

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

DALLAS, TEXAS 75222

Circular No. 68-243
November 20, 1968

To All Paying Agents for Savings Bonds
in the Eleventh Federal Reserve District:

Enclosed is a copy of the Federal Register, Part II, dated October 25, 1968, which contains the text of the following Treasury documents:

Treasury Department Circular No. 750, Second Revision. The revised circular, effective November 1, 1968, authorizes duly qualified paying agents for savings bonds to redeem United States Savings Notes for cash under the same terms and conditions as savings bonds.

Memorandum of Instructions Issued in Conjunction With Department Circular No. 750, Second Revision. The memorandum provides specific instructions for processing redemption and redemption-exchange transactions in savings bonds and notes, and detailed advice on the responsibilities of paying agents.

Treasury Department Circular No. 751, Third Revision. The revised circular contains procedures for accounting for losses resulting from the redemption of savings bonds and notes.

The Treasury Department has sent an announcement of the new authorization to the chief executive officers of all financial institutions qualified as paying agents for savings bonds. Please note that, as indicated in that announcement and in Section 321.10 of Treasury Department Circular No. 750, Second Revision, savings notes are not eligible for payment until one year after the issue date of the notes; in all other respects the rules and regulations governing the redemption of Series E bonds apply to the redemption of savings notes.

Federal Reserve Bank of Dallas
Fiscal Agent of the United States

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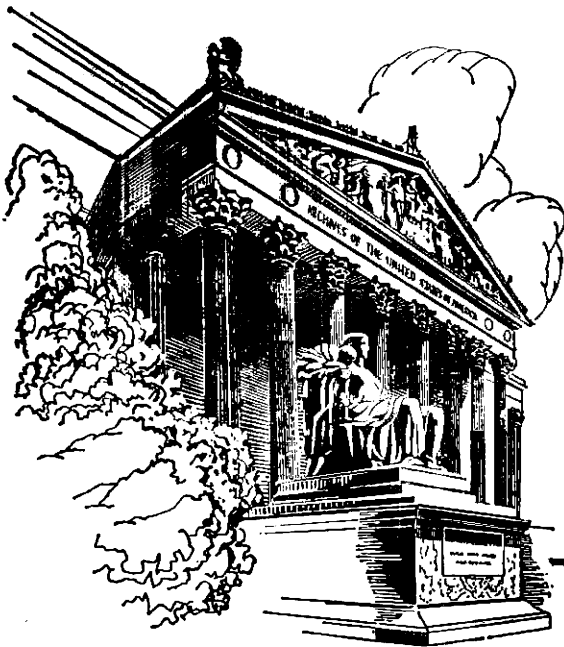
PART II

DEPARTMENT OF THE TREASURY

Fiscal Service, Bureau of the Public Debt

U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares)

(Dept. Circ. 750, 2d Rev., and
Memorandum of Instructions;
Dept. Circ. 751, 3d Rev.)



Title 31—MONEY AND FINANCE: TREASURY

Chapter II—Fiscal Service, Department of the Treasury

SUBCHAPTER B—BUREAU OF THE PUBLIC DEBT

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

The regulations set forth in Treasury Department Circular No. 750, Revised, dated June 30, 1945, as amended (31 CFR, Part 321), have been further revised and amended as shown below. The changes were effected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c). This revision was effected pursuant to 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: October 18, 1968.

[SEAL] JOHN K. CARLOCK,
Fiscal Assistant Secretary.

Treasury Department Circular No. 750, Revised, dated June 30, 1945, as amended (31 CFR, Part 321), entitled: "Payments by Banks and Other Financial Institutions in Connection With the Redemption of United States Savings Bonds," is hereby retitled and otherwise amended to include United States Savings Notes (Freedom Shares), and issued as a Second Revision, as follows, effective November 1, 1968.

Subpart A—General Information

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Subpart C—Scope of Authority

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- 321.12 Payment of securities.
321.13 Determination of redemption values and payment procedure.
321.14 Accounting for paid securities.
321.15 Losses resulting from payments.

Subpart E—Miscellaneous Provisions

- 321.16 Fiscal agents.
321.17 Preservation of rights.
321.18 Supplements, amendments, etc.

AUTHORITY: The provisions of this Part 321 issued under sec. 22 of the Second Liberty

Bond Act, as amended, 49 Stat. 21, as amended; 31 U.S.C. 757c.

Subpart A—General Information

§ 321.0 Applicability of regulations.

The regulations in this part govern payments by banks and other financial institutions of U.S. Savings Bonds and U.S. Savings Notes.

§ 321.1 Definition of terms as used in these regulations.

Unless the context otherwise requires or indicates:

(a) "Bond(s)" or "savings bond(s)" means only U.S. Savings Bonds of Series A, B, C, D, or E presented for cash payment, and Series E and J bonds presented for redemption-exchange for Series H bonds under the provisions of Department Circular No. 1036 as amended (Part 339 of this chapter). Savings Bonds of Series F, G, H, and K, and bonds of Series J ineligible for redemption-exchange under Department Circular No. 1036, as amended, are not included.

(b) "Federal Reserve Bank(s)" or "Bank(s)" means a Federal Reserve Bank or Branch acting as fiscal agent of the United States.

(c) "Note(s)" or "savings note(s)" means a U.S. Savings Note (Freedom Share).

(d) "Owner(s)" means an individual, i.e., a natural person, whose name is inscribed as an owner or co-owner in his own right on a bond or note.

(e) "Paying agent(s)" or "agent(s)" means (1) any eligible financial institution duly qualified pursuant to the provisions of this circular, or any previous revision thereof, to make payments, as herein specified, of U.S. Savings Bonds, and U.S. Savings Notes, and includes branches of such institutions located within the United States, its territories and possessions, the Commonwealth of Puerto Rico and the Canal Zone, and (2) banking facilities of such institutions established at military installations of the United States and other places with the specific approval of the Treasury Department.

