

FEDERAL RESERVE BANK OF DALLAS  
FISCAL AGENT OF THE UNITED STATES  
DALLAS, TEXAS 75222

Circular No. 69-202  
September 1, 1969

**EXPANSION OF BOOK-ENTRY PROCEDURE FOR TREASURY SECURITIES**

**To All Banking Institutions and Others Concerned  
in the Eleventh Federal Reserve District:**

The Treasury Department has adopted, effective July 15, 1969, an amendment to Subpart O of its Circular No. 300, "General Regulations with Respect to United States Securities." The amendment provides for the expansion of the book-entry procedure for Treasury securities and was the subject of our Circular No. 69-110, dated May 2, 1969.

Enclosed herewith are copies of the following documents relating to the expanded book-entry procedure:

- (1) Subpart O, as amended effective July 15, 1969, of Treasury Department Circular No. 300 and the Appendix thereto dealing with certain record-keeping requirements and other matters for Federal income tax purposes;
- (2) This Bank's Fiscal Agency Operating Circular No. 3, as amended September 1, 1969, entitled "Book-Entry Treasury Securities"; and
- (3) Bulletin No. 7 of this Bank, effective September 1, 1969, entitled "Custody of Securities."

The Bulletin No. 7 and Fiscal Agency Operating Circular No. 3 are printed in the larger size contemplated for all future regulations and bulletins. Binders for the new size have been ordered and will be furnished when they become available.

As explained in our Circular No. 67-251, dated December 19, 1967, an amendment effective January 1, 1968, to Treasury Department Circular No. 300 provided for the maintenance of Treasury securities in book-entry form on the records of this Bank, as fiscal agent of the United States, whenever Treasury securities are deposited with us (1) as collateral for advances by this Bank; (2) as collateral for Treasury Tax & Loan Accounts or for deposits of public monies under Treasury Department Circular No. 92 or No. 176, respectively; or (3) for the sole account of a member bank in lieu of the safekeeping of definitive Treasury securities by this Bank.

Under the expanded book-entry procedure as provided for in the enclosed amended form of Subpart O of Treasury Department Circular No. 300, and in particular Section 306.117(b) of such Subpart O, the Federal Reserve Banks, as fiscal agents of the United States, are authorized to apply the book-entry procedure to Treasury securities deposited in accounts with such Banks in their individual capacity and as to which securities the Reserve Banks, in their individual capacity, are to continue to maintain deposit accounts, notwithstanding application of the book-entry procedure to the Treasury securities in such accounts. Such accounts include accounts in which Treasury securities are deposited (1) as collateral to secure deposits of public funds in member banks by a state, municipality, or other political subdivision; (2) pursuant to Section 61 of the Bankruptcy Act in connection with deposits of bankruptcy funds in commercial banks; (3) as collateral in connection with the qualification of member banks to exercise trust powers; or (4) as collateral to secure deposits of trust funds in the commercial banking departments of member banks. This Bank's Bulletin No. 7, "Custody of Securities," as amended effective September 1, 1969, provides that any bank or other depositor that has transferable Treasury bonds, notes, certificates of indebtedness or bills on deposit with this Bank, in its individual capacity, in any such types of accounts on October 1, 1969, and any bank or other depositor which on or after such date deposits or causes to be deposited any such securities in any of the said accounts or in any other account specified by this Bank for application of the book-entry procedure under Section 306.117(b) of such Subpart O, will be deemed to have authorized this Bank to employ the book-entry procedure under the

provisions of such Section 306.117(b) with respect to such Treasury securities. In accordance with Subpart O as amended, this Bank will act in a dual capacity (that is, in an individual capacity and as fiscal agent of the United States), with respect to securities in these accounts.

This Bank's circular No. 69-110 dated May 2, 1969, indicated that the book-entry procedure will not be applied to Treasury securities in which third parties have an interest without the consent of such third parties. You will note that the provision of Bulletin No. 7 outlined above indicates that this consent will be deemed to have been given if securities of the eligible issues are on deposit in any such types of accounts on October 1, 1969, or are deposited on or after such date.

We shall advise depositors as the expanded book-entry procedure is applied to particular accounts of the types referred to in the preceding paragraph.

The Appendix to Subpart O, which contains Federal income tax rules concerning book-entry Treasury securities, has been revised to cover Treasury securities in accounts under the amended book-entry procedure. In this revised Appendix, the tax identification requirements which had been applied to book-entry Treasury securities under the original book-entry procedure have been expanded to cover securities in accounts newly included under the amended Subpart O.

Additional copies of this Circular and its enclosures will be furnished upon request.

Yours very truly,

P. E. Coldwell

President

Enclosures

GENERAL REGULATIONS WITH RESPECT TO UNITED STATES SECURITIES

1969  
Third Amendment  
Department Circular No. 300  
Third Revision, dated  
December 23, 1964

TREASURY DEPARTMENT  
Washington, June 13, 1969

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Fiscal Service  
Bureau of the Public Debt

Subpart O of Treasury Department Circular No. 300, Third Revision, dated December 23, 1964, as amended (31 CFR Part 306) is hereby further amended and revised, effective July 15, 1969, as follows:

SUBPART O--BOOK-ENTRY PROCEDURE

Sec. 306.115. Definition of terms.

In this subpart, unless the context otherwise requires or indicates:

(a) "Reserve Bank" means a Federal Reserve Bank and its branches acting as Fiscal Agent of the United States.

(b) "Treasury security" means a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form of a definitive Treasury security or a book-entry Treasury security.

(c) "Definitive Treasury security" means a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in engraved or printed form.

(d) "Book-entry Treasury security" means a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form of an entry made as prescribed in this subpart on the records of a Reserve Bank.

(e) "Serially-numbered advice of transaction" means the confirmation (prescribed in Sec. 306.116) issued by a Reserve Bank which is identifiable by a unique number and indicates that a particular written instruction to the Reserve Bank with respect to the deposit or withdrawal of a specified book-entry Treasury

security (or securities) has been executed.

(f) "Pledge" includes a pledge of, or any other security interest in, Treasury securities held as collateral for loans or advances or to secure deposits of public monies or the performance of an obligation.

(g) "Date of call" (see Sec. 306.2) is "the date fixed in the official notice of call published in the Federal Register \* \* \* on which the obligor will make payment of the security before maturity in accordance with its terms."

Sec. 306.116. Authority of Reserve Banks.

