

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

DALLAS, TEXAS 75222

Circular No. 73-125

May 24, 1973

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

Enclosed is a current copy of Treasury Department Circular No. 300,
4th Revision, entitled "General Regulations Governing United States Securities."
Please note that this revision replaces the Third Revision dated December 23,
1964, and all subsequent amendments, supplements, etc.

Additional copies are available upon request.

Yours very truly,

P. E. Coldwell

President

Enclosure

DEPARTMENT OF THE TREASURY

Fiscal Service,
Bureau of the Public Debt



GENERAL REGULATIONS
GOVERNING

UNITED STATES SECURITIES

Dept. Circular No. 300,
4th Rev.

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PART II



DEPARTMENT OF THE TREASURY

Fiscal Service,
Bureau of the Public Debt



GENERAL REGULATIONS GOVERNING UNITED STATES SECURITIES

**Dept. Circular No. 300,
4th Rev.**

Title 31—Money and Finance: Treasury
CHAPTER II—FISCAL SERVICE,
DEPARTMENT OF THE TREASURY
SUBCHAPTER B—BUREAU OF THE PUBLIC
DEBT

PART 306—GENERAL REGULATIONS
GOVERNING U.S. SECURITIES

The regulations in 31 CFR Part 306 have been revised and amended for the purpose of facilitating the functioning of transactions in marketable U.S. securities.

Notice and public procedures are unnecessary and are dispensed with as the revision is largely declaratory of the revisions and amendments heretofore published in the FEDERAL REGISTER and fiscal policy of the United States is involved. The changes were effected under authority of R.S. 3706; 40 Stat. 288, 502, 844, 1309; 42 Stat. 321; 46 Stat. 20; 48 Stat. 343; 49 Stat. 20; 50 Stat. 481; 52 Stat. 447; 53 Stat. 1359; 56 Stat. 189; 73 Stat. 622; and 85 Stat. 5, 74 (31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a, and 754b); 5 U.S.C. 301.

Dated: March 9, 1973.

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

Department of the Treasury Circular No. 300, Third Revision, dated December 23, 1964 (31 CFR Part 306), as amended, is hereby further amended and issued as the Fourth Revision.

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AUTHORITY: R.S. 3706; 40 Stat. 288, 502, 844, 1309; 42 Stat. 321; 46 Stat. 20; 48 Stat. 343; 49 Stat. 20; 50 Stat. 481; 52 Stat. 477; 53 Stat. 1359; 56 Stat. 189; 73 Stat. 622; and 85 Stat. 5, 74 (31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a, and 754b); 5 U.S.C. 301.

Subpart A—General Information

§ 306.0 Applicability of regulations.

These regulations apply to all U.S. transferable and nontransferable securities,¹ other than U.S. Savings Bonds and U.S. Savings Notes, to the extent specified in these regulations, the offering circulars or special regulations governing such securities.

§ 306.1 Official agencies.

(a) *Subscriptions—tenders—bids.* Securities subject to these regulations are issued from time to time pursuant to public offerings by the Secretary of the Treasury, through the Federal Reserve banks, fiscal agents of the United States, and the Treasurer of the United States. Only the Federal Reserve banks and branches and the Department of the Treasury are authorized to act as official agencies, and subscriptions or tenders for Treasury securities, and bids, to the extent provided in the regulations governing the sale of Treasury securities through competitive bidding, may be made direct to them. However, tenders for Treasury bills are not received at the Department.

(b) *Transactions after issue.* The Bureau of the Public Debt of the Department of the Treasury is charged with matters relating to transactions in securities. Correspondence concerning transactions in securities and requests for appropriate forms may be addressed to (1) the Federal Reserve bank or branch of the district in which the correspondent is located, or (2) the Bureau of the Public Debt, Division of Securities Operations, Washington, D.C. 20226, or (3) the Office of the Treasurer of the

¹ These regulations may also be applied to securities issued by certain agencies of the United States and certain Government and Government-sponsored corporations.

United States, Securities Division, Washington, D.C. 20222, except where specific instructions are otherwise given in these regulations. The addresses of the Federal Reserve banks and branches are:

Federal Reserve Bank of Boston, Boston, Mass. 02106.

Federal Reserve Bank of New York, New York, N.Y. 10045.

Buffalo Branch, Buffalo, N.Y. 14240.

Federal Reserve Bank of Philadelphia, Philadelphia, Pa. 19101.

Federal Reserve Bank of Cleveland, Cleveland, Ohio 44101.

Cincinnati Branch, Cincinnati, Ohio 45201.

Pittsburgh Branch, Pittsburgh, Pa. 15230.
Federal Reserve Bank of Richmond, Richmond, Va. 23261.

Baltimore Branch, Baltimore, Md. 21203.

Charlotte Branch, Charlotte, N.C. 28201.

Federal Reserve Bank of Atlanta, Atlanta, Ga. 30303.

Birmingham Branch, Birmingham, Ala. 25202.

Jacksonville Branch, Jacksonville, Fla. 32203.

Nashville Branch, Nashville, Tenn. 37203.

New Orleans Branch, New Orleans, La. 70160.

Miami Office, Miami, Fla. 33152.

Federal Reserve Bank of Chicago, Chicago, Ill. 60609.

Detroit Branch, Detroit, Mich. 48231.

Federal Reserve Bank of St. Louis, St. Louis, Mo. 63166.

Little Rock Branch, Little Rock, Ark. 72203.

Louisville Branch, Louisville, Ky. 40201.

Memphis Branch, Memphis, Tenn. 38101.

Federal Reserve Bank of Minneapolis, Minneapolis, Minn. 55480.

Helena Branch, Helena, Mont. 59601.

Federal Reserve Bank of Kansas City, Kansas City, Mo. 64198.

Denver Branch, Denver, Colo. 80217.

Oklahoma City Branch, Oklahoma City, Okla. 73125.

Omaha Branch, Omaha, Nebr. 68102.

Federal Reserve Bank of Dallas, Dallas, Tex. 75222.

El Paso Branch, El Paso, Tex. 79999.

Houston Branch, Houston, Tex. 77001.

San Antonio Branch, San Antonio, Tex. 78295.

Federal Reserve Bank of San Francisco, San Francisco, Calif. 94120.

Los Angeles Branch, Los Angeles, Calif. 90051.

Portland Branch, Portland, Ore. 97208.

Salt Lake City Branch, Salt Lake City, Utah 84110.

Seattle Branch, Seattle, Wash. 98124.

§ 306.2 Definitions of words and terms as used in these regulations.

(a) "Advance refunding offer" is an offer to a holder of a security, usually a year or more in advance of its call or maturity date, to exchange it for another security.

(b) A "bearer" security is payable on its face at maturity or call for redemption before maturity in accordance with its terms to "bearer." The ownership is not recorded. Title to such a security may pass by delivery without endorsement and without notice. A "coupon" security is a bearer security with interest coupons attached.

(c) "Bureau" refers to the Bureau of the Public Debt, Division of Securities Operations, Washington, D.C. 20226.

(d) "Call date" or "date of call" is the date fixed in the official notice of call published in the FEDERAL REGISTER as the date on which the obligor will make payment of the security before maturity in accordance with its terms.

(e) "Court" means one which has jurisdiction over the parties and the subject matter.

(f) "Department" refers to the Department of the Treasury.

(g) "Face maturity date" is the payment date specified in the text of a security.

(h) "Incompetent" refers to a person under any legal disability except minority.

(i) "Joint owner" and "joint ownership" refer to any permitted form of ownership by two or more persons.

(j) "Nontransferable securities" are those issued only in registered form which according to their terms are payable only to the registered owners or recognized successors in title to the extent and in the manner provided in the offering circulars or special applicable regulations.

(k) "Payment" and "redemption," unless otherwise indicated by the context, are used interchangeably for payment at maturity or payment before maturity pursuant to a call for redemption in accordance with the terms of the securities.

(l) "Prerefunding offer" is an offer to a holder of a security, usually within the year preceding its call or maturity date, to exchange it for another security.

(m) "Redemption-exchange" is any authorized redemption of securities for the purpose of applying the proceeds in payment for other securities offered in exchange.

(n) A "registered" security refers to a security the ownership of which is registered on the books of the Department. It is payable at maturity or call for redemption before maturity in accordance with its terms to the person in whose name it is inscribed, or his assignee.

(o) "Securities assigned in blank" or "securities so assigned as to become in effect payable to bearer" refers to registered securities which are assigned by the owner or his authorized representative without designating the assignee. Registered securities assigned simply to "The Secretary of the Treasury" or in the case of Treasury Bonds, Investment Series B—1975—80, to "The Secretary of the Treasury for exchange for the current Series EA or EO Treasury notes" are considered to be so assigned as to become in effect payable to bearer.

(p) "Taxpayer identifying number" means the appropriate identifying number as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security account number or an employer identification number. A social security account number is composed of nine digits separated by two hyphens, for example, 123-45-6789; an employer identification number is composed of

nine digits separated by one hyphen, for example, 12-3456789. The hyphens are an essential part of the numbers and must be included.

(q) "Transferable securities," which may be in either registered or bearer form, refers to securities which may be sold on the market and transfer of title accomplished by assignment and delivery if in registered form, or by delivery only if in bearer form.

(r) "Treasurer's Office" refers to the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20222.

(s) "Treasury securities," "Treasury bonds," "Treasury notes," "Treasury certificates of indebtedness," and "Treasury bills," or simply "securities," "bonds," "notes," "certificates," and "bills," unless otherwise indicated by the context, refer only to transferable securities.

§ 306.3 Transportation charges and risks in the shipment of securities.

The following rules will govern transportation to, from, and between the Department and the Federal Reserve banks and branches of securities issued on or presented for authorized transactions:

(a) The securities may be presented or received by the owners or their agents in person.

(b) Securities issued on original issue, unless delivered in person, will be delivered by registered mail or by other means at the risk and expense of the United States.

(c) The United States will assume the risk and expense of any transportation of securities which may be necessary between the Federal Reserve banks and branches and the Treasury.

(d) Securities submitted for any transaction after original issue, if not presented in person, must be forwarded at the owner's risk and expense.

(e) Bearer securities issued on transactions other than original issue will be delivered by registered mail, covered by insurance, at the owner's risk and expense, unless called for in person by the owner or his agent. Registered securities issued on such transactions will be delivered by registered mail at the risk of, but without expense to, the registered owner. Should delivery by other means be desired, advance arrangements should be made with the official agency to which the original securities were presented.