(f) "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 said securities, and includes "redemption-exchange," i.e., any authorized redemption of securities for the purpose of applying the proceeds, as provided under the terms of the offering, in payment for other securities offered in exchange.

(g) "Security (ies)" means a U.S. Savings Bond or U.S. Savings Note.

Subpart B—Authority To Act

§ 321.2 Financial institutions authorized to act.

Commercial banks, trust companies, savings banks, savings and loan associations, building and loan associations (including cooperative banks), credit unions, cash depositories, industrial banks, and similar financial institutions which (a) are incorporated under Federal law or under the laws of a State,

territory or possession of the United States, or the District of Columbia; (b) in the usual course of business accept, subject to withdrawal, funds for deposit or the purchase of shares; (c) are under the supervision of the banking department or equivalent authority of the jurisdiction in which incorporated; and (d) maintain regular offices for the transaction of their business, are eligible to become paying agents and, subject to the provisions relating to qualification set out in § 321.3, are authorized to make payments in connection with the redemption of savings bonds and savings notes, but only in accordance with the provisions of this circular, and any memorandum of instructions, guides, notices, etc., issued by the Department of the Treasury relating to such authorization.

§ 321.3 Application and qualification.

(a) *Authority to qualify.* Each Federal Reserve Bank, as fiscal agent of the United States, is authorized to qualify hereunder any eligible institution located in its district¹ which possesses adequate authority under its charter to act as paying agent of savings bonds and savings notes.

(b) *New applications.* An institution not previously qualified which desires to act as paying agent of savings bonds and savings notes on or after the effective date of this revision should apply to the Federal Reserve Bank of the district in which it is located on an application-agreement form available from the Bank. No application-agreement will be accepted requesting qualification solely as paying agent either for savings bonds or for savings notes. Each application-agreement filed hereunder shall include the provisions prescribed in section 202 of Executive Order No. 11246, entitled "Equal Employment Opportunity." (42 U.S.C. 2000e note)

(c) *Agents previously qualified.* Any financial institution qualified and acting as a paying agent of savings bonds on the effective date of this revision may continue to so act under its previous qualification, but subject to the terms and conditions hereof. Such agent will not be required to qualify by separate application-agreement to pay savings notes. If a paying agent of savings bonds redeems savings notes, and transmits the same to the Federal Reserve Bank of its district with a request to receive credit therefor, it shall be presumed thereby that the governing board or committee of such agent had theretofore undertaken appropriate action to authorize such redemptions and had agreed that the terms and conditions of its previous qualification as paying agent for savings

¹ For the purpose of this circular, eligible institutions in Puerto Rico, the Virgin Islands, and the Canal Zone shall be considered as being within the Second Federal Reserve District and shall make application to the Federal Reserve Bank of New York, and eligible institutions in Guam shall be considered as being within the Twelfth Federal Reserve District and shall make application to the Federal Reserve Bank of San Francisco.

bonds shall apply to savings notes as well. The granting of credit for such redemptions by the Bank shall constitute qualification of the agent to pay savings notes.

§ 321.4 Evidence of authority.

No announcement of or reference to an institution's authority to pay savings bonds and savings notes, nor acts purporting to have such authority, except as provided in § 321.3(c), may be made until written notice of qualification has been received from the Federal Reserve Banks, and then only in a form, manner and substance as may be approved by the Treasury Department or by the Bank.

§ 321.5 Paying agent fees and charges.

(a) *Scale of rates and procedures.* Each paying agent shall receive reimbursement for all bonds and notes paid hereunder which are received by a Federal Reserve Bank and forwarded for the agent's account to the Treasury Department during each calendar quarter, according to the following scale:

15 cents each for the first 1,000 securities.
10 cents each for all over 1,000 securities, less any securities returned to the agent because they were ineligible for payment.

The scale of rates shall be applicable separately to the agent and to each of its branches utilized in making payments under this circular, if the securities paid by each are separately scheduled and accounted for.

(b) *No charge to owners.* Paying agents shall not make any charge whatever to owners of savings bonds and savings notes in connection with payments hereunder.

§ 321.6 Termination of qualification.

The Secretary of the Treasury, or his delegate, may authorize a Federal Reserve Bank to terminate, by written notice, at any time and without prior demand or notice, the qualification hereunder of any paying agent in its district. A paying agent, upon notice to the Federal Reserve Bank through which it qualified, and following settlement of its account, may terminate its qualification.

Subpart C—Scope of Authority

§ 321.7 General.

Savings bonds and savings notes are issued only in registered form, are not transferable, may not be hypothecated or used as collateral for a loan, and, except as otherwise specifically provided in the regulations governing them, i.e., Department Circular No. 530, current revision (Part 315 of this Chapter), are payable only to the owner or coowner named on the securities. Payment to a designated beneficiary is not authorized.

§ 321.8 Payment to individual named as owner.

Subject to the terms and conditions appearing on the securities, to the governing regulations, and to the provisions of this circular, an agent may make payment of any savings bonds of Series A, B, C, D, or E, or of any savings note, upon presentation and surrender by the indi-

vidual whose name is inscribed as the owner or coowner on the security: *Provided*, The individual is known to the agent or establishes his identity in accordance with the Department's instructions and identification guides. (See the Treasury Department's statement to paying agents on identification, dated Dec. 19, 1947.) This authority to make payments will be held to include:

(a) *Change of name by marriage.* Where the name of the owner as inscribed on the security has been changed by marriage and the agent knows or establishes that the presenter and the person whose name appears on the security is one and the same individual. The signature to the request for payment should show both names, for example, "Miss Mary T. Jones, now by marriage Mrs. Mary J. Smith." An agent is not authorized to pay a security for an owner whose name as inscribed thereon has been changed in any other manner.