Each Reserve Bank is hereby authorized and directed, in accordance with the provisions of this subpart, to (a) issue book-entry Treasury securities by means of entries on its records which shall include the name of the depositor, the amount, the title of the loan (or the series) and the maturity date; (b) effect conversions between book-entry Treasury securities and definitive Treasury securities; (c) otherwise service and maintain book-entry Treasury securities; and (d) issue serially-numbered advices of transactions with respect to each instruction relating to the deposit or withdrawal of a book-entry Treasury security (or securities) which has been executed. Each such advice shall confirm that book-entry Treasury securities of the amount, loan title (or series) and maturity date specified in the depositor's instruction have been deposited or withdrawn.

Sec. 306.117. Scope and effect of book-entry procedure.

(a) The book-entry procedure shall apply to Treasury securities deposited with any Reserve Bank (1) as collateral pledged to a Reserve Bank (in its individual capacity) for advances by it, (2) as collateral pledged to the United States under Treasury Department Circulars No. 92 or 176, both as revised and amended, and (3) by a member bank of the Federal Reserve System for its sole account and in lieu of the safekeeping of definitive Treasury securities by a Reserve Bank in its individual capacity. Any depositor which has definitive Treasury securities on deposit with a Reserve Bank (in either its individual capacity or as Fiscal Agent) for any purpose specified above or which hereafter deposits such securities for any such purpose shall be deemed to have consented to their conversion to book-entry Treasury securities pursuant to the provisions of this subpart, and in the manner and under the procedures prescribed by the Reserve Bank.

(b) (1) A Reserve Bank as Fiscal Agent of the United States may also apply the book-entry procedure provided for in this subpart to any Treasury securities which have been or are hereafter deposited for any purpose in accounts with it in its individual capacity under terms and conditions which indicate that the Reserve Bank will continue to maintain such deposit accounts in its individual capacity, notwithstanding application of the book-entry procedure to such securities. This paragraph is applicable, but not limited, to securities deposited: <sup>1/</sup>

(i) In connection with deposits in member banks of funds of States, municipalities, or other political subdivisions; or

(ii) In connection with the performance of an obligation or duty under Federal, State, municipal or local law, or judgments or decrees of courts.

The application of the book-entry procedure under this paragraph shall not derogate from or adversely affect the relationships that would otherwise exist between a Reserve Bank in its individual capacity and its depositors concerning any deposits under this paragraph. Whenever the book-entry procedure is applied to such Treasury securities, the Reserve Bank is authorized to take all action necessary in respect of the book-entry procedure to enable such Reserve Bank in its individual capacity to perform its obligations as depository with respect to such Treasury securities.

(2) The rights of all persons in all Treasury securities (whether pledged or otherwise) referred to in subparagraph (1) of this paragraph shall in all respect be the same when those securities are in book-entry form as if definitive Treasury securities in bearer form in the same amount and of the same loan (or series) and maturity date had at all times been held in custody by the Reserve Bank in its individual capacity in accordance with the agreement between such bank and its depositors.

(c) In addition to applying the book-entry procedure to Treasury securities deposited under paragraphs (a) and (b) of this section, the procedure may be applied by any Reserve Bank,

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<sup>1/</sup> See T.D. 6934, as amended by T.D. 7015, as set out in the Appendix to this subpart for rules of identification of book-entry securities for Federal income tax purposes.

with the approval of the Secretary of the Treasury, to any other Treasury securities deposited with the Reserve Bank.

(d) No deposits shall be accepted under this section on or after the date of maturity or call of the securities.

Sec. 306.118. Pledges.

A pledge of book-entry Treasury securities maintained under Sec. 306.117 is effected, notwithstanding any provision of law to the contrary, by a Reserve Bank's making an appropriate entry in its records of the amount of the securities pledged. The making of such entry (a) shall have the effect of a delivery of definitive Treasury securities in bearer form in the amount of the obligations pledged; (b) shall have the effect of a taking of delivery by the pledgee; (c) shall effect a perfected security interest therein in favor of the pledgee; and (d) shall constitute such pledgee a holder. No filing or recording with a public recording office or officer shall be necessary to perfect any pledge in any book-entry Treasury securities under this subpart. Any pledge of definitive Treasury securities existing at the time of the conversion hereunder of such securities to book-entry form shall continue to be fully effective notwithstanding such conversion. A reserve Bank shall, upon receipt of appropriate instructions, convert book-entry Treasury securities into definitive Treasury securities and deliver them to the pledgee or other appropriate party for disposition under the applicable pledge arrangement; and the pledge interest of the pledgee in such book-entry Treasury securities prior to conversion to definitive securities shall continue without interruption to be fully effective with respect to such definitive securities.

Sec. 306.119. Limitations on transfers or pledges.

Except as provided in this subpart, book-entry Treasury securities may not be assigned, transferred, hypothecated, pledged as collateral, or used as security for the performance of an obligation, and the Treasury Department will not recognize any such assignment, transfer, hypothecation, pledge or use.

Sec. 306.120. Withdrawals and transfers.

Withdrawals and transfers of book-entry Treasury securities may be made upon a depositor requesting (a) delivery of like definitive Treasury securities to itself or on its order to a transferee, or (b) transfer to any transferee eligible under Sec. 306.117. The making of any book-entry transfer by a Reserve Bank shall have the same effect as a delivery to the transferee

of definitive Treasury securities in bearer form. The transfer of book-entry Treasury securities within a Reserve Bank will be made in accordance with procedures established by the latter not inconsistent with this subpart. The transfer of book-entry Treasury securities between Reserve Banks will be made through a telegraphic transfer procedure. All requests for withdrawal or for transfer must be made prior to the maturity or date of call of the securities. Treasury bonds and notes which are actually to be delivered upon withdrawal or transfer may be issued either in registered or in bearer form, except that EA and EO series of Treasury notes will be issued in bearer form only.

Sec. 306.121. Registered bonds and notes.

No formal assignment shall be required for the conversion to book-entry Treasury securities of registered Treasury securities held by a Reserve Bank (in either its individual capacity or as Fiscal Agent) on the effective date of this subpart for any purpose specified in Sec. 306.117(a). Registered Treasury securities deposited thereafter with a Reserve Bank for any purpose specified in Sec. 306.117 shall be assigned for conversion to book-entry Treasury securities. The assignment, which shall be executed in accordance with the provisions of Subpart F of the regulations in this part, so far as applicable, shall be to "Federal Reserve Bank of \_\_\_\_\_, as Fiscal Agent of the United States, for conversion to book-entry Treasury securities."

Sec. 306.122. Servicing book-entry Treasury securities; payment of interest, payment at maturity or upon call.

Interest becoming due on book-entry Treasury securities shall be charged in the Treasurer's account on the interest due date and remitted or credited in accordance with the depositor's instructions. Such securities shall be redeemed and charged in the Treasurer's account on the date of maturity, call or advance refunding, and the redemption proceeds, principal and interest, shall be disposed of in accordance with the depositor's instructions.