Subpart B—Registration

§ 306.10 General.

The registration used must express the actual ownership of a security and may not include any restriction on the authority of the owner to dispose of it in any manner, except as otherwise specifically provided in these regulations. The Treasury Department reserves the right to treat the registration as conclusive of ownership. Requests for registration should be clear, accurate, and complete, conform with one of the forms set forth in this subpart, and include appropriate taxpayer identifying num-

bers.² The registration of all bonds owned by the same person, organization, or fiduciary should be uniform with respect to the name of the owner and, in the case of a fiduciary, the description of the fiduciary capacity. Individual owners should be designated by the names by which they are ordinarily known or under which they do business, preferably including at least one full given name. The name of an individual may be preceded by any applicable title, as, for example, "Mrs.," "Miss," "Ms.," "Dr.," or "Rev.," or followed by a designation such as "M.D.," "D.D.," "Sr." or "Jr." Any other similar suffix should be included when ordinarily used or when necessary to distinguish the owner from a member of his family. A married woman's own given name, not that of her husband, must be used, for example, "Mrs. Mary A. Jones," not "Mrs. Frank B. Jones." The address should include, where appropriate, the number and street, route, or any other local feature and the Zip Code.

§ 306.11 Forms of registration for transferable securities.

The forms of registration described below are authorized for transferable securities:

(a) *Natural persons in their own right.* In the names of natural persons who are not under any legal disability, in their own right, substantially as follows:

(1) *One person.* In the name of one individual. Examples:

John A. Doe (123-45-6789).
Mrs. Mary C. Doe (123-45-6789).
Miss Elizabeth Jane Doe (123-45-6789).

An individual who is sole proprietor of a business conducted under a trade name may include a reference to the trade name. Examples:

John A. Doe, doing business as Doe's Home Appliance Store (12-3456789).
or
John A. Doe (123-45-6789), doing business as Doe's Home Appliance Store.

(2) *Two or more persons—general.* Securities will not be registered in the name of one person payable on death to another, or in any form which purports to authorize transfer by less than all the persons named in the registration (or all the survivors).³ Securities will not be

² Taxpayer identifying numbers are not required for foreign governments, nonresident aliens not engaged in trade or business within the United States, international organizations and foreign corporations not engaged in trade or business and not having an office or place of business or a financial or paying agent within the United States, and other persons or organizations as may be exempted from furnishing such numbers under regulations of the Internal Revenue Service.

³ *Warning.* Difference Between Transferable Treasury Securities Registered in the Names of Two or More Persons and United States Savings Bonds in Coownership Form. The effect of registering Treasury securities to which these regulations apply in the names of two or more persons differs decidedly from registration of savings bonds in coownership form. Savings bonds are virtually redeemable on demand at the option of either coowner on his signature alone. Transferable Treasury securities are redeemable only at maturity or upon prior call by the Secretary of the Treasury.

registered in the forms "John A. Doe and Mrs. Mary C. Doe, or either of them" or "William C. Doe or Henry J. Doe, or either of them" and securities so assigned will be treated as though the words "or either of them" do not appear in the assignments. The taxpayer identifying number of any of the joint owners may be shown on securities registered in joint ownership form.

(1) *With right of survivorship.* In the names of two or more individuals with right of survivorship. Examples:

John A. Doe (123-45-6789) or Mrs. Mary C. Doe or the survivor.
John A. Doe (123-45-6789) or Mrs. Mary C. Doe or Miss Mary Ann Doe or the survivors or survivor.
John A. Doe (123-45-6789) or Mrs. Mary C. Doe.
John A. Doe (123-45-6789) and Mrs. Mary C. Doe.
John A. Doe (123-45-6789) and Mrs. Mary C. Doe as joint tenants with right of survivorship and not as tenants in common.

Limited to husband and wife:

John A. Doe (123-45-6789) and Mrs. Mary C. Doe, as tenants by the entireties.

(ii) *Without right of survivorship.* In the names of two or more individuals in such manner as to preclude the right of survivorship. Examples:

John A. Doe (123-45-6789) and William B. Doe as tenants in common.
John A. Jones as natural guardian of Henry B. Jones, a minor, and Robert C. Jones (123-45-6789), without right of survivorship.

Limited to husband and wife:

Charles H. Brown (123-45-6789) and Ann R. Brown, as partners in community.

(b) *Minors and incompetents—(1) Natural guardians of minors.* A security may be registered in the name of a natural guardian of a minor for whose estate no legal guardian or similar representative has legally qualified. Example:

John R. Jones as natural guardian of Henry M. Jones, a minor (123-45-6789).

Either parent with whom the minor resides, or if he does not reside with either parent, the person who furnishes his chief support, will be recognized as his natural guardian and will be considered a fiduciary. Registration in the name of a minor in his own right as owner or as joint owner is not authorized. Securities so registered, upon qualification of the natural guardian, will be treated as though registered in the name of the natural guardian in that capacity.

(2) *Custodian under statute authorizing gifts to minors.* A security may be purchased as a gift to a minor under a gifts to minors statute in effect in the State in which either the donor or the minor resides. The security should be registered as provided in the statute, with an identifying reference to the statute if the registration does not clearly identify it. Examples:

William C. Jones, as custodian for John A. Smith, a minor (123-45-6789), under the California Uniform Gifts to Minors Act.

Robert C. Smith, as custodian for Henry L. Brown, a minor (123-45-6789), under the laws of Georgia; Ch. 48-3, Code of Ga. Anno.

(3) *Incompetents not under guardianship.* Registration in the form "John A. Brown, an incompetent (123-45-6789), under voluntary guardianship," is permitted only on reissue after a voluntary guardian has qualified for the purpose of collecting interest. (See §§ 306.37(c) (2) and 306.57(c) (2).) Otherwise, registration in the name of an incompetent not under legal guardianship is not authorized.

(c) *Executors, administrators, guardians, and similar representatives or fiduciaries.* A security may be registered in the names of legally qualified executors, administrators, guardians, conservators, or similar representatives or fiduciaries of a single estate. The names and capacities of all the representatives or fiduciaries, as shown in their letters of appointment, must be included in the registration and must be followed by an adequate identifying reference to the estate. Examples:

John Smith, executor of will (or administrator of estate) of Henry J. Jones, deceased (12-3456789).

William C. Jones, guardian (or conservator, etc.) of estate of James D. Brown, a minor (or an incompetent) (123-45-6789).

(d) *Life tenant under will.* A security may be registered in the name of a life tenant followed by an adequate identifying reference to the will. Example:

Anne B. Smith, life tenant under the will of Adam A. Smith, deceased (12-3456789).

The life tenant will be considered a fiduciary.

(e) *Private trust estates.* A security may be registered in the name and title of the trustee or trustees of a single duly constituted private trust, followed by an adequate identifying reference to the authority governing the trust. Examples:

John Jones and Blank Trust Co., Albany, N.Y., trustees under will of Sarah Jones, deceased (12-3456789).

John Doe and Richard Roe, trustees under agreement with Henry Jones dated February 9, 1970 (12-3456789).

The names of all trustees, in the form used in the trust instrument, must be included in the registration, except as follows:

(1) If there are several trustees designated as a board or authorized to act as a unit, their names should be omitted and the words "Board of Trustees" substituted for the word "trustees." Example:

Board of Trustees of Blank Co. Retirement Fund, under collective bargaining agreement dated June 30, 1970 (12-3456789).

(2) If the trustees do not constitute a board or otherwise act as a unit, and are either too numerous to be designated in the inscription by names and title, or serve for limited terms, some or all of the names may be omitted. Examples: John Smith, Henry Jones, et al., trustees under will of Henry J. Smith, deceased (12-3456789).

Trustees under will of Henry J. Smith, deceased (12-3456789).

Trustees of Retirement Fund of Industrial Manufacturing Co., under directors' resolution of June 30, 1950 (12-3456789).

(f) *Private organizations (corporations, unincorporated associations and partnerships)*. A security may be registered in the name of any private corporation, unincorporated association, or partnership, including a nominee, which for purposes of these regulations is treated as the owner. The full legal name of the organization, as set forth in its charter, articles of incorporation, constitution, partnership agreement, or other authority from which its powers are derived, must be included in the registration and may be followed, if desired, by a reference to a particular account or fund, other than a trust fund, in accordance with the rules and examples given below:

(1) *A corporation*. The name of a business, fraternal, religious, or other private corporation must be followed by descriptive words indicating the corporate status unless the term "corporation" or the abbreviation "Inc." is part of the name or the name is that of a corporation or association organized under Federal law, such as a national bank or Federal savings and loan association. Examples:

Smith Manufacturing Co., a corporation (12-3456789).

The Standard Manufacturing Corp. (12-3456789).

Jones & Brown, Inc.—Depreciation Acct. (12-3456789).

First National Bank of Albemarle (12-3456789).

Abco & Co., Inc., a nominee corporation (12-3456789).

(2) *An unincorporated association*. The name of a lodge, club, labor union, veterans' organization, religious society, or similar self-governing organization which is not incorporated (whether or not it is chartered by or affiliated with a parent organization which is incorporated) must be followed by the words "an unincorporated association." Examples:

American Legion Post No. —, Department of the D.C., an unincorporated association (12-3456789).

Local Union No. 100, Brotherhood of Locomotive Engineers, an unincorporated association (12-3456789).

Securities should not be registered in the name of an unincorporated association if the legal title to its property in general, or the legal title to the funds with which the securities are to be purchased, is held by trustees. In such a case the securities should be registered in the title of the trustees in accordance with paragraph (e) of this section. The term "unincorporated association" should not be used to describe a trust fund, a partnership or a business conducted under a trade name.

(3) *A partnership*. The name of a partnership must be followed by the words "a partnership." Examples:

Smith & Brown, a partnership (12-3456789).

Acme Novelty Co., a limited partnership (12-3456789).

Abco & Co., a nominee partnership (12-3456789).

(g) *States, public bodies, and corporations and public officers*. A security may be registered in the name of a State or county, city, town, village, school district, or other political entity, public body or corporation established by law (including a board, commission, administration, authority or agency) which is the owner or official custodian of public funds, other than trust funds, or in the full legal title of the public officer having custody. Examples:

State of Maine.