(b) *Parent of a minor.* Where the name of the owner inscribed on the security is that of a minor child who is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act but upon whose behalf request for payment is made by a parent with whom the child resides: *Provided, however*, The form of registration does not indicate that a guardian or similar representative of the estate of the minor owner has been appointed or is otherwise legally qualified. The parent requesting payment must sign the request for payment in the form, for example, "John A. Jones, on behalf of John C. Jones," and place an endorsement in substantially the following form, which may 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. He is _____ years of age and is not of sufficient competency and understanding to sign the request." Such a payment may not be made to any person other than a father or mother.

§ 321.9 Redemption-exchange of Series E and J bonds for Series H bonds.

Subject to the terms and conditions appearing on the bonds, the governing regulations, and the provisions of this part, an agent may accept for redemption-exchange Series E and eligible J bonds under the provisions of Department Circular No. 1036, as amended (Part 339 of this chapter).

§ 321.10 Specific limitations of payment authority.

An agent is not authorized to pay a bond or note:

(a) If presented for payment prior to the end of 2 months from the issue date in the case of a Series E bond, and of 1 year from the issue date in the case of a note (the issue date appears on the upper right-hand portion of the face of the securities). Any payment or advance to an owner before his security is eligible for redemption is not authorized.

(b) If the agent does not know or cannot establish the identity of the per-

son requesting payment as the owner of the security, including the establishment of the identity of a parent requesting payment on behalf of a minor child, as set forth in § 321.8(b). (See the memorandum of instructions issued in conjunction with this circular and the Treasury Department's statement to paying agents on identification, dated Dec. 19, 1947.)

(c) If the owner requesting payment does not sign his name in ink as it is inscribed on the security and show his home or business address. (See, also, § 321.8 (a) and (b).)

(d) If the security bears a material irregularity, for example, an illegible, incomplete, or unauthorized inscription, issue date, or issuing agent's validating stamp impression, or if any essential part thereof appears to be altered, or is mutilated or defaced in such a manner as to create doubt or arouse suspicion.

(e) If the security is registered in the name of an organization or a fiduciary.

(f) If the Treasury Department regulations require the submission of documentary evidence to support the redemption, as in the case of deceased owners, incompetents or minors under legal guardianship, or the change of an owner's name as inscribed on a bond or note for any reason other than marriage.

(g) If the owner named on the security and requesting payment is a minor who, in the opinion of the agent, is not of sufficient competency and understanding to execute the request for payment and comprehend the nature of such act. (See, also, § 321.8(b)).

(h) If it is known to the agent that the owner has been declared, in accordance with law, incompetent to manage his estate.

(i) If partial redemption is requested.

§ 321.11 Forwarding of securities not payable by agent.

Any securities which an agent is not authorized to pay under the provisions of this part should be forwarded for redemption, after certification of the requests for payment, to the Federal Reserve Bank or Branch of the district, or the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220. If an agent undertakes to forward such unpaid securities at the request and in behalf of the person entitled to payment, they must be sent separate and apart from bonds and notes which the agent has paid. Any documentary evidence required to support the redemption should accompany the securities when forwarded to the Federal Reserve Bank.

Subpart D—Payment

§ 321.12 Payment of securities.

(a) *Examination.* Before making payment of a bond or note, the agent shall examine it to determine:

(1) That the security is eligible for payment and is one which the agent is authorized to pay under the provisions of this part, and

(2) That the security does not bear a material irregularity or alteration, and is not mutilated or defaced.

(b) *Identification.* The agent shall determine that the individual presenting the security is the same person whose name is inscribed as owner or coowner thereon. Unless the presenter is a person whose identity is well known to the agent, or is an established customer, he should be asked to furnish satisfactory documentary or personal identification.

(c) *Execution of request.* The agent shall require that the request for payment on the back of the security be executed by the presenter in the presence of one of its officers or authorized employees, and the request shall include the home or business address of the individual making the request on at least one of the securities. Where the request has already been executed when the security is presented, it should ordinarily be reexecuted.

(d) *Certification of request.* Each agent submitting paid bonds and notes shall be understood by such submission to have represented and certified that the identity of the owner or coowner requesting payment has been duly established. Therefore, an agent will not be required in the case of any security which it pays to complete the certification form at the end of the request for payment, nor determine the authenticity of any certification which may appear thereon at the time it is presented for payment.

§ 321.13 Determination of redemption values and payment procedure.

The redemption value of a security is determined according to the period of time that it has been outstanding, and the table of redemption values applicable thereto. After establishing such value for each security presented, the agent shall place on the face thereof the word "PAID," the amount and date of actual payment and the name, location, and code number assigned to the agent by the Federal Reserve Bank. The affixing of such data shall constitute a certification by the paying agent that the security was redeemed in accordance with this circular, and that the proceeds of redemption were paid to the presenter. Payment shall be made in cash, a credit to the presenter's checking, savings or share account with the agent, or a check or similar instrument payable to his order.

§ 321.14 Accounting for paid securities.

The paying agent shall forward all paid securities to the Federal Reserve Bank of the district in accordance with the latter's instructions. Upon receipt of the paid securities, the Federal Reserve Bank shall make immediate settlement with the paying agent for the total amount of payments made thereon, except that such settlement shall be subject to adjustment if any discrepancies are discovered at a later date.

§ 321.15 Losses resulting from payments.

If a loss shall result from a payment made in connection with the redemption

of any security hereunder, the paying agent involved shall have a full and complete opportunity to present all of the facts pertaining thereto. Determination of losses shall be made pursuant to section 22(i) of the Second Liberty Bond Act, as amended. (Title 31, United States Code, sec. 757c(i).)