JOHN K. CARLOCK  
Fiscal Assistant Secretary  
of the Treasury.

APPENDIX FOR SUBPART O

TREASURY DEPARTMENT CIRCULAR NO. 300, THIRD REVISION, AS AMENDED

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Records for Federal Income Tax Purposes

Section 1.1012-1(c) of the Federal Income Tax Regulations provides certain rules regarding the identification of securities for the purpose of determining the basis (normally cost) and holding period of assets--data relevant in ascertaining the amount and nature of gain or loss upon the sale or transfer of the assets.

Subparagraph (7) of section 1.1012-1(c) of the Income Tax Regulations (added by Treasury Decision 6934 and amended by Treasury Decision 7015, quoted below) provides a special rule for the identification of a book-entry Treasury security directed to be disposed of by the owner. <sup>1/</sup> The special rule permits the serially-numbered advice of transaction (required by section 306.116 of this Subpart) issued by a Reserve Bank upon completion of a transaction, when made pursuant to written instructions, to be used in identifying the particular security sold or transferred. The written instruction and advice of transaction constitute adequate identification.

Revenue Ruling 67-419, as amplified by Revenue Ruling 69-416, both set forth below, particularizes the manner in which the identification may be made by requiring the written instruction to identify the particular book-entry Treasury security either by purchase date and cost or by reference, where applicable, simply to the serially-numbered advice of transaction relating

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1/ It should be noted that this rule is only appropriate where the disposing owner retains one or more securities of precisely the same description which it had acquired on a different date or at a different price. Where a security of precisely the same description acquired on a different date or at a different price is not retained, there is no problem of identifying the securities being sold or transferred, since either no others of similar description are owned, or they are from the same lot.



to its acquisition. This latter method applies only to a limited class of case--that is, where the securities are acquired by a Reserve Bank for the owner in book-entry form, either upon original subscription to a Treasury offering or otherwise. <sup>2/</sup>

It is important for a taxpayer to comply fully with the special rule of section 1.1012-1(c)(7) of the Income Tax Regulations if it wishes to be certain that the "first-in, first-out" (FIFO) rule of section 1.1012-1(c)(1) of the cited regulations will not apply to its disposition of a book-entry Treasury security.

Although dealers in any securities are not eligible as dealers to hold a Treasury security in book-entry form under the present Fiscal Service Regulations, if they are otherwise eligible to do so, they may hold such a security in the form of a book-entry for investment purposes. Since all dealers in securities are subject to the requirements of section 1236 of the Internal Revenue Code, the Revenue Ruling set forth below also provides a method for them to use in identifying a book-entry Treasury security held for investment which satisfies section 1236. Whenever a book-entry security is acquired on original issue or otherwise for the account of the owner, the Reserve Bank will issue a serially-numbered advice. The entry on the taxpayer's books of account of the number of the advice, together with a description of the security acquired to which it relates and an indication that it is held for investment, will be sufficient to identify it as being held for investment purposes.

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<sup>2/</sup> The serially-numbered advice of transaction issued by a Federal Reserve Bank in this or any other type of case in or in connection with book entry will not contain price and date of acquisition but in this type of case the advice relating to the acquisition can be used to identify the particular book-entry security involved. Since the mere conversion by a Reserve Bank of definitive Treasury securities owned by a depositor into book-entry form (or vice versa) occurs after the depositor-taxpayer's books of account properly should reflect their acquisition, which might have been at different times or at different prices, the number of a serially-numbered advice of transaction relating to such conversion affords no adequate means of identifying a particular security for purposes of either Section 1012 or Section 1236 of the Internal Revenue Code of 1954.

The substantive portion of T.D. 6934, approved November 7, 1967, as amended by T.D. 7015, approved June 4, 1969, reads as follows:

TITLE 26--INTERNAL REVENUE

CHAPTER I--INTERNAL REVENUE SERVICE,  
DEPARTMENT OF THE TREASURY

SUBCHAPTER A--INCOME TAX

PART 1--INCOME TAX; TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953

Identification of book-entry Treasury securities

In order to modify the identification rules for purposes of determining basis and holding period of property in the case of certain Treasury securities, paragraph (c) of Sec. 1.1012-1 of the Income Tax Regulations (26 CFR Part 1) is amended by the addition of subparagraph (7), which, as amended, reads as follows:

Sec. 1.1012-1 Basis of property.

\* \* \* \* \*

(c) Sale of stock. \* \* \*

(7) Book-entry Treasury securities.

(i) In applying the provisions of subparagraph (3)(i)(b) of this paragraph in the case of a sale or transfer of a book-entry Treasury security which is made pursuant to a written instruction by the seller or transferor, the serially-numbered advice of transaction prescribed by the Fiscal Service of the Department of the Treasury and furnished by a Reserve Bank shall constitute confirmation as required by such subparagraph.

(ii) For purposes of this subparagraph:

(a) The term "book-entry Treasury security" means a transferable Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act (31 U.S.C. 774(2)), as amended, in the form of an entry made as prescribed in 31 CFR Part 306, Subpart 0, on the records of a Reserve Bank which is deposited in an account with a Reserve Bank (1) as collateral pledged to a Reserve Bank (in its individual capacity) for advances by it, (2) as collateral pledged to the United States under Treasury Department Circular No. 92 or 176, both as revised and amended, (3) by a member bank of the Federal Reserve System for its sole account for safekeeping by a

Reserve Bank in its individual capacity, (4) in lieu of a surety or sureties upon the bond required by section 61 of the Bankruptcy Act, as amended (11 U.S.C. 101), of a banking institution designated by a judge of one of the several courts of bankruptcy under such section as a depository for the moneys of a bankrupt's estate, (5) pursuant to 6 U.S.C. 15, in lieu of a surety or sureties required in connection with any recognizance, stipulation, bond, guaranty, or undertaking which must be furnished under any law of the United States or regulations made pursuant thereto, (6) by a banking institution, pursuant to a State or local law, to secure the deposit in such banking institution of public funds by a State, municipality, or other political subdivision, (7) by a State bank or trust company or a national bank, pursuant to a State or local law, to secure the faithful performance of trust or other fiduciary obligations by such State bank or trust company or national bank, or (8) to secure funds which are deposited or held in trust by a State bank or trust company or a national bank and are awaiting investment, but which are used by such State bank or trust company or national bank in the conduct of its business;

(b) The term "serially-numbered advice of transaction" means the confirmation (prescribed in 31 CFR 306.116) issued by the Reserve Bank which is identifiable by a unique number and indicates that a particular written instruction to the Reserve Bank with respect to the deposit or withdrawal of a specified book-entry Treasury security (or securities) has been executed; and

(c) The term "Reserve Bank" means a Federal Reserve Bank and its branches acting as Fiscal Agent of the United States.