Town of Rye, N.Y.

Maryland State Highway Administration.

Treasurer, City of Springfield, Ill.

Treasurer of Rhode Island—State Forestry Fund.

(h) *States, public officers, corporations or bodies as trustees*. A security may be registered in the title of a public officer or in the name of a State or county or a public corporation or public body acting as trustee under express authority of law. An appropriate reference to the statute creating the trust may be included in the registration. Examples:

Insurance Commissioner of Pennsylvania, trustee for benefit of policyholders of Blank Insurance Co. (12-3456789), under Sec. —, Pa. Stats.

Rhode Island Investment Commission, trustee of General Sinking Fund under Ch. 35, Gen. Laws of R.I.

State of Colorado in trust for Colorado Surplus Property Agency.

§ 306.12 Errors in registration.

If an erroneously inscribed security is received, it should not be altered in any respect, but the Bureau, a Federal Reserve bank or branch, or the Treasurer's Office should be furnished full particulars concerning the error and asked to furnish instructions.

§ 306.13 Nontransferable securities.

Upon authorized reissue, Treasury Bonds, Investment Series B—1975-80, may be registered in the forms set forth in § 306.11.

Subpart C—Transfers, Exchanges and Reissues

§ 306.15 Transfers and exchanges of securities—closed periods.

(a) *General*. The transfer of registered securities should be made by assignment in accordance with Subpart F of this part. Transferable registered securities are eligible for denominational exchange and exchange for bearer securities. Bearer securities are eligible for denominational exchange, and when so provided in the offering circular, are eligible for exchange for registered securities. Specific instructions for issuance and delivery of the new securities, signed by the owner or his authorized representative, must accompany the securities presented. (Form PD 3905 or PD 1827, as appropriate, may be used.) Denominational exchanges, exchanges of Treasury Bonds, Investment Series B—1975-80, for the current series of EA or EO 1½ percent 5-year Treasury notes, and optional redemption of bonds at par as provided in § 306.28 may be made at

any time. Securities presented for transfer or for exchange for bearer securities of the same issue must be received by the Bureau not less than 1 full month before the date on which the securities mature or become redeemable pursuant to a call for redemption before maturity. Any security so presented which is received too late to comply with this provision will be accepted for payment only.

(b) *Closing of transfer books*. The transfer books are closed for 1 full month preceding interest payment dates and call or maturity dates. If the date set for closing of the transfer books falls on Saturday, Sunday, or a legal holiday, the books will be closed as of the close of business on the last business day preceding that date. The books are reopened on the first business day following the date on which interest falls due. Registered securities which have not matured or been called, submitted for transfer, reissue, or exchange for coupon securities, and coupon securities which have not matured or been called, submitted for exchange for registered securities, which are received during the period the books for that loan are closed, will be processed on or after the date such books are reopened. If registered securities are received for transfer or exchange for bearer securities, or coupon securities are received for exchange for registered securities, during the time the books are closed for payment of final interest at maturity or call, unless otherwise provided in the offering circular or notice of call, the following action will be taken:

(1) Payment of final interest will be made to the registered owner of record on the date the books were closed.

(2) Payment of principal will be made to (i) the assignee under a proper assignment of the securities, or (ii) if the securities have been assigned for exchange for bearer securities, to the registered owner of record on the date the books were closed.

§ 306.16 Exchanges of registered securities.

No assignments will be required for (a) authorized denominational exchanges of registered securities for like securities in the same names and forms of registration and (b) redemption-exchanges, or prerefundings, or advance refundings in the same names and forms as appear in the registration or assignments of the securities surrendered.

§ 306.17 Exchanges of registered securities for coupon securities.

Registered securities submitted for exchange for coupon securities should be assigned to "The Secretary of the Treasury for exchange for coupon securities to be delivered to (inserting the name and address of the person to whom delivery of the coupon securities is to be made)." Assignments to "The Secretary of the Treasury for exchange for coupon securities," or assignments in blank will also be accepted. The coupon securities issued upon exchange will have all unmatured coupons attached.

§ 306.18 Exchanges of coupon securities for registered securities.

Coupon securities presented for exchange for registered securities should have all matured interest coupons detached. All unmatured coupons should be attached, except that if presented when the transfer books are closed (in which case the exchange will be effected on or after the date on which the books are reopened), the next maturing coupons should be detached and held for collection in ordinary course when due. If any coupons which should be attached are missing, the securities must be accompanied by a remittance in an amount equal to the face amount of the missing coupons. The new registered securities will bear interest from the interest payment date next preceding the date on which the exchange is made.

§ 306.19 Denominational exchanges of coupon securities.

All matured interest coupons and all unmatured coupons likely to mature before an exchange can be completed should be detached from securities presented for denominational exchange. All unmatured coupons should be attached. If any are missing, the securities must be accompanied by a remittance in an amount equal to the face amount of the missing coupons. The new coupon securities will have all unmatured coupons attached.

§ 306.20 Reissue of registered transferable securities.

Assignments are not required for reissue of registered transferable securities in the name(s) of (a) the surviving joint owner(s) of securities registered in the names of or assigned to two or more persons, unless the registration or assignment includes words which preclude the right of survivorship, (b) a succeeding fiduciary or other lawful successor, (c) a remainderman, upon termination of a life estate, (d) an individual, corporation or unincorporated association whose name has been legally changed, (e) a corporation or unincorporated association which is the lawful successor to another corporation or unincorporated association, and (f) a successor in title to a public officer or body. Evidence of survivorship, succession, or change of name, as appropriate, must be furnished. The appropriate taxpayer identifying number also must be furnished if the registration of the securities submitted does not include such number for the person or organization to be named on the reissued securities.

§ 306.21 Reissue of nontransferable securities.

Treasury Bonds, Investment Series B-1975-80, may be reissued only in the names of (a) lawful successors in title, (b) the legal representatives or distributees of a deceased owner's estate, or the distributees of a trust estate, and (c) State supervisory authorities in pursuance of any pledge required of the owner under State law, or upon termination of the pledge in the names of the pledgors

or their successors. Bonds presented for reissue must be accompanied by evidence of entitlement.

§ 306.22 Exchange of Treasury Bonds, Investment Series B-1975-80.

Bonds of this series presented for exchange for 1½ percent 5-year Treasury notes must bear duly executed assignments to "The Secretary of the Treasury for exchange for the current series of EA or EO Treasury notes to be delivered to (inserting the name and address of the person to whom the notes are to be delivered)." The notes will bear the April 1 or October 1 date next preceding the date the bonds, duly assigned with supporting evidence, if necessary, are received by the Bureau or a Federal Reserve Bank or Branch. Interest accrued at the rate of 2¾ percent on the bonds surrendered from the next preceding interest payment date to the date of exchange will be credited, and interest at the rate of 1½ percent on the notes for the same period will be charged and the difference will be paid to the owner.

Subpart D—Redemption or Payment

§ 306.25 Presentation and surrender.

(a) *General.* Securities, whether in registered or bearer form, are payable in regular course of business at maturity unless called for redemption before maturity in accordance with their terms, in which case they will be payable in regular course of business on the date of call. The Secretary of the Treasury may provide for the exchange of maturing or called securities, or in advance of call or maturity, may afford owners the opportunity of exchanging a security for another security pursuant to a prerefunding or an advance refunding offer. Registered securities should be presented and surrendered for redemption to the Bureau, a Federal Reserve bank or branch, or the Treasurer's Office, and bearer securities to a Federal Reserve bank or branch or the Treasurer's Office.⁴ No assignments or evidence in support of assignments will be required by or on behalf of the registered owner or assignee for redemption for his or its account, or for redemption-exchange, or exchange pursuant to a prerefunding or an advance refunding offer, if the new securities are to be registered in exactly the same names and forms as appear in the registrations or assignments of the securities surrendered. To the extent appropriate, these rules also apply to securities registered in the titles of public officers who are official custodians of public funds.

(b) *"Overdue" securities.* If a bearer security or a registered security assigned in blank, or to bearer, or so assigned as to become in effect payable to bearer, is presented and surrendered for redemption after it has become overdue, the Secretary of the Treasury will ordinarily require satisfactory proof of ownership. (Form PD 1071 may be used.) A security

⁴ See § 306.28 for presentation and surrender of bonds eligible for use in payment of Federal estate taxes.

shall be considered to be overdue after the lapse of the following periods of time from its face maturity:

- (1) One month for securities issued for a term of 1 year or less.
- (2) Three months for securities issued for a term of more than 1 year but not in excess of 7 years.
- (3) Six months for securities issued for a term of more than 7 years.

§ 306.26 Redemption of registered securities at maturity, upon prior call, or for prerefunding or advance refunding.

Registered securities presented and surrendered for redemption at maturity or pursuant to a call for redemption before maturity need not be assigned, unless the owner desires that payment be made to some other person, in which case assignments should be made to "The Secretary of the Treasury for redemption for the account of (inserting name and address of person to whom payment is to be made)." Specific instructions for the issuance and delivery of the redemption check, signed by the owner or his authorized representative, must accompany the securities, unless included in the assignment. (Form PD 3905 may be used.) Payment of the principal will be made either (a) by check drawn on the Treasurer of the United States to the order of the person entitled and mailed in accordance with the instructions received, or (b) upon appropriate request, by crediting the amount in a member bank's account with the Federal Reserve Bank of its District. Securities presented for prerefunding or advance refunding should be assigned as provided in the prerefunding or advance refunding offer.

§ 306.27 Redemption of bearer securities at maturity, upon prior call, or for advance refunding or prerefunding.

All interest coupons due and payable on or before the date of maturity or date fixed in the call for redemption before maturity should be detached from coupon securities presented for redemption and should be collected separately in regular course. All coupons bearing dates subsequent to the date fixed in a call for redemption, or offer of prerefunding or advance refunding, should be left attached to the securities. If any such coupons are missing, the full face amount thereof will be deducted from the payment to be made upon redemption or the prerefunding or advance refunding adjustment unless satisfactory evidence of their destruction is submitted. Any amounts so deducted will be held in the Department to provide for adjustments or refunds in the event it should be determined that the missing coupons were subsequently presented or their destruction is later satisfactorily established. In the absence of other instructions, payment of bearer securities will be made by check drawn to the order of the person presenting and surrendering the securities and mailed to him at his address, as given in the advice accompanying the securities. (Form PD 3905 may be used.) A Federal Reserve bank, upon appropri-

ate request, may make payment to a member bank from which bearer securities are received by crediting the amount of the proceeds of redemption to the member bank's account.

