter 25 of Title 18 of the U.S. Code, authority is hereby given for the printing, publishing or importation, or the making or importation of the necessary plates or items for such printing or publishing, of color illustrations of U.S. currency provided that:

(1) The illustration be of a size less than three-fourths or more than one and one-half, in linear dimension, of each part of any matter so illustrated;

(2) The illustration be one-sided; and

(3) All negatives, plates, positives, digitized storage medium, graphic files, magnetic medium, optical storage devices, and any other thing used in the making of the illustration that contain an image of the illustration or any part thereof shall be destroyed and/or deleted or erased after their final use in accordance with this section.

(b) [Reserved]

PART 413—CLOSURE OF STREETS NEAR THE WHITE HOUSE

Sec.

413.1 Closure of streets.
413.2 Coordination with other authorities.

AUTHORITY: 31 U.S.C. 321, 18 U.S.C. 3056, 3 U.S.C. 202, Treasury Order 170–09.

SOURCE: 60 FR 27885, May 26, 1995, unless otherwise noted.

§ 413.1 Closure of streets.

(a) *District of Columbia.* The following streets in the District of Columbia are closed to public vehicular traffic:

(1) The segment of Pennsylvania Avenue, Northwest, situated between Madison Place, Northwest, and Seventeenth Street, Northwest;

(2) The 1600 block of State Place, Northwest, situated between Seventeenth Street, Northwest, and the White House Complex; and

(3) The segment of South Executive Avenue that connects to the 1600 block of State Place, Northwest.

(b) *Authorized access.* The streets described in paragraph (a) shall remain open to public pedestrian use, official use of the United States, and authorized vehicular access for ingress and egress to the White House Complex and adjacent Federal Buildings.

§ 413.2 Coordination with other authorities.

Nothing in § 413.1 shall be in derogation of any authority conferred upon the Secretary of the Interior, the Secretary of the Treasury or the Director, United States Secret Service.

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