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SECTION 1012.--BASIS OF PROPERTY--COST

26 CFR 1.1012-1: Basis of property.  
(Also Section 1236; 1.1236-1.)

Rev. Rul. 67-419

Section 1.1012-1(c)(7) of the Income Tax Regulations provides a special rule for the identification of a "book-entry Treasury security" (which is a "bond" under section 1.1012-1(c)(6) of the regulations) directed to be disposed of by the owner who holds securities of precisely the same description which were acquired on different dates or at different prices. This special rule permits the "serially-numbered advice of transaction" prescribed by the Fiscal Service of the Department of the Treasury and furnished by a "Reserve Bank" (as those terms are defined in section 1.1012-1(c)(7) of the regulations) to satisfy the requirements of section 1.1012-1(c)(3)(i)(b) of the regulations for a written confirmation if made pursuant to a written instruction by the seller or transferor. In such case, if the written instruction identifies the book-entry Treasury security to be sold either by purchase date and cost, or by reference to the serially-numbered advice of transaction relating to the acquisition, and a copy thereof is associated with the serially-numbered advice of transaction received from the Reserve Bank upon disposition, the identification requirement of section 1.1012-1(c)(3)(i) of the regulations shall be considered satisfied. Compare Rev. Rul. 61-97, C.B. 1961-1, 394, which provides a rule of identification in the circumstances described therein. Where the identification requirements of section 1.1012-1(c)(3)(i) of the regulations are satisfied in the manner provided for above, the rule stated in the first sentence of section 1.1012-1(c)(1) of the regulations will not be applied.

For the purpose of determining when a security is clearly identified in the records of a dealer in securities as a security held for investment within the meaning of section 1236 of the Internal Revenue Code of 1954, section 1.1236-1(d)(1) of the regulations provides that an investment security is clearly identified where there is an accounting separation of the security from other securities, as by making appropriate entries in the dealer's books of account to distinguish it from inventories and to designate it as an investment, and by (i) indicating with such entries the individual serial number of, or other characteristic symbol imprinted upon, the individual security, or (ii) adopting any other method of identification satisfactory to the Commissioner.

Using the definitions found in section 1.1012-1(c)(7) of the regulations wherever applicable here, the identification of a particular book-entry Treasury security in the dealer's books of

account by reference to the serially-numbered advice of transaction furnished by the Reserve Bank upon the acquisition of such security is a method of identification satisfactory to the Commissioner under section 1.1236-1(d)(1)(ii) of the regulations.

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Rev. Rul. 69-416

Treasury Decision 7015, published in the Federal Register dated June 20, 1969, amends section 1.1012-1(c)(7)(ii)(a) of the Income Tax Regulations to expand the types of transactions to which the "book-entry Treasury security" rules contained in the regulations under section 1012 of the Internal Revenue Code of 1954 are applicable. These identification rules are used in certain circumstances to determine the basis and holding period of book-entry Treasury securities upon their sale or transfer.

Revenue Ruling 67-419, C.B. 1967-2, 265, specifies the information to be contained in a written instruction to sell or transfer a book-entry Treasury security in order that a "serially-numbered advice of transaction" will satisfy the "written confirmation" requirements of section 1.1012-1(c)(3)(i)(b) of the regulations. In addition, Revenue Ruling 67-419 states that for purposes of section 1236 of the Code and the regulations thereunder (relating to the identification of securities held by a dealer for investment), the identification of a particular book-entry Treasury security in the dealer's books of account by reference to the "serially-numbered advice of transaction" furnished by the "Reserve Bank" (as those terms are defined in section 1.1012-1(c)(7) of the regulations) upon the acquisition of such security is a satisfactory method of identification.

Revenue Ruling 67-419 is hereby amplified to be made applicable to transactions to which the book-entry Treasury security rules have been extended by the amendment of section 1.1012-1(c)(7)(ii)(a) of the regulations.

**FEDERAL RESERVE BANK  
OF DALLAS**  
*Fiscal Agent of the United States*

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**BOOK-ENTRY TREASURY SECURITIES**

**FISCAL AGENCY OPERATING CIRCULAR NO. 3**

Revised Effective September 1, 1969



Any inquiry relating to this Circular should be addressed to the  
Fiscal Agency Department, Federal Reserve Bank of Dallas.

## FISCAL AGENCY OPERATING CIRCULAR NO. 3

Revised Effective September 1, 1969

### BOOK-ENTRY TREASURY SECURITIES

To All Banking Institutions and Others  
Concerned in the Eleventh Federal  
Reserve District :

1. This circular contains information and instructions relating to the general terms and conditions governing the issuance and maintenance by this Bank, as fiscal agent of the United States, of certain book-entry Treasury securities under Subpart O of Treasury Department Circular No. 300 (hereinafter "Subpart O"). For purposes of this circular, the terms "Treasury security," "definitive Treasury security," and "book-entry Treasury security" shall have the meanings prescribed in Section 306.115 of Subpart O. References in this circular to "this Bank" or to "us" refer, unless otherwise indicated, to this Bank and its Branches at El Paso, Houston and San Antonio, as fiscal agent of the United States.

#### BOOK-ENTRY TREASURY SECURITIES

2. (a) In accordance with Section 306.117(a) of Subpart O, this Bank issues and maintains transferable Treasury bonds, notes, certificates of indebtedness, and bills issued under the Second Liberty Bond Act by means of entries on the records of this Bank ("book-entry Treasury securities") when such Treasury securities are deposited with this Bank for any of the following purposes: (1) as collateral for advances by this Bank, in its individual capacity; (2) as collateral for balances in Treasury Tax and Loan Accounts or for deposits of public moneys under Treasury Department Circular No. 92 or No. 176, respectively; or (3) for the sole account of a member bank in this District and in lieu of the safekeeping of definitive Treasury securities.

(b) Under Section 306.117(b) of Subpart O, this Bank may also apply the book-entry procedure to Treasury securities deposited, as collateral or for other purposes, in accounts

maintained by this Bank in its individual capacity and as to which this Bank in its individual capacity is to continue to maintain such deposit accounts notwithstanding application of the book-entry procedure to such securities. Our current Bulletin No. 7, Custody of Securities, specifies the terms and conditions applicable to deposit accounts maintained by this Bank, in its individual capacity, as to which the book-entry procedure is applied under said Section 306.117(b).