§ 306.28 Optional redemption of Treasury bonds at par (before maturity or call redemption date) and application of the proceeds in payment of Federal estate taxes.

(a) *General.* Treasury bonds to be deemed at par for the purpose of applying the entire amount of principal and accrued interest to payment of the Federal estate tax on a decedent's estate⁵ must be presented and surrendered to a Federal Reserve bank or branch or to the Bureau. They should be accompanied by Form PD 1782, fully completed and duly executed in accordance with the instructions on the form, and evidence as described therein. Redemption will be made at par plus accrued interest from the last preceding interest payment date to the date of redemption, except that if registered bonds are received by a Federal Reserve bank or branch or the Bureau within 1 month preceding an interest payment date for redemption before that date, a deduction will be made for interest from the date of redemption to the interest payment date, and a check for the full 6 months' interest will be paid in due course. The proceeds of redemption will be deposited to the credit of the Internal Revenue Service Center designated in Form PD 1782, and the representative of the estate will be notified of the deposit. A formal receipt may be obtained upon request addressed to the Center.

(b) *Conditions.* The bonds presented for redemption under this section must have (1) been owned by the decedent at the time of his death and (2) thereupon constituted part of his estate, as determined by the following rules in the case of joint ownership, partnership, and trust holdings:

(i) *Joint ownerships.* Bonds held by the decedent at the time of his death in joint ownership with another person or persons will be deemed to have met the above conditions either (a) to the extent to which the bonds actually became the property of the decedent's estate, or (b) in an amount not to exceed the amount of the Federal estate tax which the surviving joint owner or owners is required to pay on account of such bonds and other jointly held property.⁶

⁵ Certain issues of Treasury bonds are redeemable at par and accrued interest upon the death of the owner, at the option of the representative of, or if none, the persons entitled to, his estate, for the purpose of having the entire proceeds applied in payment of the Federal estate tax on the decedent's estate, in accordance with the terms of the offering circulars cited on the face of the bonds. A current list of eligible issues may be obtained from any Federal Reserve bank or branch, the Bureau of the Public Debt, or the Treasurer's Office.

⁶ Substantially the same rule applies to community property except that upon the death of either spouse bonds which consti-

(ii) *Partnerships.* Bonds held at the time of the decedent's death by a partnership in which he had an interest will be deemed to have met the above conditions to the extent of his fractional share of the bonds so held proportionate to his interest in the assets of the partnership.

(iii) *Trusts.* Bonds held in trust at the time of the decedent's death will be deemed to have met the above conditions in an amount not to exceed the amount of the Federal estate tax (a) if the trust actually terminated in favor of the decedent's estate, or (b) if the trustee is required to pay the decedent's Federal estate tax under the terms of the trust instrument or otherwise, or (c) to the extent the debts of the decedent's estate, including costs of administration, State inheritance and Federal estate taxes, exceed the assets of his estate without regard to the trust estate.

(c) *Transactions after owner's death.* No transactions involving changes of ownership may be conducted after an owner's death without affecting the eligibility of the bonds for redemption at par for application of the proceeds to payment of the Federal estate tax. Transactions involving no changes of ownership which may be conducted without affecting eligibility are (1) exchange of bonds for those of lower denominations where the bonds exceed the amount of the tax and are not in the lowest authorized denominations, (2) exchange of registered bonds for coupon bonds, (3) exchange of coupon bonds for bonds registered in the names of the representatives of the estate, (4) transfer of bonds from the owner or his nominee to the names of the representatives of the owner's estate, and (5) purchases by or for the account of an owner prior to his death, held in book-entry form, and thereafter converted to definitive bonds. However, any such transactions must be explained on Form PD 1782 or in a supplemental statement.

Subpart E—Interest

§ 306.35 Computation of interest.

The interest on Treasury securities accrues and is payable on a semiannual basis unless otherwise provided in the circular offering them for sale or exchange. If the period of accrual is an exact 6 months, the interest accrual is an exact one-half year's interest without regard to the number of days in the period. If the period of accrual is less than an exact 6 months, the accrued interest is computed by determining the daily rate of accrual on the basis of the exact number of days in the full interest period and multiplying the daily rate by the exact number of days in the fractional period for which interest has actually accrued. A full interest period does not include the day as of which the securities were issued or the day on which

tute part of the community estate are deemed to meet the required conditions to the extent of one-half of each loan and issue of bonds.

the last preceding interest became due, but does include the day on which the next succeeding interest payment is due. A fractional part of an interest period does not include the day as of which the securities were issued or the day on which the last preceding interest payment became due, but does include the day as of which the transaction terminating the accrual of interest is effected. The 29th of February in a leap year is included whenever it falls within either a full interest period or a fractional part thereof.⁷

§ 306.36 Termination of interest.

Securities will cease to bear interest on the date of their maturity unless they have been called for redemption before maturity in accordance with their terms, or are presented and surrendered for redemption-exchange or exchange pursuant to an advance refunding or pre-refunding offer, in which case they will cease to bear interest on the date of call, or the exchange date, as the case may be.

§ 306.37 Interest on registered securities.

(a) *Method of payment.* The interest on registered securities is payable by checks drawn on the Treasurer of the United States to the order of the registered owners, except as otherwise provided herein. Interest checks are prepared by the Department in advance of the interest payment date and are ordinarily mailed in time to reach the addressees on that date. Interest on a registered security which has not matured or been called and which is presented for any transaction during the period the books for that loan are closed will be paid by check drawn to the order of the registered owner of record. Upon receipt of notice of the death or incompetency of an individual named as registered owner, a change in the name or in the status of a partnership, corporation, or unincorporated association, the removal, resignation, succession, or death of a fiduciary or trustee, delivery of interest checks will be withheld pending receipt and approval of evidence showing who is entitled to receive the interest checks. If the inscriptions on securities do not clearly identify the owners, delivery of interest checks will be withheld pending reissue of the securities in the correct registration. The final installment of interest, unless otherwise provided in the offering circular or notice of call, will be paid by check drawn to the order of the registered owner of record and mailed in advance of the interest payment date in time to reach the addressee on or about that date. Interest on securities presented for prerefunding or advance refunding will be adjusted as provided in the prerefunding or advance refunding offer.

⁷ The appendix to this subpart contains a complete explanation of the method of computing interest on a semiannual basis on Treasury bonds, notes, and certificates of indebtedness, and an outline of the method of computing the discount rates on Treasury bills. Also included are tables of computation of interest on semiannual and annual basis.

(b) *Change of address.* To assure timely delivery of interest checks, owners should promptly notify the Bureau of any change of address. (Form PD 345 may be used.) The notification must be signed by the registered owner or a joint owner or an authorized representative, and should show the owner's taxpayer identifying number, the old and new addresses, the serial number and denomination of each security, the titles of the securities (for example: 4¼ percent Treasury Bonds of 1987-92, dated August 15, 1962), and the registration of each security. Notifications by attorneys in fact, trustees, or by the legal representatives of the estates of deceased, incompetent, or minor owners should be supported by proof of their authority, unless, in the case of trustees or legal representatives, they are named in the registration.

(c) *Collection of interest checks—(1) General.* Interest checks may be collected in accordance with the regulations governing the endorsement and payment of Government warrants and checks, which are contained in the current revision of Department Circular No. 21 (Part 360 of this chapter).

(2) *By voluntary guardians of incompetents.* Interest checks drawn to the order of a person who has become incompetent and for whose estate no legal guardian or similar representative has been appointed should be returned to the Bureau with a full explanation of the circumstances. For collection of interest, the Department will recognize the relative responsible for the incompetent's care and support or some other person as voluntary guardian for the incompetent. (Application may be made on Form PD 1461.)

(d) *Nonreceipt, loss, theft, or destruction of interest checks.* If an interest check is not received within a reasonable period after an interest payment date, the Bureau should be notified. Should a check be lost, stolen, or destroyed after receipt, the Office of the Treasurer of the United States, Check Claims Division, Washington, D.C. 20227, should be notified. Notification should include the name and address of the owner, his taxpayer identifying number, and the serial number, denomination, and title of the security upon which the interest was payable. If the check is subsequently received or recovered, the latter office should also be advised.

§ 306.38 Interest on bearer securities.

Unless the offering circular and notice of call provide otherwise, interest on coupon securities is payable in regular course of business upon presentation and surrender of the interest coupons as they mature. Such coupons are payable at any Federal Reserve bank or branch, or the Treasurer's Office.⁸ Interest on Treasury bills, and any other bearer securities which may be sold and issued on a discount basis and which are payable at

⁸ Banking institutions will usually cash the coupons without charge as an accommodation to their customers.

par at maturity, is represented by the difference between the purchase price and the par value, and no coupons are attached.

Subpart F—Assignments of Registered Securities—General

§ 306.40 Execution of assignments or special endorsements.

(a) *Execution of assignments.* The assignment of a registered security should be executed by the owner or his authorized representative in the presence of an officer authorized to certify assignments. All assignments must be made on the backs of the securities, unless otherwise authorized by the Bureau, a Federal Reserve bank or branch, or the Treasurer of the United States. An assignment by mark (X) must be witnessed not only by a certifying officer but also by at least one other person, who should add an endorsement substantially as follows: "Witness to signature by mark," followed by his signature and address.

(b) *Special endorsement in lieu of assignments.* A security may be presented without assignment for any authorized transaction by a financial institution which is (1) a member of the Federal Reserve System, (2) a member of the Federal Home Loan Bank System, or (3) insured by the Federal Deposit Insurance Corporation, provided full instructions are furnished as to the transaction desired and the security bears the endorsement, under the official seal of the institution, as follows:

Presented in accordance with instructions of the owner(s).

Absence of assignment guaranteed.

(Name of financial institution)
By -----
(Signature and title of officer)

(Date)

This form of endorsement of a security will be an unconditional guarantee to the Department of the Treasury that the institution is acting as attorney in fact for the registered owner, or his assignee, under proper authorization and that the officer is duly authorized to act.

§ 306.41 Form of assignment.