Subpart E—Miscellaneous Provisions

§ 321.16 Fiscal agents.

The Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform such services as may be requested by the Secretary of the Treasury in connection with this part.

§ 321.17 Preservation of rights.

Nothing contained in the regulations in this part shall limit or restrict any existing rights which holders of savings bonds and savings notes may have acquired under the circulars offering such securities for sale and the regulations prescribed therefor.

§ 321.18 Supplements, amendments, etc.

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, or of any revisions, supplements, or amendments thereto.

MEMORANDUM OF INSTRUCTIONS ISSUED IN CONJUNCTION WITH DEPARTMENT CIRCULAR NO. 750, SECOND REVISION

FISCAL SERVICE, BUREAU OF THE PUBLIC DEBT
The Department of the Treasury, Office of the Secretary, Washington,

October 18, 1968.

I. GENERAL INFORMATION

1. *Purpose.* This memorandum is issued for the guidance of banks and other financial institutions which have qualified as paying agents of U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares) under the provisions of Treasury Department Circular No. 750, Second Revision. Its purpose is to provide (a) information to supplement the regulations contained in the circular, and (b) specific instructions for processing redemption and redemption-exchange transactions.

2. *Scope.* The material relates to (a) U.S. Savings Bonds of Series A, B, C, D, or E and U.S. Savings Notes (Freedom Shares) presented for cash payment, and (b) Series E and J bonds presented for redemption-exchange for Series H bonds under the provisions of Department Circular No. 1036 (31 CFR, Part 339). The payments of Savings Bonds of Series F, G, H, and K, and bonds of Series J ineligible for redemption-exchange under department circular No. 1036, are not covered by this memorandum.

3. *Organization.* This memorandum is organized to provide, in addition to the general information set out in this part, detailed advice as to the responsibilities of organizations acting as paying agents (Part II), and instructions for processing transactions (Part III).

4. *Other pertinent circulars.* (a) Department Circular No. 530, current revision, the regulations governing U.S. Savings Bonds;

(b) Department Circular No. 653, current revision, the offering circular for U.S. Savings Bonds, Series E; and

(c) Department Circular, Public Debt Series 3-67, current revision, the offering circular for U.S. Savings Notes.

II. RESPONSIBILITIES OF PAYING AGENTS

5. *General.* A financial institution which is a qualified paying agent is obliged to cash savings bonds and notes for any presenter, whether or not a customer, during its regular business hours (but not during evening and Saturday hours, if open during such periods primarily as a service for its own customers) in accordance with Department Circular No. 750, current revision, these instructions, and the Department's statement to paying agents on identification, dated December 19, 1947. An agent must not advance money on, make loans on, or discount the redemption values of the securities, nor in any manner assist others in doing so. It shall also make no charges for redemption. Violation of the Department's policy, as set forth above, will be cause for disqualification.

6. *Payment to presenter.* Payment may be made only to an individual who (a) presents the security and establishes his identity as the person named thereon as owner or co-owner, and (b) signs the request for payment in the presence of an officer or authorized employee of the paying agent. An agent may accept securities for payment by mail, or otherwise, from known depositors, provided each such depositor is also the owner requesting payment. In such cases the agent should be satisfied that the signature to the request for payment is that of the "owner-depositor," and should have written instructions from him to credit the proceeds to his checking, savings, or share account, or to make other disposition thereof. For the agent's protection, such instructions should be retained.

7. *Examination of security.* Upon its presentation for redemption or for redemption-exchange, each agent should examine the security to establish the following:

(i) In the case of a bond, that it is not less than 2 months old or in the case of a note, less than 1 year old;

(ii) It is presented by an owner or co-owner (not by a beneficiary) or a parent on behalf of a minor owner or coowner not of sufficient competency and understanding to comprehend the nature of the act;

(iii) No documentary evidence is required to redeem it;

(iv) It is not presented by anyone acting under a power of attorney;

(v) It is not in the name of a corporation, association, partnership, guardian, administrator, trustee, or other fiduciary;

(vi) The presenter's name, as it appears on the security, has not been changed in any manner other than by marriage;

(vii) The presenter, to the knowledge of the agent, has not been declared, according to law, to be incompetent to manage his estate;

(viii) Its issue date is legible;

(ix) It has not been mutilated and does not bear material irregularities, such as altered, illegible, incomplete, or unauthorized inscriptions; and

(x) It is not a Series F, G, H, J, or K bond, unless it is an unmaturing J bond presented for redemption-exchange.

If the agent assumes full responsibility therefor, it may make payment, because of its knowledge of the facts or because it wishes to rely on the integrity of the owner, of any eligible security which bears a minor irregularity, such as a misspelling of a name, a transposition of letters, etc. Otherwise, securities which do not meet the above standards should be forwarded to the Federal Reserve Bank.

8. *Identification of presenter—(a) Identification guide.* The Department of the Treasury has issued a statement on identification, dated December 19, 1947, for use by paying agents in redeeming securities,

which, if followed, should enable them to provide reasonable payment accommodations for owners, including noncustomers, and, at the same time, to protect themselves from losses.

(b) *Record of identification practice.* The agent at the time of payment should make a notation on the back of the paid security, or in its own records, specifying precisely what was relied upon to establish the presenter's identity. The identification practice should be adequate to identify the person under the circumstances of the transaction. Otherwise, the agent runs the risk that no evidence can be developed to show that it acted with due care, in which case it could not be relieved of liability for any loss that might develop.