(c) In addition, under Section 306.117(c) of Subpart O, the book-entry procedure may be applied by this Bank, in its discretion and with the approval of the Secretary of the Treasury, to Treasury securities deposited with this Bank for any other purpose; accounts maintained under Section 306.117(c) will be handled pursuant to such terms as may be agreed upon between this Bank and the depositors of such securities.

(d) Subpart O also authorizes this Bank to convert definitive Treasury securities to and from book-entry Treasury securities.

(e) In view of certain Federal income tax consequences, banks which are "dealers" (defined in 26 Code of Federal Regulations, Section 1.471-5) in securities should consider the footnote to Subpart O and the Appendix to said Subpart before depositing any securities under this circular.

(f) Any member bank or other depositor which has definitive Treasury securities on deposit with this Bank, in either its individual capacity or as fiscal agent of the United States, for any of the purposes specified in paragraph 2(a) hereof on January 1, 1968 or which thereafter deposits any such securities or for whose account such securities are deposited for any of such purposes, will be deemed to have authorized the conversion of such securities into book-entry Treasury securities and to have agreed to all of the provisions of this circular.

Our Head Office and our three branches maintain book-entry Treasury securities for depositors located in the territory assigned to them.

**DEPOSIT, MAINTENANCE,  
AND WITHDRAWAL**

**Original Issue of Book-Entry Treasury Securities**

3. If upon original issue of Treasury securities the subscriber requests that the securities be held by this Bank for any of the purposes specified in paragraph 2(a) hereof, such issue will be made in the form of book-entry Treasury securities in accordance with the terms of this circular and will be entered in a book-entry account in the name of the depositor.

**Conversion of Securities To and From  
Book-Entry Treasury Securities**

4. Unless this Bank, in either its individual capacity or as fiscal agent of the United States, determines that special circumstances require otherwise, definitive Treasury securities deposited with this Bank prior to maturity or call by or for account of a member bank or other depositor in this District for any of the purposes specified in paragraph 2(a) hereof will be converted to book-entry Treasury securities in accordance with the terms of this circular and entered in a book-entry account in the name of the depositor. Registered Treasury securities must be assigned to "Federal Reserve Bank of Dallas as Fiscal Agent of the United States, for conversion to book-entry Treasury securities," and such assignment must be executed in accordance with Subpart F of Treasury Department Circular No. 300.<sup>1</sup> This Bank reserves the right to convert any book-entry Treasury security to a definitive Treasury security of the same amount, loan title (or series), and maturity date, such definitive security to be held or otherwise dealt with in accordance with the agreement pursuant to which the security is then on deposit.

**Deposit of Book-Entry Treasury Securities**

5. Treasury securities maintained in accounts referred to in paragraphs 2(b) or 2(c) hereof may be deposited in book-entry accounts

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<sup>1</sup> In accordance with Subpart O of Treasury Department Circular No. 300, however, no such assignment is required in respect of registered securities on deposit with this Bank on the effective date of said Subpart O.

maintained for any purpose specified in paragraph 2(a) hereof. Subpart O provides, in effect, that the making of such deposits of book-entry Treasury securities shall have the same effect as a delivery of definitive Treasury securities in bearer form.

**Pledge of Book-Entry Treasury Securities**

6. Member banks and other depositors in this District may pledge Treasury securities for any of the collateral-pledge purposes specified in paragraph 2(a) hereof by executing the relevant applications, agreements, or other documents required to effect the transactions and by depositing the securities to be maintained by this Bank as book-entry Treasury securities. Subpart O provides that a security interest in favor of the pledgee of book-entry Treasury securities is perfected upon the making of an appropriate entry in the relevant book-entry account of the amount of the Treasury securities pledged.

**Withdrawal of Book-Entry Treasury Securities**

7. At any time prior to maturity or call, book-entry Treasury securities may be withdrawn by the depositor for whose sole account such securities are maintained, and book-entry Treasury securities maintained for any of the collateral-pledge purposes specified in paragraph 2(a) hereof may be so withdrawn by the pledgor thereof if they have been released from such pledge. Such withdrawn securities will be converted into definitive Treasury securities in bearer form, or, if this Bank is so requested, in register form,<sup>2</sup> in the amount, loan title (or series), and maturity date of the securities withdrawn, and such definitive securities will be delivered to the depositor effecting the withdrawal or on its order to a transferee.

**Transfer of Book-Entry Treasury Securities**

8. At any time that a book-entry Treasury security could be withdrawn under paragraph 7 hereof, such security may be transferred by the depositor thereof to any other book-entry account maintained by this Bank for any of the purposes specified in paragraph 2(a) hereof or to any account referred to in paragraph 2(b)

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<sup>2</sup> Except for Treasury bills, certificates of indebtedness, and notes of EA and EO series.



or 2(c) hereof. Such transfers will be effected on the records of this Bank by entry of the amount, loan title (or series), and maturity date of the securities in a book-entry account maintained in the name of the transferee. Subpart O provides that a transfer of book-entry Treasury securities has the same effect as a delivery to the transferee of definitive Treasury securities in bearer form. Book-entry Treasury securities may also be transferred by wire in appropriate cases to a bank or other party in another Federal Reserve District under the provisions of Fiscal Agency Operating Circular No. 2 of the Federal Reserve Bank of Dallas.

#### **Representation As to Securities Tendered For Deposit**

9. Any party tendering securities for deposit for any of the purposes specified in paragraph 2(a) hereof is deemed to represent that it has the unqualified right to deposit such securities for the purpose for which they are being deposited, and any depositor for which this bank maintains securities under this circular will be deemed to represent that such securities are and will be free and clear of any interest, as security or otherwise, inconsistent with the purpose for which they are maintained and dealt with by this Bank pursuant to the instructions of the depositor.

#### **Receipt and Delivery of Securities**

10. Definitive Treasury securities may be delivered to this Bank for account of a member bank, and definitive Treasury securities in the amount of withdrawn book-entry Treasury securities will be delivered to someone other than the member bank depositor for whose account they are held, either against receipt or against payment. Definitive Treasury securities will be received and delivered under this circular for the account of depositors other than member banks only against receipt. Instructions to receive securities against payment for account of a member bank will constitute our authority to charge the reserve account of the member bank with the amount of such securities on the day the securities are received by us. When instructed by a member bank to deliver definitive securities against payment, unless other instructions are received, such payment will be accepted in immediately available funds, and the

amount thereof will be credited to the reserve account of the member bank withdrawing the securities on the day the securities are delivered.

#### **Advices of Deposit and Withdrawal**

11. Securities deposited with this Bank for any of the purposes specified in paragraph 2(a) hereof will be described in a serially-numbered advice which this Bank will send to the depositor of such securities. These advices are neither transferable nor negotiable and their return will not be required when securities are withdrawn from maintenance as book-entry Treasury securities or transferred from one book-entry account to another such account. Advices will also be sent when securities are withdrawn. Advices of deposit and withdrawal are issued in the form of "serially-numbered advices of transactions" prescribed by the Fiscal Service of the Treasury Department and should be retained by depositors for Federal income tax purposes, as more fully explained in the Appendix to Subpart O.