Registered securities may be assigned in blank, to bearer, to a specified transferee, to the Secretary of the Treasury for exchange for coupon securities, or to the Secretary of the Treasury for redemption or for exchange for other securities offered at maturity, upon call or pursuant to an advance refunding or prerefunding offer. Assignments to "The Secretary of the Treasury," "The Secretary of the Treasury for transfer," or "The Secretary of the Treasury for exchange" will not be accepted unless supplemented by specific instructions by or in behalf of the owner.

§ 306.42 Alterations and erasures.

If an alteration or erasure has been made in an assignment, the assignor should appear before an authorized cer-

tifying officer and execute a new assignment to the same assignee. If the new assignment is to other than the assignee whose name has been altered or erased, a disclaimer from the first-named assignee should be obtained. Otherwise, an affidavit of explanation by the person responsible for the alteration or erasure should be submitted for consideration.

§ 306.43 Avoidance of assignments.

An assignment of a security to or for the account of another person, not completed by delivery, may be voided by a disclaimer of interest from that person. This disclaimer should be executed in the presence of an officer authorized to certify assignments of securities. Unless otherwise authorized by the Bureau, a Federal Reserve bank or branch, or the Treasurer of the United States, the disclaimer must be written, typed, or stamped on the back of the security in substantially the following form:

The undersigned as assignee of this security hereby disclaims any interest herein.

(Signature)
I certify that the above-named person as described, whose identity is well known or proved to me, personally appeared before me the ----- day of -----
(Month and year)
at ----- and
(Place)
signed the above disclaimer of interest.
(SEAL) -----
(Signature and official designation of certifying officer)

In the absence of a disclaimer, an affidavit or affidavits should be submitted for consideration explaining why a disclaimer cannot be obtained, reciting all other material facts and circumstances relating to the transaction, including whether or not the security was delivered to the person named as assignee and whether or not the affiants know of any basis for the assignee claiming any right, title, or interest in the security. After an assignment has been voided, in order to dispose of the security, an assignment by or on behalf of the owner will be required.

§ 306.44 Discrepancies in names.

The Department will ordinarily require an explanation of discrepancies in the names which appear in inscriptions, assignments, supporting evidence or in the signatures to any assignments. (Form PD 385 may be used for this purpose.) However, where the variations in the name of the registered owner, as inscribed on securities of the same or different issues, are such that both may properly represent the same person, for example, "J. T. Smith" and "John T. Smith," no proof of identity will be required if the assignments are signed exactly as the securities are inscribed and are duly certified by the same certifying officer.

§ 306.45 Officers authorized to certify assignments.

(a) *Officers authorized generally.* The following persons are authorized to act as certifying officers for the purpose of

certifying assignments of, or forms with respect to, securities:

(1) Officers and employees of banks and trust companies incorporated in the United States, its territories or possessions, or the Commonwealth of Puerto Rico, Federal Savings and Loan Associations, or other organizations which are members of the Federal Home Loan Bank System, who have been authorized to: (i) Generally bind their respective institutions by their acts, (ii) unqualifiedly guarantee signatures to assignments of securities, or (iii) expressly certify assignments of securities.

(2) Officers of Federal Reserve banks and branches.

(3) Officers of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives, the Central Bank for Cooperatives, and Federal Home Loan Banks.

(4) U.S. Attorneys, Collectors of Customs, and Regional Commissioners, District Directors, and Service Center Directors, Internal Revenue Service.

(5) Judges and Clerks of U.S. Courts.

(b) *Authorized officers in foreign countries.* The following are authorized to certify assignments in foreign countries:

(1) U.S. diplomatic or consular representatives.

(2) Managers, assistant managers and other officers of foreign branches of banks or trust companies incorporated in the United States, its territories or possessions, or the Commonwealth of Puerto Rico.

(3) Notaries public and other officers authorized to administer oaths. The official position and authority of any such officer must be certified by a U.S. diplomatic or consular representative under seal of his office.

(c) *Officers having limited authority.* The following are authorized to certify assignments to the extent set forth in connection with each class of officers:

(1) Postmasters, acting postmasters, assistant postmasters, inspectors in charge, chief and assistant chief accountants, and superintendents of stations of any post office, notaries public and justices of the peace in the United States, its territories and possessions, the Commonwealth of Puerto Rico and the Canal Zone, but only for assignment of securities for redemption for the account of the assignor, or for redemption exchange, or pursuant to an advance refunding or prerefunding offer for other securities to be registered in his name, or in his name with a joint owner. The signature of any post office official, other than a postmaster, must be in the following form: "John A. Doe, Postmaster, by Richard B. Roe, Superintendent of Station."

(2) Commissioned officers and warrant officers of the Armed Forces of the United States for assignment of securities of any class for any authorized transaction, but only with respect to assignments executed by: (i) Armed Forces personnel and civilian field employees, and (ii) members of the families of such personnel or civilian employees.

(d) *Special provisions for certifying assignments.* The Commissioner of the

Public Debt, the Chief of the Division of Securities Operations, any Federal Reserve bank or branch, or the Treasurer of the United States, is authorized to make special provisions for any case or class of cases.

§ 306.46 Duties and responsibilities of certifying officer.

A certifying officer must require execution of an assignment, or a form with respect to securities, in his presence after he has established the identity of the assignor and before he certifies the signature. He must then complete the certification. An employee who is not an officer should insert "Authorized signature" in the space provided for the title. However, an assignment of a security need not be executed in the presence of the certifying officer if he unqualifiedly guarantees the signature thereto, in which case he must place his endorsement on the security, following the signature, in the form "Signature guaranteed, First National Bank of Jonesville, Jonesville, N.H., by A. B. Doe, President," and add the date. The certifying officer and, if he is an officer or employee of an organization, the organization will be held responsible for any loss the United States may suffer as the result of his fault or negligence.

§ 306.47 Evidence of certifying officer's authority.

The authority of an individual to act as a certifying officer is established by affixing to a certification of an assignment, or a form with respect to securities, or an unqualified guarantee of a signature to an assignment, either: (a) The official seal of the organization, or (b) a legible imprint of the issuing agent's dating stamp, if the organization is an authorized issuing agent for U.S. Savings Bonds of Series E. Use of such stamp shall result in the same responsibility on the part of the organization as if its official seal were used. A certification which does not bear a seal or issuing agent's dating stamp will not be accepted. Any post office official must use the official stamp of his office. A commissioned or warrant officer of any of the Armed Forces of the United States should indicate his rank and state that the person executing the assignment is one of the class whose signature he is authorized to certify. A judge or clerk of court must use the seal of the court. Any other certifying officer must use his official seal or stamp, if any, but, if he has neither, his official position and a specimen of his signature must be certified by some other authorized officer under official seal or stamp or otherwise proved to the satisfaction of the Department.

§ 306.48 Interested persons not to act as certifying officer or witness.

Neither the assignor, the assignee, nor any person having an interest in a security may act as a certifying officer, or as a witness to an assignment by mark. However, a bank officer may certify an assignment to the bank, or an assign-

ment executed by another officer in its behalf.

§ 306.49 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern transactions in Treasury Bonds, Investment Series B-1975-80.

Subpart G—Assignments by or in Behalf of Individuals

§ 306.55 Signatures, minor errors and change of name.

The owner's signature to an assignment should be in the form in which the security is inscribed or assigned, unless such inscription or assignment is incorrect or the name has since been changed. In case of a change of name, the signature to the assignment should show both names and the manner in which the change was made, for example, "John Young, changed by order of court from Hans Jung." Evidence of the change will be required. However, no evidence is required to support an assignment if the change resulted from marriage and the signature, which must be duly certified by an authorized officer, is written to show that fact, for example, "Mrs. Mary J. Brown, changed by marriage from Miss Mary Jones."

§ 306.56 Assignment of securities registered in the names of or assigned to two or more persons.

(a) *Transfer or exchange.* Securities registered in the names of or assigned to two or more persons may be transferred or exchanged for coupon bonds during the lives of all the joint owners only upon assignments by all or on their behalf by authorized representatives. Upon proof of the death of one, the Department will accept an assignment by or in behalf of the survivor or survivors, unless the form of registration or assignment includes words which precludes the right of survivorship.⁹ In the latter case, in addition to assignment by or in behalf of the survivor or survivors, an assignment in behalf of the decedent's estate will be required.

(b) *Advance refunding or prerefunding offers.* No assignments are required for exchange of securities registered in the names of or assigned to two or more persons if the securities to be received in the exchange are to be registered in the same names and form. If bearer securities or securities in a different form are to be issued, all persons named must assign, except that in case of death paragraph (a) of this section shall apply.

(c) *Redemption or redemption-exchange.* (1) *Alternative registration or assignment.* Securities registered in the names of or assigned to two or more persons in the alternative, for example, "John B. Smith or Mrs. Mary J. Smith" or "John B. Smith or Mrs. Mary J. Smith or the survivor," may be assigned by one of them at maturity or upon call, for redemption or redemption-exchange, for his own account or otherwise, whether

⁹ See § 306.11(a)(2) for forms of registration expressing or precluding survivorship.

or not the other joint owner or owners are deceased.

(2) *Joint registration or assignment.* Securities registered in the names of or assigned to two or more persons jointly, for example, "John B. Smith and Mrs. Mary J. Smith," or "John B. Smith and Mrs. Mary J. Smith as tenants in common," or "John B. Smith and Mary J. Smith as partners in community," may be assigned by one of them during the lives of all only for redemption at maturity or upon call, and then only for redemption for the account of all. No assignments are required for redemption-exchange for securities to be registered in the same names and forms as appear in the registration or assignment of the securities surrendered. Upon proof of the death of a joint owner, the survivor or survivors may assign securities so registered or assigned for redemption or redemption-exchange for any account, except that, if words which preclude the right of survivorship appear in the registration or assignment, assignment in behalf of the decedent's estate also will be required.

§ 306.57 Minors and incompetents.

(a) *Assignments by natural guardian of securities registered in name of minor.* Securities registered in the name of a minor for whose estate no legal guardian or similar representative has qualified may be assigned by the natural guardian upon qualification. (Form PD 2481 may be used for this purpose.)