9. *Request for payment.* The following provisions relate to the execution of all requests for payment, whether the security is paid over-the-counter or is forwarded to a Federal Reserve Bank for redemption:

(a) *Execution of request.* The presenter must sign his name exactly as his name is inscribed on the security and show his current address in the request for payment, except in the following cases:

(1) Where there are slight errors or variations in the spelling, the request for payment should show the name of the owner as inscribed on the security followed by the correct signature.

(2) If an owner signs his name to the request by mark, the signature "X" should be identified in the form "John J. Jones (X) his mark", and one person, in addition to the agent's employee paying the security, must act as witness, and should attest thereto in substantially the form: "Witness to signature by mark" and sign his name and show his address immediately thereunder, on the back of the security.

(3) If an owner's name has been changed by marriage, the owner's signature to the request for payment should be signed in the form, for example: "Mrs. Mary Jones Smith, changed by marriage from Miss Mary T. Jones".

(4) Securities may be paid to a parent on behalf of a minor owner, not of sufficient competency and understanding, as specified in the regulations.

If a security is presented in person with the request for payment already completed, the owner should be required to sign again immediately above or below the first signature.

(b) *Partial redemptions.* Partial redemption of a savings bond or note, in denominations of \$50 or higher, but only in amounts corresponding to authorized denominations, may only be made by a Federal Reserve Bank. In such cases, the words "to the extent of \$----- (face amount)" should be added to the first sentence of the request for payment and the request should then be completed in the regular manner.

(c) *Payment over-the-counter.* An agent is not required to complete the certification to the request on securities it pays over-the-counter. The submission of paid securities to the Department shall represent a certification by the agent that the identity of the owner requesting payment was duly established.

(d) *Payment by Federal Reserve Bank.* Where a security is being forwarded to a Federal Reserve Bank for payment, the certification form below the request for payment should be completed.

10. *Determination and payment of redemption proceeds.* (a) *Redemption value tables.* Agents will be supplied with tables of redemption values covering bonds of Series A-E, bonds of Series J, and savings notes. Additional tables may be obtained upon request from the Federal Reserve Bank of the district. Care should be exercised to use the

correct table for the month in which the particular security is cashed. The public may purchase tables for Series A-E bonds, covering half-yearly periods, from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

(b) *Payment immediately prior to maturity or date of increase in value.* If an owner presents a security for payment just prior to the month in which the security increases in value, the agent should, if practical, advise the owner of the fact so that he may, if he desires, delay the payment to the next month to obtain the increase in value. No agent is authorized to pay an owner the current value of a security and then defer presentation to the Treasury for the purpose of obtaining such increased value for its own profit.

(c) *Payment.* After the redemption value is determined, it may be paid to the owner in cash, or, upon request, by a credit to the owner's checking, savings, or share account, or by issuance of a check or similar instrument payable to the owner.

11. *Completion of transaction.* (a) *Social security account number.* If the social security account number of the payee is shown in the inscription, that number should be underlined. If the number is not shown in the inscription, and if the security is paid in an amount exceeding its issue price, the agent should request the owner to write his social security number on the security. If the security is in co-ownership form, the name of the co-owner to whom payment is being made should be underlined, unless it is determined that the funds of the other co-owner were used to buy it and his social security account number is furnished. The number should be written on the face of the security below and to the left of the seal.

(b) *Paying agent stamps.* (1) Type of stamp: The payment stamp, which may not exceed 1½ inches in any dimension, should show the following information in the arrangement given:

Paid \$----- (for recording amount paid).
Name, location and code number¹ assigned by Federal Reserve Bank (subject to abbreviation and arrangement by Federal Reserve Bank).
Date ----- (for recording actual date of payment).

By ----- (for use by agent to record initials or signature, codes, symbols as to who approved and/or made payment).

Hand stamps may be requisitioned by agents through the Federal Reserve Bank, or agents may purchase their own stamps, provided the stamps conform exactly in size and design to that prescribed by the Federal Reserve Bank, or as specifically approved by them. The number of stamps requisitioned should be kept to a minimum. To insure legible impressions, they should be replaced when worn.

(2) *Imprinting and filling in stamp:* After the agent has determined that payment of a security can be made, it should carefully imprint the payment stamp on the front of the security in the unused space immediately to the left of the issue date and the issuing agent's validating stamp. Payment stamps should be impressed as near to the issue and validating data as possible without overprinting such data. No other stamps shall be placed on the front of securities. Care should then be taken to record legibly in the stamp impression the correct amount and date

¹ The Federal Reserve Bank will assign code numbers for any or all of an agent's branches which such Bank approves for accounting for paid bonds directly to that Bank or one of its branches.

(month, day, and year) of payment and the signature or initials, etc., of the agent's employee who approved the payment. A black or dark color ink (not green) should be used and care should be taken not to smear the stamp impression or the writing.

12. *Redemption-exchange of Series E and J bonds for Series H Bonds.* (a) *General.* Except as specifically modified by this paragraph, the instructions of this memorandum governing the cash payment of bonds and notes shall also govern the redemption and processing of Series E and J bonds accepted for redemption-exchange for Series H bonds. The following rules are applicable:

(1) In general, an agent may accept for redemption-exchange:

(i) All Series E bonds, and
(ii) Series J bonds received not later than 6 months from the month of maturity, provided the current redemption value of the bonds submitted is not less than \$500.

(2) There is no maximum limit of bonds that may be included in a transaction, except that the highest even \$500 multiple of the proceeds must be applied to the exchange.

(3) Either co-owner may request the exchange if the Series H bonds are to be registered the same as the surrendered bonds. If bonds registered in co-ownership form are presented with the request that the Series H bonds be registered differently from the bonds surrendered, then the person signing Form PD 3253, the exchange subscription form:

(i) Must be the "principal co-owner", i.e., the co-owner whose funds were used to purchase the bonds being exchanged, and

(ii) Must be named as owner or co-owner on the Series H bonds to be issued.