#### **Redemption of Book-Entry Treasury Securities; Interest**

12. All maturing book-entry Treasury securities will be redeemed by this Bank at maturity or call. Interest on all book-entry Treasury securities will be paid by this Bank on the date on which such interest becomes due and payable. Unless otherwise instructed by the depositor or pledgee, the amount of such maturing securities or such interest will be credited, under advice, to the reserve account of a member bank depositor, and the amount of such maturing securities or such interest will be paid or credited, under advice, to a depositor other than a member bank in accordance with its instructions.

#### **Depositors' Instructions**

13. (a) All instructions with reference to book-entry Treasury securities should be in writing over authorized signature(s) on behalf of the depositor for whose account such securities are handled. In exceptional circumstances or emergencies this Bank, in its discretion, may accept and act upon instructions from member banks transmitted by telegraph or telephone on the understanding that written confirmation of such instructions over authorized signature(s)

will be mailed to us promptly. Telegrams should be forwarded prepaid and should be in the American Bankers Association code wherever possible.

(b) In some cases it will be desirable for Federal income tax purposes for a depositor to include in its instructions concerning the withdrawal or transfer of its book-entry Treasury securities the date and price of acquisition of such securities. In determining whether to include such information, the attention of depositors is called to the Appendix to Subpart O. Inclusion by a depositor in its instructions of information as to the acquisition date and price of such securities is for Federal income tax purposes only, and this Bank will not attempt to verify the accuracy of such information.

#### **SHIPMENT OF TREASURY SECURITIES**

14. All shipments of definitive Treasury securities upon conversion from book-entry form shall be at the risk and expense of the depositor effecting the withdrawal. The provisions of our current Bulletin No. 7 regarding shipments of securities to or from this Bank and insurance of such shipments apply to shipments of definitive Treasury securities for conversion to or from book-entry Treasury securities.

#### **REVISION OF THIS CIRCULAR**

15. The right is reserved to withdraw, add to, or amend at any time any of the provisions of this circular.

Federal Reserve Bank of Dallas  
Fiscal Agent of the United States

**FEDERAL RESERVE BANK  
OF DALLAS**

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**CUSTODY OF SECURITIES**

**BULLETIN 7**

**Effective September 1, 1969**

(Superseding Bulletin No. 7 Dated November 7, 1956,  
and Supplement Dated January 1, 1968.)



**Any inquiry relating to this Bulletin should be addressed to the  
Cash Department, Federal Reserve Bank of Dallas.**

## BULLETIN 7

Effective September 1, 1969

### CUSTODY OF SECURITIES

To the Member Banks of the  
Eleventh Federal Reserve District:

This bulletin describes the services of the Federal Reserve Bank of Dallas relating to the custody of securities. Any member bank depositing, either directly or through others, securities with this Bank, or its Branches, shall, by such action, be understood to have agreed to the terms and conditions set forth herein. For purposes of this bulletin, and, unless otherwise stated, all references to the Federal Reserve Bank of Dallas or "this Bank" shall include its Branches at El Paso, Houston and San Antonio.

#### SCOPE OF SERVICE

1. The services described herein are maintained primarily for the convenience of member banks located outside of Federal Reserve cities. Under special circumstances, however, these services may be extended to member banks located in those cities.

2. Except as hereinafter provided, only securities which are neither assigned nor pledged and which are owned by the depositing bank will be accepted. Securities acceptable for custody by this Bank include all bonds, notes, certificates of indebtedness, and Treasury bills issued or guaranteed by the United States Government, and miscellaneous state, municipal or corporate bonds. Such securities will be held in custody for the account, at the risk and subject only to the order of the member bank named as owner in the acknowledgement issued by this Bank.

3. Securities belonging to member banks which are pledged to departments, agencies, or officials of the United States Government to be held subject to the instructions thereof will be accepted pursuant to any Act of Congress or any regulation or request of the Secretary of the Treasury providing for the deposit of securities with a Federal Reserve Bank.

4. Securities belonging to member banks which are pledged to officials of states, or political subdivisions thereof, as security for public deposits, will be accepted when application is made jointly by the member bank and the public body whose deposit is secured. Special forms are furnished by the Federal Reserve Bank for this purpose.

5. No charge will be made for holding securities in custody, but charges will be made to cover the cost of transportation and insurance on incoming and outgoing shipments of securities, for telephone and telegraph expense, and collection charges, if any, made by collecting banks.

#### TRANSFERABLE TREASURY SECURITIES BOOK-ENTRY SECURITIES

6. In accordance with Section 306.117(a) of Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States, maintains transferable Treasury bonds, notes, certificates of indebtedness and bills issued under the Second Liberty Bond Act by means of entries on the records of this Bank as such fiscal agent ("book-entry Treasury securities") when such transferable Treasury securities are deposited with us for any of the following purposes: (1) as collateral for advances by this Bank in its individual capacity; (2) as collateral for balances in Treasury Tax and Loan Accounts or for deposits of public monies under Treasury Department Circular No. 92 or No. 176, respectively; or (3) for the sole account of a member bank in this District and in lieu of the safekeeping of definitive Treasury securities. Transferable Treasury securities maintained in such book-entry form under Section 306.117(a) are handled pursuant to the terms and conditions of this Bank's Fiscal Agency Operating Circular No. 3, "Book-Entry Treasury Securities," notwithstanding any inconsistent provisions herein.

7. Under Section 306.117(b) of Subpart O of Treasury Department Circular No. 300, this

Bank, as fiscal agent of the United States, may apply the book-entry procedure to Treasury securities deposited in accounts maintained by this Bank in its individual capacity and as to which securities this Bank in its individual capacity is to continue to maintain such deposit accounts notwithstanding application of the book-entry procedure to such securities. Such accounts include, but are not limited to, accounts in which Treasury securities are deposited (i) as collateral to secure deposits in member banks of public funds by a State, municipality or other political subdivision, (ii) pursuant to Section 61 of the Bankruptcy Act (11 U.S.C. 101) in connection with deposits of bankruptcy funds in commercial banks, (iii) as collateral in connection with the qualification of member banks to exercise trust powers, or (iv) as collateral to secure deposits of trust funds in the commercial banking departments of member banks. Section 306.117(b) of Subpart O provides that such application of the book-entry procedure shall not derogate from or adversely affect the relationships that would otherwise exist between any Reserve Bank in its individual capacity and its depositors; and that the rights of all persons in and with respect to the obligations of the United States represented by such Treasury securities shall be in all respects and at all times the same as though definitive Treasury securities in bearer form in the same amount and of the same loan title (or series) and maturity date as those entered in the deposit account had been at all times held in custody by such Reserve Bank in its individual capacity in such account under the deposit agreement between such Reserve Bank and its depositor.