(b) *Assignments of securities registered in name of natural guardian of minor.* Securities registered in the name of a natural guardian of a minor may be assigned by the natural guardian for any authorized transaction except one for the apparent benefit of the natural guardian. If the natural guardian in whose name the securities are registered is deceased or is no longer qualified to act as natural guardian, the securities may be assigned by the person then acting as natural guardian. The assignment by the new natural guardian should be supported by proof of the death or disqualification of the former natural guardian and by evidence of his own status as natural guardian. (Form PD 2481 may be used for this purpose.) No assignment by a natural guardian will be accepted after receipt of notice of the minor's attainment of majority, removal of his disability of minority, disqualification of the natural guardian to act as such, qualification of a legal guardian or similar representative, or the death of the minor.

(c) *Assignments by voluntary guardians of incompetents.* Registered securities belonging to an incompetent for whose estate no legal guardian or similar representative is legally qualified may be assigned by the relative responsible for his care and support or some other person as voluntary guardian:

(1) For redemption or exchange for bearer securities, if the proceeds of the securities are needed to pay expenses al-

ready incurred, or to be incurred during any 90-day period, for the care and support of the incompetent or his legal dependents.

(2) For redemption-exchange, if the securities are matured or have been called, or pursuant to an advance refunding or prerefunding offer, for reinvestment in other securities to be registered in the form "A, an incompetent (123-45-6789) under voluntary guardianship."

An application on Form PD 1461 by the person seeking authority to act as voluntary guardian will be required.

(d) *Assignments by legal guardians of minors or incompetents.* Securities registered in the name and title of the legal guardian or similar representative of the estate of a minor or incompetent may be assigned by the representative for any authorized transaction without proof of his qualification. Assignments by a representative of any other securities belonging to a minor or incompetent must be supported by properly certified evidence of qualification. The evidence must be dated not more than 1 year before the date of the assignments and must contain a statement showing the appointment is in full force unless (1) it shows the appointment was made not more than 1 year before the date of the assignment, or (2) the representative or a corepresentative is a corporation. An assignment by the representative will not be accepted after receipt of notice of termination of the guardianship, except for transfer to the former ward.

§ 306.58 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern transactions in Treasury Bonds, Investment Series B-1975-80.

Subpart H—Assignments in Behalf of Estates of Deceased Owners

§ 306.65 Special provisions applicable to small amounts of securities, interest checks or redemption checks.

Entitlement to, or the authority to dispose of, a small amount of securities and checks issued in payment thereof or in payment of interest thereon, belonging to the estate of a decedent, may be established through the use of certain short forms, according to the aggregate amount of securities and checks involved (excluding checks representing interest on the securities), as indicated by the following table:

Amount	Circumstances	Form	To be executed by—
\$100	No administration.	PD 2216	Person who paid burial expenses.
500	Estate being administered.	PD 2488	Executor or administrator.
500	Estate settled.	PD 2458-1	Former executor or administrator, attorneys or other qualified person.

§ 306.66 Estates—administration.

(a) *Temporary or special administrators.* Temporary or special administra-

tors may assign securities, for any authorized transaction within the scope of their authority. The assignments must be supported by:

(1) *Temporary administrators.* A certificate, under court seal, showing the appointment in full force within thirty days preceding the date of receipt of the securities.

(2) *Special administrators.* A certificate, under court seal, showing the appointment in full force within 6 months preceding the date of receipt of the securities.

Authority for assignments for transactions not within the scope of appointment must be established by a duly certified copy of a special order of court.

(b) *In course of administration.* A security belonging to the estate of a decedent which is being administered by a duly qualified executor or general administrator will be accepted for any authorized transaction upon assignment by such representative. (See § 306.77.) Unless the security is registered in the name of and shows the capacity of the representative, the assignment must be supported by a certificate or a copy of the letters of appointment, certified under court seal. The certificate or certification, if required, must be dated not more than 6 months before the date of the assignment and must contain a statement that the appointment is in full force, unless (1) it shows the appointment was made not more than 1 year before the date of the assignment, or (2) the representative or a corepresentative is a corporation, or (3) redemption is being made for application of the proceeds in payment of Federal estate taxes as provided by § 306.28.

(c) *After settlement through court proceedings.* Securities belonging to the estate of a decedent which has been settled in court will be accepted for any authorized transaction upon assignments by the person or persons entitled, as determined by the court. The assignments should be supported by a copy, certified under court seal, of the decree of distribution, the representative's final account as approved by the court, or other pertinent court records.

§ 306.67 Estates not administered.

(a) *Special provisions under State laws.* If, under State law, a person has been recognized or appointed to receive or distribute the assets of a decedent's estate without regular administration, his assignment of securities belonging to the estate will be accepted provided he submits appropriate evidence of his authority.

(b) *Agreement of persons entitled.* When it appears that no legal representative of a decedent's estate has been or is to be appointed, securities belonging to the estate may be duly disposed of pursuant to an agreement and assignment by all persons entitled to share in the decedent's personal estate. (Form PD 1646 may be used.) However, all debts of the decedent and his estate must be paid or provided for and the interests of any minors or incompetents must be protected.

* See § 306.11(a)(2) for forms of registration expressing or precluding survivorship.

§ 306.68 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern transactions in Treasury Bonds, Investment Series B-1975-80.

Subpart I—Assignments by or in Behalf of Trustees and Similar Fiduciaries

§ 306.75 Individual fiduciaries.

(a) *General.* Securities registered in, or assigned to, the names and titles of individual fiduciaries will be accepted for any authorized transaction upon assignment by the designated fiduciaries without proof of their qualification. If the fiduciaries in whose names the securities are registered, or to whom they have been assigned, have been succeeded by other fiduciaries, evidence of succession must be furnished. If the appointment of a successor is not required under the terms of the trust instrument or otherwise and is not contemplated, assignments by the surviving or remaining fiduciary or fiduciaries must be supported by appropriate proof. This requires (1) proof of the death, resignation, removal or disqualification of the former fiduciary and (2) evidence that the surviving or remaining fiduciary or fiduciaries are fully qualified to administer the fiduciary estate, which may be in the form of a certificate by them showing the appointment of a successor has not been applied for, is not contemplated and is not necessary under the terms of the trust instrument or otherwise. Assignments of securities registered in the titles, without the names of the fiduciaries, for example, "Trustees of the George E. White Memorial Scholarship Fund under deed of trust dated 11/10/40, executed by John W. White," must be supported by proof that the assignors are the qualified and acting trustees of the designated trust estate, unless they are empowered to act as a unit in which case the provisions of § 306.76 shall apply. (Form PD 2446 may be used to furnish proof of incumbency of fiduciaries.) Assignments by fiduciaries of securities not registered or assigned in such manner as to show that they belong to the estate for which the assignors are acting must also be supported by evidence that the estate is entitled to the securities.

(b) *Life tenants.* Upon termination of a life estate by reason of the death of the life tenant in whose name a security is registered, or to whom it has been assigned, the security will be accepted for any authorized transaction upon assignment by the remainderman, supported by evidence of entitlement.

§ 306.76 Fiduciaries acting as a unit.

Securities registered in the name of or assigned to a board, committee or other body authorized to act as a unit for any public or private trust estate may be assigned for any authorized transaction by anyone authorized to act in behalf of such body. Except as otherwise provided in this section, the assignments must be supported by a copy of a resolution adopted by the body, properly certified under its seal, or, if none, sworn to by a

member of the body having access to its records. (Form PD 2495 may be used.) If the person assigning is designated in the resolution by title only, his incumbency must be duly certified by another member of the body. (Form PD 2446 may be used.) If the fiduciaries of any trust estate are empowered to act as a unit, although not designated as a board, committee or other body, securities registered in their names or assigned to them as such, or in their titles without their names, may be assigned by anyone authorized by the group to act in its behalf. Such assignments may be supported by a sworn copy of a resolution adopted by the group in accordance with the terms of the trust instrument, and proof of their authority to act as a unit may be required. As an alternative, assignments by all the fiduciaries, supported by proof of their incumbency, if not named on the securities, will be accepted.

§ 306.77 Corepresentatives and fiduciaries.

If there are two or more executors, administrators, guardians or similar representatives, or trustees of an estate, all must unite in the assignment of any securities belonging to the estate. However, when a statute, a decree of court, or the instrument under which the representatives or fiduciaries are acting provides otherwise, assignments in accordance with their authority will be accepted. If the securities have matured or been called and are submitted for redemption for the account of all, or for redemption-exchange or pursuant to an advance refunding or prerefunding offer, and the securities offered in exchange are to be registered in the names of all, no assignment is required.

§ 306.78 Nontransferable securities.

The provisions of this subpart, so far as applicable, govern assignments of Treasury Bonds, Investment Series B-1975-80.

Subpart J—Assignments in Behalf of Private or Public Organizations

§ 306.85 Private corporations and unincorporated associations (including nominees).

Securities registered in the name of, or assigned to, an unincorporated association, or a private corporation in its own right or in a representative or fiduciary capacity, or as nominee, may be assigned in its behalf for any authorized transaction by any duly authorized officer or officers. Evidence, in the form of a resolution of the governing body, authorizing the assigning officer to assign, or to sell, or to otherwise dispose of the securities will ordinarily be required. Resolutions may relate to any or all registered securities owned by the organization or held by it in a representative or fiduciary capacity. (Form PD 1010, or any substantially similar form, may be used when the authority relates to specific securities; Form PD 1011, or any substantially similar form, may be used for securities generally.) If the officer derives his authority from a charter, constitution or bylaws, a copy, or a pertinent ex-

tract therefrom, properly certified, will be required in lieu of a resolution. If the resolution or other supporting document shows the title of an authorized officer, without his name, it must be supplemented by a certificate of incumbency. (Form PD 1014 may be used.)

§ 306.86 Change of name and succession of private organizations.

If a private corporation or unincorporated association changes its name or is lawfully succeeded by another corporation or unincorporated association, its securities may be assigned in behalf of the organization in its new name or that of its successor by an authorized officer in accordance with § 306.85. The assignment must be supported by evidence of the change of name or succession.

§ 306.87 Partnerships (including nominee partnerships).

An assignment of a security registered in the name of or assigned to a partnership must be executed by a general partner. Upon dissolution of a partnership, assignment by all living partners and by the persons entitled to assign in behalf of any deceased partner's estate will be required unless the laws of the jurisdiction authorize a general partner to bind the partnership by any act appropriate for winding up partnership affairs. In those cases where assignments by or in behalf of all partners are required this fact must be shown in the assignment; otherwise, an affidavit by a former general partner must be furnished identifying all the persons who had been partners immediately prior to dissolution. Upon voluntary dissolution, for any jurisdiction where a general partner may not act in winding up partnership affairs, an assignment by a liquidating partner, as such, must be supported by a duly executed agreement among the partners appointing the liquidating partner.