(4) Where a subscription is submitted on behalf of a minor who is too young to comprehend the nature of the transaction, the Series H bond to be issued must be inscribed exactly as the surrendered bonds or in the minor's name alone.

(5) The request for payment of each bond must be signed by the person requesting the exchange, unless the bonds are processed under special endorsement, as provided in Department Circular No. 888, current revision.

(b) *Payment of bonds accepted in exchange.* The redemption value shall be that due in the month the agent receives and accepts the correctly completed and signed subscription, Form PD 3253, together with any required additional cash payment. Should there be any errors in the subscription or in the cash payment, the bonds should not be stamped "PAID" or the redemption values determined, nor shall the Form PD 3253 be processed until all such errors are finally corrected. All of the proceeds payable on eligible bonds accepted in an exchange transaction, plus or minus the cash difference, as described in item (c) below, must be remitted to the Federal Reserve Bank in payment for the Series H bonds to be issued. Payment for these Series H bonds may be made by credit to the Treasury Tax and Loan Account, if such account is maintained by an agent.

(c) *Cash differences.* If the redemption value exceeds an even \$500 multiple, the subscriber may add cash to equal the next \$500 multiple or he may be paid the amount in excess of the \$500 multiple; for example, if the total redemption value of the accepted bonds is \$4,253.33, the agent must remit no less than \$4,000 or no more than \$4,500 to the Federal Reserve Bank in payment for the Series H bonds. In the first instance, the agent will pay the subscriber \$253.33, in the second, it will collect \$246.67 when it accepts the subscription.

II. INSTRUCTIONS FOR PROCESSING TRANSACTIONS

13. *Transmittal of securities to Federal Reserve Banks.* (a) *Form to be used.* A standard transmittal letter, Form PD 2639, will be supplied by the Federal Reserve Banks for submitting paid securities. Each such letter will be preprinted to show the agent's name, location and assigned code number, and, if so prearranged, the name and address of the correspondent bank through which settlement is to be made. Each agent and those of its branches accounting separately for its paid bonds, should, therefore, obtain and use ONLY those transmittal letters which show their own names, locations and code numbers to assure proper credit for the payment of fees. A separate transmittal letter must be prepared to cover each of the following:

- (i) Paper bonds of Series A-E paid in the same month for cash;
 - (ii) Series E card bonds and notes (which may be combined) paid in the same month for cash;
 - (iii) Series E paper bonds paid in the same month on redemption-exchange for Series H bonds;
 - (iv) Series E card bonds paid in the same month on redemption-exchange for Series H bonds; and
 - (v) Series J bonds paid in the same month on redemption-exchange for Series H bonds.
- (b) *Completion of form.* A single letter shall cover not more than 200 securities or \$900,000 (redemption value), whichever is larger. Each letter shall be completed (by typewriter) to show, in the appropriate blocks on the Form PD 2639:
- (i) The letter series may be left blank;
 - (ii) The date of the letter (month, day, year when securities are transmitted);
 - (iii) The month during which securities were paid (show month and year);
 - (iv) The total number of securities submitted (200 maximum);
 - (v) The total redemption value paid on the securities submitted (\$900,000 maximum); and
 - (vi) Type of transaction (Redemption A-E Paper, Redemption E Card/Notes, Exchange E for H bonds or Exchange J for H bonds).

14. *Settlement for an audit of paid securities.* (a) *Settlement.* The Federal Reserve Bank will make immediate settlement for the total redemption value of the paid securities as recorded on each transmittal letter. This settlement will be subject to adjustment when the securities are audited by the Department of the Treasury. Federal Reserve Banks may make settlement by crediting the reserve account of the agent or one of its correspondents or by a check drawn on the Treasurer of the United States.

(b) *Audit and Adjustment.* The Treasury will audit transmittal letters and paid securities as promptly as possible. The Treasury will in due course notify each agent, through the Federal Reserve Bank, of any adjustments required. Notices of adjustment will include information that will enable the paying agent to make the adjustments, if required, with either the security owner or the payee. Adjustments required in amounts previously credited to the agent will be made by the Federal Reserve Bank through the account previously credited. Agents with whom preliminary settlements are made by a check drawn on the Treasurer of the United States will receive an additional check from, or be required to make prompt payment to, the Federal Reserve Bank, according to the nature of the audit adjustment. The agent should, if it discovers any error, notify the Federal Reserve Bank immediately.

(c) *Timing of Transmittals.* Transmittal letters may be sent to the Federal Reserve Bank each day or less frequently; *Provided, however,* That all paid securities on hand on the last business day of the month must be

forwarded not later than the next business day. Securities of different payment months should never be combined in the same letter. The Treasury would prefer that daily transmittals not be sent when only a few securities are covered.

(d) *Record of Shipment.* A record of the serial numbers and amount paid for each security transmitted should be retained in order that settlement may be made in the event the shipment is lost. For that purpose agents are authorized to microfilm the front and back of the securities they pay. Such film records must be kept confidential and prints therefrom may be made only after receipt of permission of the Treasury or a Federal Reserve Bank.

(e) *Packing and Shipment.* Paid securities should be prepared and shipped in the manner prescribed by the Bank. The original and appropriate copies of the transmittal letter and the securities covered thereby should be banded together (not clipped, stapled, or pinned) and forwarded to the Federal Reserve Bank.

(f) *Special instructions relating to transmittal of securities paid on redemption-exchange.* Series E bonds and Series J bonds paid by the agent on redemption-exchange for Series H bonds, when transmitted to the Federal Reserve Bank, must also be accompanied by the duly completed subscription, Form PD 3253, and by payment in full, or by evidence of credit to the Treasury Tax and Loan Account. These items should be banded together (not clipped, stapled, or pinned) so that they will be received as a unit at the Federal Reserve Bank.