8. Any bank or other depositor whose definitive Treasury securities are on deposit in any account specified in paragraph 7 above maintained by this Bank in its individual capacity on October 1, 1969, and any bank or other depositor which on or after such date deposits or causes to be deposited any such securities in any of the aforesaid accounts or any other account specified by this Bank for application of the book-entry procedure under Section 306.117(b) of Subpart O of Treasury Department Circular No. 300 will be deemed to have authorized this Bank to employ the book-entry procedure under the provisions of such section with respect to such Treasury securities and to have author-

ized the conversion of such definitive Treasury securities to book-entry form.

9. In the event the book-entry procedure is applied to Treasury securities under the provisions of Section 306.117(b) of Subpart O, it will be understood that:

a. The terms and conditions of this Bulletin, or in the event of a particular agreement between this Bank and its depositor, the terms and conditions of such agreement, shall apply to such securities, notwithstanding application of the book-entry procedure to the securities.

b. An advice of deposit from this Bank referring to Treasury securities on deposit with this Bank and using the designation "BE-I" will constitute advice that such Treasury securities are in book-entry form under the provisions of Section 306.117(b) of Subpart O.

c. Advices of deposit and withdrawal with respect to such Treasury securities are issued in the form of "serially-numbered advices of transactions" prescribed by the Fiscal Service of the Treasury Department and should be retained by depositing banks for Federal income tax purposes. (See the footnote to Subpart O and the Appendix to such Subpart O.)

10. Under Section 306.117(c) of Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States, may also apply the book-entry procedure to Treasury securities deposited in other accounts designated by this Bank. Transferable Treasury securities maintained in book-entry form under Section 306.117(c) are handled pursuant to such terms and conditions as may be agreed upon between this Bank and the depositors of such securities.

#### **LIMITATION OF LIABILITY ON SECURITIES HELD IN CUSTODY**

11. Each bank or other party depositing securities with this Bank either directly or through others shall by such action be deemed to have agreed that the Federal Reserve Bank of Dallas:

a. Will be responsible only for the exercise of the same diligence with which it cares for its own property;

b. Will not be liable for any loss of such securities when a loss is due to any cause other than lack of such diligence;

c. Will not be responsible for the genuineness, validity, or alteration of or any defect in such securities; and

d. Will not be obligated to maintain any form of insurance for the account of the depositor in relation to securities held in custody for it.

#### **ACKNOWLEDGMENTS AND RECEIPTS**

12. An acknowledgment form or joint safekeeping receipt describing the securities and indicating the purpose for which they are held, will be issued for each deposit. The acknowledgment form and joint safekeeping receipt are not negotiable or transferable and their return to this Bank will not be required for the release of the securities.

#### **SERVICES PERFORMED BY FEDERAL RESERVE BANK**

13. In the absence of specific instructions to the contrary, this Bank will endeavor to perform certain services as outlined herein but will assume no liability for failure to perform such services. These services are intended merely as an aid to member banks and do not relieve the member bank of its own duty to keep itself informed of maturities, call dates, and other information affecting its own portfolio.

#### **Collection of Maturing United States Government Securities (Unpledged)**

14. Unpledged United States Government securities and fully guaranteed obligations of its agencies which are payable by the Federal Reserve Bank of Dallas as fiscal agent of the United States and held by it in custody will, in the absence of specific instructions from the owner, be withdrawn prior to maturity or redemption call date, and the proceeds credited to the member bank's account on the due date.

#### **Collection of Maturing Municipal or Corporate Securities (Unpledged)**

15. Upon receipt of written authority furnished by the owning bank, this Bank will enter for collection, under the terms and conditions of the current bulletin of this Bank governing the collection of noncash items, maturing unpledged municipal or corporate securities payable in a city other than the domicile of the owning bank. Securities payable in the city or town in which the owning bank is located, or payable outside

the continental United States, will be shipped to the owning bank. The shipping charges for collecting municipal or corporate securities will be charged to the owning bank's account.

#### **Exchange of Maturing Securities (Unpledged)**

16. Under instructions from a member bank, this Bank will effect the exchange of maturing unpledged United States Government securities for available new issues. Upon receipt of the new securities to be held in custody, a new acknowledgment will be issued therefor.

#### **Pledged Securities**

17. No action will be taken by this Bank relative to maturing or called securities which are pledged, except upon receipt of appropriate written instructions of the owning bank and the pledgee. When so instructed, maturing securities, other than United States Government securities, will be handled for collection under the terms and conditions of the current bulletin of this Bank governing the collection of noncash items, and United States Government securities will be redeemed. Disposition of the proceeds, when available, will be made upon receipt of appropriate instructions.

#### **Notice of Called or Maturing Securities**

18. This Bank will notify banks of the approaching maturity of United States Government securities only if such securities are pledged, or if new issues of securities are to be offered in exchange therefor. Notice of maturity of all municipal or corporate securities will be given in advance of maturity date. However, this Bank does not maintain a called securities record, and, therefore, cannot undertake to advise banks when securities are called for redemption.

#### **Municipal or Corporate Securities Received for the Account of Member Banks**

19. Under appropriate written instructions from a member bank, this Bank will accept for the member bank's account municipal or corporate securities delivered by brokers and others and make payment therefor at the price stipulated in the purchasing bank's letter. In handling these transactions, this Bank acts solely as agent for the member bank and assumes no

responsibility for the genuineness, validity or any alteration of the securities received.

### **Collection of Maturing Coupons**

20. Unless otherwise instructed, this Bank will: (1) credit the owning bank on maturity date for maturing coupons detached from United States Government securities and fully guaranteed obligations of its agencies which are payable by the Federal Reserve Bank of Dallas as fiscal agent of the United States and held in custody for its account; and (2) enter for collection, under terms of this Bank's current bulletin governing the collection of noncash items, coupons detached from other securities held in custody and credit the account of the owning bank upon receipt of proceeds. Municipal or corporate coupons payable in the city or town in which the owning bank is located, or payable outside the continental United States, will be shipped to the owning bank. Coupons attached to securities which are pledged as collateral to a customer's note held under rediscount or as collateral to an advance by this Bank and held by this Bank will not be clipped and handled for collection, unless specific instructions are received in connection therewith.