§ 306.88 Political entities and public corporations.

Securities registered in the name of, or assigned to, a State, county, city, town, village, school district or other political entity, public body or corporation, may be assigned by a duly authorized officer, supported by evidence of his authority.

§ 306.89 Public officers.

Securities registered in the name of, or assigned to, a public officer designated by title may be assigned by such officer, supported by evidence of incumbency. Assignments for the officer's own apparent individual benefit will not be recognized.

§ 306.90 Nontransferable securities.

The provisions of this subpart apply to Treasury Bonds, Investment Series B-1975-80.

Subpart K—Attorneys in Fact

§ 306.95 Attorneys in fact.

(a) *General.* Assignments by an attorney in fact will be recognized if supported by an adequate power of attorney. Every power must be executed in the

presence of an authorized certifying officer under the conditions set out in § 306.45 for certification of assignments. Powers need not be submitted to support redemption-exchanges or exchanges pursuant to advance refunding or pre-refunding offers where the securities to be issued are to be registered in the same names and forms as appear in the inscriptions or assignments of the securities surrendered. In all other cases, the original power, or a photocopy showing the grantor's autograph signature, properly certified, must be submitted, together with the security assigned on the owner's behalf by the attorney in fact. An assignment by a substitute attorney in fact must be supported by an authorizing power of attorney and power of substitution. An assignment by an attorney in fact or a substitute attorney in fact for the apparent benefit of either will not be accepted unless expressly authorized. (Form PD 1001 or 1003, as appropriate, may be used to appoint an attorney in fact. An attorney in fact may use Form PD 1006 or 1008 to appoint a substitute. However, any form sufficient in substance may be used.) If there are two or more joint attorneys in fact or substitutes, all must unite in an assignment, unless the power authorizes less than all to act. A power of attorney or of substitution not coupled with an interest will be recognized until the Bureau receives proof of revocation or proof of the grantor's death or incompetency.

(b) *For legal representatives and fiduciaries.* Assignments by an attorney in fact or substitute attorney in fact for a legal representative or fiduciary, in addition to the power of attorney and of substitution, must be supported by evidence, if any, as required by §§ 306.57(d), 306.66(b), 306.75, and 306.76. Powers must specifically designate the securities to be assigned.

(c) *For corporations or unincorporated associations.* Assignments by an attorney in fact or a substitute attorney in fact in behalf of a corporation or unincorporated association, in addition to the power of attorney and power of substitution, must be supported by one of the following documents certified under seal of the organization, or, if it has no seal, sworn to by an officer who has access to the records:

(1) A copy of the resolution of the governing body authorizing an officer to appoint an attorney in fact, with power of substitution, if pertinent, to assign, or to sell, or to otherwise dispose of, the securities, or

(2) A copy of the charter, constitution, or bylaws, or a pertinent extract therefrom, showing the authority of an officer to appoint an attorney in fact, or

(3) A copy of the resolution of the governing body directly appointing an attorney in fact.

If the resolution or other supporting document shows only the title of the authorized officer, without his name, a certificate of incumbency must also be furnished. (Form PD 1014 may be used.) The power may not be broader than the resolution or other authority.

(d) *For public corporations.* A general power of attorney in behalf of a public corporation will be recognized only if it is authorized by statute.

§ 306.96 Nontransferable securities.

The provisions of this subpart shall apply to nontransferable securities, subject only to the limitations imposed by the terms of the particular issues.

Subpart L—Transfer Through Judicial Proceedings

§ 306.100 Transferable securities.

The Department will recognize valid judicial proceedings affecting the ownership of or interest in transferable securities, upon presentation of the securities together with evidence of the proceedings. In the case of securities registered in the names of two or more persons, the extent of their respective interests in the securities must be determined by the court in proceedings to which they are parties or must otherwise be validly established.¹⁰

§ 306.101 Evidence required.

Copies of a final judgment, decree, or order of court and of any necessary supplementary proceedings must be submitted. Assignments by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of his qualification. Assignments by a receiver in equity or a similar court officer must be supported by a copy of an order authorizing him to assign, or to sell, or to otherwise dispose of, the securities. Where the documents are dated more than 6 months prior to presentation of the securities, there must also be submitted a certificate dated within 6 months of presentation of the securities, showing the judgment, decree, or order, or evidence of qualification, is in full force. Any such evidence must be certified under court seal.

§ 306.102 Nontransferable securities.

The provisions of this subpart shall apply to Treasury Bonds, Investment Series B-1975-80, except that prior to maturity any reference to assignments shall be deemed to refer to assignments of the bonds for exchange for the current series of 1½ percent 5-year EA or EO Treasury notes.

Subpart M—Requests for Suspension of Transactions

§ 306.105 Requests for suspension of transactions in registered securities.

(a) *Timely notice.* If prior to the time a registered security bearing an apparently valid assignment has been functioned, a claim is received from the owner or his authorized representative showing that (1) the security was lost, stolen, or destroyed and that it was unassigned, or

¹⁰ Title in a finder claiming ownership of a registered security will not be recognized. A finder claiming ownership of a bearer security or a registered security assigned in blank or so assigned as to become in effect payable to bearer must perfect his title in accordance with the provisions of State law. If there are no such provisions, the Department will not recognize his title to the security.

not so assigned as to have become in effect payable to bearer, or (2) the assignment was affected by fraud, the transaction for which the security was received will be suspended. The interested parties will be given a reasonable period of time in which to effect settlement of their interests by agreement, or to institute judicial proceedings.

(b) *Late notice.* If, after a registered security has been transferred, exchanged, or redeemed in reliance on an apparently valid assignment, an owner notifies the Bureau that the assignment was affected by fraud or that the security had been lost or stolen, the Department will undertake only to furnish available information.

(c) *Forged assignments.* A claim that an assignment of a registered security is a forgery will be investigated. If it is established that the assignment was in fact forged and that the owner did not authorize or ratify it, or receive any benefit therefrom, the Department will recognize his ownership and grant appropriate relief.

§ 306.106 Requests for suspension of transactions in bearer securities.

(a) *Securities not overdue.* Neither the Department nor any of its agents will accept notice of any claim or of pending judicial proceedings by any person for the purpose of suspending transactions in bearer securities, or registered securities so assigned as to become in effect payable to bearer which are not overdue as defined in § 306.25.¹¹ However, if the securities are received and retired, the department will undertake to notify persons who appear to be entitled to any available information concerning the source from which the securities were received.

(b) *Overdue securities.* Reports that bearer securities, or registered securities so assigned as to become in effect payable to bearer, were lost, stolen, or possibly destroyed after they became overdue as defined in § 306.25 will be accepted by the Bureau for the purpose of sus-

¹¹ It has been the longstanding policy of the Department to assume no responsibility for the protection of bearer securities not in the possession of persons claiming rights therein and to give no effect to any notice of such claims. This policy was formalized on April 27, 1887, when the Secretary of the Treasury issued the following statement:

"In consequence of the increasing trouble, wholly without practical benefit, arising from notices which are constantly received at the Department respecting the loss of coupon bonds, which are payable to bearer, and of Treasury notes issued and remaining in blank at the time of loss, it becomes necessary to give this public notice, that the Government cannot protect and will not undertake to protect the owners of such bonds and notes against the consequences of their own fault or misfortune.

"Hereafter all bonds, notes, and coupons, payable to bearer, and Treasury notes issued and remaining in blank, will be paid to the party presenting them in pursuance of the regulations of the Department, in the course of regular business; and no attention will be paid to caveats which may be filed for the purpose of preventing such payment."

pending redemption of the securities if the claimant establishes his interest. If the securities are presented, their redemption will be suspended and the presenter and the claimant will each be given an opportunity to establish ownership.

Subpart N—Relief for Loss, Theft, Destruction, Mutilation, or Defacement of Securities

§ 306.110 Statutory authority and requirements.

Relief is authorized, under certain conditions, for the loss, theft, destruction, mutilation or defacement of U.S. securities, whether before, at, or after maturity. A bond of indemnity, in such form and with such surety, sureties or security as may be required to protect the interests of the United States, is required as a condition of relief on account of any bearer security or any registered security assigned in blank or so assigned as to become in effect payable to bearer, and is ordinarily required in the case of unassigned registered securities.

§ 306.111 Procedure for applying for relief.

Prompt report of the loss, theft, destruction, mutilation or defacement of a security should be made to the Bureau. The report should include:

(a) The name and present address of the owner and his address at the time the security was issued, and, if the report is made by some other person, the capacity in which he represents the owner.

(b) The identity of the security by title of loan, issue date, interest rate, serial number and denomination, and in the case of a registered security, the exact form of inscription and a full description of any assignment, endorsement or other writing.

(c) A full statement of the circumstances.

All available portions of a mutilated, defaced or partially destroyed security must also be submitted.

§ 306.112 Type of relief granted.

(a) *Prior to call or maturity.* After a claim on account of the loss, theft, destruction, mutilation, or defacement of a security which has not matured or been called has been satisfactorily established and the conditions for granting relief have been met, a security of like description will be issued to replace the original security.

(b) *At or after call or maturity.* Payment will be made on account of the loss, theft, destruction, mutilation, or defacement of a called or matured security after the claim has been satisfactorily established and the conditions for granting relief have been met.

(c) *Interest coupons.* Where relief has been authorized on account of a destroyed, mutilated or defaced coupon security which has not matured or been called, the replacement security will have attached all unmatured interest coupons if it is established to the satisfaction of the Secretary of the Treasury that the coupons were attached to the original

security at the time of its destruction, mutilation or defacement. In every other case only those unmatured interest coupons for which the Department has received payment will be attached. The price of the coupons will be their value as determined by the Department at the time relief is authorized using interest rate factors based on then current market yields on Treasury securities of comparable maturities.

§ 306.113 Cases not requiring bonds of indemnity.

A bond of indemnity will not be required as a condition of relief for the loss, theft, destruction, mutilation, or defacement of registered securities in any of the following classes of cases unless the Secretary of the Treasury deems it essential in the public interest:

(a) If the loss, theft, destruction, mutilation, or defacement, as the case may be, occurred while the security was in the custody or control of the United States, or a duly authorized agent thereof (not including the Postal Service when acting solely in its capacity as public carrier of the mails), or while in the course of shipment effected under regulations issued pursuant to the Government Losses in Shipment Act (Parts 260, 261, and 262 of this chapter).