15. *Securities sent to the Federal Reserve Bank for processing and payment—*(a) *Redemption of securities not payable by agents.* Any redemption transaction which an agent cannot or does not wish to process should be forwarded, after certification of the request for payment, with supporting documents, if any, to the Federal Reserve Bank for processing and payment. A paying agent, in forwarding securities, would be acting on behalf of the owners. Securities so forwarded should not be intermingled with securities paid by the institution as agent.

(b) *Redemption-exchange transactions not processed by agent.* Any exchange subscription an agent receives covering, in whole or in part, bonds which the agent is not authorized to process for payment under the provisions of Department Circular No. 750, and these instructions, or bonds that the agent chooses not to process for payment even though it is authorized so to do, must be sent separately (not combined with those forwarded for redemption) to the Federal Reserve Bank. On such transmittals, the agent acts on behalf of the customers, not as agent for the Treasury Department, and payment may not be made by credit to the Treasury Tax and Loan Account. The issue date of the Series H bonds issued on exchange will be the first day of the month the correctly completed exchange application and full payment are received by the Federal Reserve Bank.

16. *Losses resulting from payments.*—(a) *General.* Under the governing statute, i.e., title 31, United States Code, section 757c(1), 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 part of the agent.

(b) *Error in payment.*—(1) *Notification and investigation.* Whenever any case involving the fraudulent redemption of securities comes to an agent's attention, it should immediately notify the nearest Secret Service Office and the Chicago Office of the Bureau of the Public Debt, 536 South Clark Street, Chicago, Ill. 60605. Where such a transaction comes to the Department's attention, it will

notify the paying agent involved. Although the Department's notice will usually be by letter, it may also be effected by a personal visit of a Secret Service agent. Such notification by the Treasury is primarily designed to enable the paying agent to (1) notify its bonding company and (11) assemble pertinent information concerning the transaction for presentation during the Department's investigation.

(2) *Examination and determination of liability.* Upon completion of the investigation, the Treasury shall examine the results thereof for the purpose of determining whether or not the agent may be relieved of liability for any loss that may have resulted, and the agent will be advised of the Treasury's determination. If the Treasury is unable to relieve the agent of its liability, and restitution from the forger has not been made and appears unlikely, the agent shall promptly reimburse the Treasury for the loss. Reconsideration of a determination will be made in any case where the agent so requests and presents additional evidence and information regarding the transaction.

17. *Claims on account of lost securities.* If a security paid by an agent is lost, stolen, or destroyed while in the custody of the agent or while in transit to the Federal Reserve Bank, the Treasury will consider the agent's claim for reimbursement of the amount paid on the missing security. Such claims shall be presented on Form PD 2517, obtainable from the Federal Reserve Bank.

18. *Miscellaneous provisions.* (a) *Qualification of branches.* Qualification of an institution as an agent automatically qualifies its branches, wherever located. Such institutions may cash securities at any U.S. military installation upon agreement between the Departments of the Treasury and of Defense.

(b) *Requalification.* Where there has been a change in the corporate title of the agent, whether through change-of-name, merger, consolidation, sale of assets, or in any other manner, the agent should apply for requalification to reflect such change.

(c) *Evidence of authority.* On and after the effective date of its qualification, a paying agent may appropriately announce or advertise its authority to cash bonds and notes and make known its authority to process exchanges of Series E and J bonds for Series H bonds. Such statements and notices should not, directly or indirectly, encourage the encashment of the securities. Two illustrations of an acceptable type of statement for use by the agent in advertisements, or displays, are:

"We are an authorized agent for payment of U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares)."

"This bank (company, etc.) is authorized to pay U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares) and process Series E and J bonds for exchange for Series H Bonds."

(d) *Variations in inscription.* Securities issued by the Armed Forces for their members may show the names of the owner, co-owners, or beneficiary, if any, without an address. In such cases, the name and address of the person to whom the security is mailed is shown one or more lines below the inscription. Such addressee does not acquire any right or additional rights in the security by virtue of the fact that the security was mailed to him. Accordingly, payment may be made thereof only in the same manner as if the addressee's name and address did not appear on the security.

(e) *Payment to minors.* A minor owner or co-owner may not request payment of securities if he is not of sufficient competency and understanding to comprehend the nature of his act. Because of individual variations, the Department has not laid down any rule as to the exact age at which a minor should be able to cash his securities. If the age of the minor is such that in the opinion of the

paying agent the child should ordinarily be able to request payment for himself or, in cases of doubt, the agent may require an interview with the minor.

(f) *Additional advice.* Requests for additional advice, clarification of the regulations or these instructions, etc., should generally be referred to the Federal Reserve Bank through which the agent secured its qualification.

[SEAL] JOHN K. CARLOCK,
Fiscal Assistant Secretary.

[F.R. Doc. 68-13013; Filed, Oct. 24, 1968;
8:45 a.m.]

PART 322—MANNER OF ACCOUNTING FOR LOSSES RESULTING FROM THE REDEMPTION OF UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

The regulations set forth in Treasury Department Circular No. 751, Second Revision, dated August 1, 1947 (31 CFR, Part 322), have been further revised and amended as shown below. The changes were effected under authority of section 22 of the Second Liberty Bond Act, as amended (49 Stat. 21, as amended; 31 U.S.C. 757c). This revision was effected pursuant to 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as public property and contracts are involved.

Dated: October 18, 1968.

[SEAL] JOHN K. CARLOCK,
Fiscal Assistant Secretary.