### **Unpaid Coupons**

21. Coupons entered for collection and returned unpaid will be reattached to the securities from which they were detached, and the owning bank will be advised of the reason for nonpayment. In the absence of specific instructions from the owning bank, no further effort will be made to collect on these and subsequent coupons attached to such securities.

### **PLEDGING SECURITIES**

#### **To United States Government**

22. Upon written instructions from the owning bank and subject to the approval of the Treasury Department, this Bank will hold securities pledged to departments, agencies and officials of the United States as collateral to secure deposits under the terms of Treasury Department Circular No. 176.

#### **To United States District Courts**

23. Under designation as custodian by a United States District Court and at the request of the Court and a member bank, this Bank will

hold as collateral, securities pledged to secure court deposits. Securities held as collateral to secure United States District Court deposits can be substituted for, or withdrawn, only under order of the Court.

#### **To United States District Court Appointed Trustees**

24. Under designation as custodian by a United States District Court, this Bank will hold in custody securities pledged as collateral to secure deposits of trustees in bankruptcy or receivership. Securities held as collateral to secure deposits of Court appointed trustees can be substituted for, or withdrawn, only under order of the Court.

#### **Collateral to Treasury Tax and Loan Account**

25. This Bank will hold securities pledged by a depository bank to secure its Treasury Tax and Loan account. Deposit, release, or substitution of pledged securities should be authorized by this Bank acting as fiscal agent for the United States.

### **PLEDGING SECURITIES — JOINT SAFEKEEPING**

#### **With State Treasurer — State of Texas**

26. At the request of a member bank, subject to the approval of the State Depository Board, this Bank will hold in joint safekeeping securities pledged as collateral to secure deposits of the State Treasurer. Application for deposit, withdrawal, or substitution of such pledged securities should be made on appropriate forms furnished by this Bank.

#### **With Political Subdivisions**

27. At the request of a member bank and the governing body of a political subdivision, this Bank will hold in joint safekeeping securities pledged as collateral to secure deposits of the political subdivision. Requests for deposits, substitutions, or withdrawals should be made on appropriate forms furnished by this Bank and executed jointly by the depository bank and the governing body of the political subdivision. (This paragraph is not applicable in any state where law requires such pledged securities to be deposited within the state.)

### Trust Department of Member Banks

28. At the request of a member bank and the member bank's Trust Department, this Bank will hold in joint safekeeping securities pledged as collateral to secure deposits of uninvested funds of the member bank's Trust Department. Deposits, withdrawals, or substitutions of the pledged securities should be authorized by the joint execution by the member bank and its Trust Department on appropriate forms furnished by this Bank.

#### INSURANCE ON SECURITIES SHIPPED BY REGISTERED MAIL

29. Regardless of any other provision of this bulletin, any bank or other party shipping, or causing the shipment of, securities to this Bank shall by such action be deemed to have agreed that the risk of loss on such shipments occurring prior to the actual delivery thereof to this Bank by the post office, express company, or other carrier is not assumed by this Bank but is on the sender. Likewise, any bank ordering shipments of securities from this Bank shall by such action be deemed to have agreed that this Bank in making such shipments undertakes merely to make delivery to the post office, express company, or other carrier, and that the risk of loss occurring subsequent to such delivery is not assumed by this Bank but is on the party ordering such shipment.

30. The Federal Reserve Bank of Dallas holds open insurance policies under which registered mail shipments of securities made to or by this Bank may be insured. These policies afford protection against loss from the time of acceptance by the messenger or carrier, whether within or without the premises of the sender, and end when actual delivery has been made to the office of the addressee. They do not, however, cover losses through theft by the employees of the sender or the addressee, or losses by risks generally referred to as "war risks."

31. The policies contain the following clause eliminating such coverages:

"To cover . . . risks of physical loss of or damage to or destruction of property insured, except theft on the part of employees of senders or addressees, but this policy does not insure against: (a) capture, seizure, arrest, restraint, detainment, confiscation, preemption, requisition or

nationalization, and the consequences thereof or of any attempt thereat, whether in time of peace or war and whether lawful or otherwise; any consequences of hostilities or war-like operations (whether there be a declaration of war or not) but the foregoing shall not exclude collision, explosion or contact with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather or fire unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision any other vessel involved therein, is performing) by a hostile act by or against a belligerent power, the term 'power' as used herein including any authority maintaining naval, military or air forces in association with a power; or any loss or damage caused by any weapon of war employing atomic fission or radioactive force whether in time of peace or war; (b) the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, piracy, risks of contraband or illegal transportation or trade, and seizure or destruction under quarantine or customs regulations."

32. The liability of the insurers under these policies is limited to \$10,000,000 on property from any one sender to any one addressee on any one day unless dispatched by two or more trains, in which event the limit of liability shall apply to each train separately.

33. Shipments of securities by this Bank, other than shipments made in its capacity as fiscal agent of the United States at the expense and risk of the United States, will be made by registered mail, and, unless instructed to the contrary, this Bank will insure them as provided herein under the registered mail policies referred to at the expense of the member bank.

34. Shipments of securities to the Federal Reserve Bank may be insured under the registered mail policies referred to, at the expense and risk of the sender, provided the following conditions are observed:

a. On the day a shipment is made to this Bank, an advice must be sent by ordinary mail to the office to which the shipment is addressed, showing the name of the shipper, the number of sacks or packages comprising the shipment, a description of the contents, and the amount of



insurance to be effected. A copy of this advice should be placed in the shipment.

b. The contents of all shipments must be verified and enclosed in a strong wrapper, envelope, or cloth or canvas bag, securely sealed with wax, paper seal, or in any manner acceptable to the post office at the place of mailing.

c. The verifying, packaging and sealing must be done by an employee of the sender, and the sealed package must be in charge of a responsible person until deposited and registered at the post office, or shall be in the custody of an armored car service in transit from the office of the sender to the post office.

d. In the event of loss of a shipment insured under the registered mail policies referred to, claim will be made on behalf of the member bank for the amount for which the shipment is insured. Prompt notice of loss should be given this Bank, together with all available details regarding the loss.

35. Shipments of securities by this Bank as fiscal agent of the United States at the expense

and risk of the United States will be made by registered mail and will be insured under the Government Losses in Shipment Act. This coverage is provided for shipments of United States securities upon original issue and United States securities in exchange for temporary certificates. Risk of loss by the United States from such shipments terminates upon delivery by the post office. Stock of unissued United States Savings Bonds shipped to issuing agents is the property of the United States, and hence such shipments are at the expense and risk of the United States and the interest of the Government does not cease upon delivery by the post office.

**REVISION OF THIS BULLETIN**

36. The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this bulletin.

Yours very truly,

P. E. Coldwell

President