Treasury Department Circular No. 751, Second Revision, dated August 1, 1947 (31 CFR, Part 322), entitled: "Replacement out of the Fund Established by the Government Losses in Shipment Act, as Amended, of Any Losses Resulting from Payments Made in Connection with the Redemption of United States Savings Bonds and Armed Forces Leave Bonds," is hereby retitled and otherwise amended to delete reference therein to Armed Forces Leave Bonds and to include U.S. Savings Notes (Freedom Shares), and issued as a Third Revision, as follows:

Subpart A—General Information

Sec. 322.0 Applicability of regulations.

Subpart B—Report of Loss

322.1 Report of erroneous payment.

Subpart C—Procedure for Investigation of Loss

322.2 Action by Treasury.
322.3 Use of United States Secret Service.
322.4 Opportunity to present evidence.

Subpart D—Determination of Loss

322.5 Advice of final loss.

Subpart E—Certification of Signatures

322.6 Certification of signatures.

Subpart F—Replacement of Losses Out of Fund

322.7 Replacement and recovery in connection with losses.

Subpart G—Miscellaneous

322.8 Supplements, amendments, etc.

AUTHORITY: The provisions of this Part 322 issued under sec. 22 of the Second Liberty

Bond Act, as amended, 49 Stat. 21, as amended; 31 U.S.C. 757c.

Subpart A—General Information

§ 322.0 Applicability of regulations.

The regulations in this part govern the manner of accounting for losses to the United States of America resulting from the redemption of U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares) (a) by any bank or other financial institution duly qualified as a paying agent under Treasury Department Circular No. 750, or any revision thereof (Part 321 of this chapter), (b) by the Treasurer of the United States, and (c) by any Federal Reserve Bank or Branch, as fiscal agent of the United States.

Subpart B—Report of Loss

§ 322.1 Report of erroneous payment.

(a) *By qualified paying agent.* Upon discovery of an erroneous or unauthorized payment by a qualified paying agent, immediate report thereof should be made to the Federal Reserve Bank of the district. The payments so reported to, or otherwise discovered by, a Federal Reserve Bank, shall be adjusted, so far as possible, between the Federal Reserve Bank and the paying agent concerned. If no such adjustment is possible, or if the error in payment is discovered after the account of the Treasurer of the United States has been charged, an immediate report thereof shall be made by the Federal Reserve Bank to the Bureau of the Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago, Ill. 60605.

(b) *By Treasurer of the United States and Federal Reserve Bank or Branch.* Upon discovery of an erroneous or unauthorized payment by the Office of the Treasurer of the United States or by a Federal Reserve Bank or Branch, immediate report thereof shall be made by such agency to the Bureau of the Public Debt, Division of Loans and Currency Branch, 536 South Clark Street, Chicago, Ill. 60605.

Subpart C—Procedure for Investigation of Loss

§ 322.2 Action by Treasury.

Following receipt of the report of an erroneous payment, or upon discovery from its records that an erroneous payment has occurred, the Department of the Treasury shall notify, unless such action is deemed unnecessary, the agency through which the redemption was effected, identifying the securities, and furnishing appropriate details and instructions. The Department shall determine whether or not adjustment may be effected with the persons involved in the erroneous payment.

§ 322.3 Use of United States Secret Service.

The Department of the Treasury, and, in appropriate cases, Federal Reserve Banks, as fiscal agents of the United States, may request the U.S. Secret Serv-

ice to investigate losses and to assist in the recovery of improper payments. The Treasurer of the United States, the Federal Reserve Banks, and qualified paying agents shall be expected to cooperate to the fullest extent therewith.

§ 322.4 Opportunity to present evidence.

The paying agent, the Treasurer of the United States, or the Federal Reserve Bank or Branch, involved in any erroneous or unauthorized payment shall be given during the course of the investigation, or thereafter prior to a determination of final loss, every opportunity to present the full facts relating to the payment.

Subpart D—Determination of Loss

§ 322.5 Advice of final loss.

Upon completion of the investigation, and after consideration of the results thereof, the Department of the Treasury shall advise the agency through which the payment occurred:

(a) That no final loss to the United States has occurred, and, accordingly, that it is relieved from liability therefor, 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, it is not required to make reimbursement therefor as the Secretary of the Treasury, or his delegate, has determined that such loss resulted from no fault or negligence on the part of such agency; or

(c) That a final loss to the United States has occurred, and that as the Secretary of the Treasury, or his delegate, has been unable to make an affirmative finding that such loss resulted from no fault or negligence on part of such agency, reimbursement must be promptly made, except where credit for the payment had not theretofore been extended.

Subpart E—Certification of Signatures

§ 322.6 Certification of signatures.

The regulations in this part shall, to the extent appropriate, apply to losses resulting from payments made in reliance on erroneous certifications of signatures to any requests for payment of savings bonds and savings notes by an officer or designated employee of any financial institution or of the Postal Service authorized to certify such requests.

Subpart F—Replacement of Losses Out of Fund

§ 322.7 Replacement and recovery in connection with losses.

Where a final loss has resulted from the redemption of a savings bond or savings note, and no reimbursement therefor has been or will be made, such loss shall be subject to immediate replacement out of the fund established by the Government Losses in Shipment Act, as amended. Any recovery or repayment thereafter received on account of such loss shall be credited to the fund.

RULES AND REGULATIONS**Subpart G—Miscellaneous****§ 322.8 Supplements, amendments, etc.**

The Secretary of the Treasury may at any time, or from time to time, supplement, amend, or withdraw, in whole or in part, the provisions of this circular, or of any amendments or supplements thereto, information as to which will be furnished promptly to the Federal Reserve Banks and through such Banks, or directly, to eligible financial institutions qualified to make payments of savings bonds and savings notes under the provisions of Treasury Department Circular No. 750, Second Revision (Part 321 of this chapter).

[F. R. Doc. 68-13014; Filed, Oct. 24, 1968;
8:45 a.m.]