(b) If substantially the entire security is presented and surrendered and the Secretary of the Treasury is satisfied as to the identity of the security and that any missing portions are not sufficient to form the basis of a valid claim against the United States.

(c) If the security is one which by the provisions of law or by the terms of its issue is nontransferable or is transferable only by operation of law.

(d) If the owner or holder is the United States, a Federal Reserve bank, a Federal Government corporation, a State, the District of Columbia, a territory or possession of the United States, a municipal corporation, or, if applicable, a political subdivision of any of the foregoing, or a foreign government.

Subpart O—Book-Entry Procedure

§ 306.115 Definition of terms.

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 and when indicated acting in its individual capacity.

(b) "Treasury security" means a 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 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 Treasury bond, note, certificate of indebtedness, or bill issued under the Second Liberty Bond Act, as amended, in the form an entry made as prescribed in

this subpart on the records of a Reserve Bank.

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

(f) "Date of call" (see § 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."

(g) "Member bank" means any national bank, State bank or bank or trust company which is member of a Reserve Bank.

§ 306.116 Authority of Reserve Banks.

Each Reserve Bank is hereby authorized, 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 loan title (or series) and 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 a confirmation of transaction in the form of a written advice (serially numbered or otherwise) which specifies the amount and description of any securities, that is, loan title (or series) and maturity date, sold or transferred and the date of the transaction.

§ 306.117 Scope and effect of book-entry procedure.

(a) A Reserve bank as fiscal agent of the United States may 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:¹²

(1) As collateral pledged to a Reserve bank (in its individual capacity) for advances by it;

(2) By a member bank for its sole account;

(3) By a member bank held for the account of its customers;

(4) In connection with deposits in a member bank of funds of States, municipalities, or other political subdivisions; or

(5) 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

¹²The appendix to this subpart contains rules of identification of book-entry securities for Federal income tax purposes.

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.

(b) A Reserve bank, as fiscal agent of the United States, shall apply the book-entry procedure to Treasury securities deposited as collateral pledged to the United States under current revisions of Department of the Treasury Circulars Nos. 92 and 176 (Parts 203 and 202 of this chapter), and may apply the book-entry procedure, with the approval of the Secretary of the Treasury, to any other Treasury securities deposited with a Reserve bank, as fiscal agent of the United States.

(c) Any person having an interest in Treasury securities which are deposited with a Reserve bank (in either its individual capacity or as fiscal agent) for any 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.

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

§ 306.118 Transfer or pledge.

(a) A transfer or a pledge of book-entry Treasury securities to a Reserve bank (in its individual capacity or as fiscal agent of the United States), or to the United States, or to any transferee or pledgee eligible to maintain an appropriate book-entry account in its name with a Reserve bank under this subpart, is effected and perfected, notwithstanding any provision of law to the contrary, by a Reserve bank making an appropriate entry in its records of the securities transferred or pledged. The making of such an entry in the records of a Reserve bank shall (1) have the effect of a delivery in bearer form of definitive Treasury securities; (2) have the effect of a taking of delivery by the transferee or pledgee; (3) constitute the transferee or pledgee a holder; and (4) if a pledge, effect a perfected security interest therein in favor of the pledgee. A transfer or pledge of book-entry Treasury securities effected under this paragraph shall have priority over any transfer, pledge, or other interest, theretofore or thereafter effected or perfected under paragraph (b) of this section or in any other manner.

(b) A transfer or a pledge of transferable Treasury securities, or any interest therein, which is maintained by a Reserve bank (in its individual capacity or as fiscal agent of the United States) in a book-entry account under this subpart, including securities in book-entry form under § 306.117(a) (3), is effected,

and a pledge is perfected, by any means that would be effective under applicable law to effect a transfer or to effect and perfect a pledge of the Treasury securities, or any interest therein, if the securities were maintained by the Reserve bank in bearer definitive form. For purposes of transfer or pledge hereunder, book-entry Treasury securities maintained by a Reserve bank shall, notwithstanding any provision of law to the contrary, be deemed to be maintained in bearer definitive form. A Reserve bank maintaining book-entry Treasury securities either in its individual capacity or as fiscal agent of the United States is not a bailee for purposes of notification of pledges of those securities under this subsection, or a third person in possession for purposes of acknowledgment of transfers thereof under this subsection. Where transferable Treasury securities are recorded on the books of a depository (a bank, banking institution, financial firm, or similar party, which regularly accepts in the course of its business Treasury securities as a custodial service for customers, and maintains accounts in the names of such customers reflecting ownership of or interest in such securities) for account of the pledgor or transferor thereof and such securities are on deposit with a Reserve bank in a book-entry account hereunder, such depository shall, for purposes of perfecting a pledge of such securities or effecting delivery of such securities to a purchaser under applicable provisions of law, be the bailee to which notification of the pledge of the securities may be given or the third person in possession from which acknowledgment of the holding of the securities for the purchaser may be obtained. A Reserve bank will not accept notice or advice of a transfer or pledge effected or perfected under this subsection, and any such notice or advice shall have no effect. A Reserve bank may continue to deal with its depositor in accordance with the provisions of this subpart, notwithstanding any transfer or pledge effected or perfected under this subsection.

(c) No filing or recording with a public recording office or officer shall be necessary or effective with respect to any transfer or pledge of book-entry Treasury securities or any interest therein.

(d) A Reserve bank shall, upon receipt of appropriate instructions, convert book-entry Treasury securities into definitive Treasury securities and deliver them in accordance with such instructions; no such conversion shall affect existing interests in such Treasury securities.

(e) A transfer of book-entry Treasury securities within a Reserve bank shall be made in accordance with procedures established by the bank not inconsistent with this subpart. The transfer of book-entry Treasury securities by a Reserve bank may be made through a telegraphic transfer procedure.

(f) All requests for transfer or withdrawal must be made prior to the maturity or date of call of the securities.

§ 306.119 Withdrawal of Treasury securities.

(a) A depositor of book-entry Treasury securities may withdraw them from a Reserve bank by requesting delivery of like definitive Treasury securities to itself or on its order to a transferee.

(b) Treasury securities which are actually to be delivered upon withdrawal may be issued either in registered or in bearer form, except that Treasury bills and EA and EO series of Treasury notes will be issued in bearer form only.

§ 306.120 Delivery of Treasury securities.

A Reserve bank which has received Treasury securities and effected pledges, made entries regarding them, or transferred or delivered them according to the instructions of its depositor is not liable for conversion or for participation in breach of fiduciary duty even though the depositor had no right to dispose of or take other action in respect of the securities. A Reserve bank shall be fully discharged of its obligations under this subpart by the delivery of Treasury securities in definitive form to its depositor or upon the order of such depositor. Customers of a member bank or other depository (other than a Reserve bank) may obtain Treasury securities in definitive form only by causing the depositor of the Reserve bank to order the withdrawal thereof from the Reserve bank.

§ 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 § 306.117(a). Registered Treasury securities deposited thereafter with a Reserve bank for any purpose specified in § 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 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."

§ 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 or call, and the redemption proceeds, principal and interest, shall be disposed of in accordance with the depositor's instructions.

Subpart P—Miscellaneous Provisions

§ 306.125 Additional requirements.

In any case or any class of cases arising under these regulations the Secretary of the Treasury may require such

additional evidence and a bond of indemnity, with or without surety, as may in his judgment be necessary for the protection of the interests of the United States.

§ 306.126 Waiver of regulations.

The Secretary of the Treasury reserves the right, in his discretion, to waive or modify any provision or provisions of these regulations in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship, if such action is not inconsistent with law, does not impair any existing rights, and he is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 306.127 Preservation of existing rights.

Nothing contained in these regulations shall limit or restrict existing rights which holders of securities heretofore issued may have acquired under the circulars offering such securities for sale or under the regulations in force at the time of acquisition.

§ 306.128 Supplements, amendments or revisions.

The Secretary of the Treasury may at any time, or from time to time, prescribe additional supplemental, amendatory or revised regulations with respect to U.S. securities.

APPENDIX TO SUBPART E—INTEREST—COMPUTATION OF INTEREST ON TREASURY BONDS, TREASURY NOTES, AND TREASURY CERTIFICATES OF INDEBTEDNESS, AND COMPUTATION OF DISCOUNT ON TREASURY BILLS—INTEREST TABLES

COMPUTATION OF INTEREST ON ANNUAL BASIS
One Day's Interest is 1/365 or 1/366 of 1-Year's Interest

Computation of interest on Treasury bonds, notes, and certificates of indebtedness will be made on an annual basis in all cases where interest is payable in one amount for the full term of the security, unless such term is an exact half-year (6 months), and it is provided that interest shall be computed on a semi-annual basis.

If the term of the securities is exactly 1 year, the interest is computed for the full period at the specified rate regardless of the number of days in such period.

If the term of the securities is less than 1 full year, the annual interest period for purposes of computation is considered to be the full year from but not including the date of issue to and including the anniversary of such date.

If the term of the securities is more than 1 full year, computation is made on the basis of one full annual interest period, ending with the maturity date, and a fractional part of the preceding full annual interest period.

The computation of interest for any fractional part of an annual interest period is made on the basis of 365 actual days in such period, or 366 days if February 29 falls within such annual period.

COMPUTATION OF INTEREST ON SEMIANNUAL BASIS

One Day's Interest is 1/181, 1/182, 1/183 or 1/184 of 1/2 Year's Interest

Computation of interest on Treasury bonds, notes, and certificates of indebtedness will be

made on a semiannual basis in all cases where interest is payable for one or more full half-year (6 months) periods, or for one or more full half-year periods and a fractional part of a half-year period. A semiannual interest period is an exact half-year or 6 months, for computation purposes, and may comprise 181, 182, 183 or 184 actual days.

An exact half-year's interest at the specified rate is computed for each full period of exactly 6 months, irrespective of the actual number of days in the half-year.

If the initial interest covers a fractional part of a half-year, computation is made on the basis of the actual number of days in the

half-year (exactly 6 months) ending on the day such initial interest becomes due. If the initial interest covers a period in excess of 6 months, computation is made on the basis of one full half-year period, ending with the interest due date, and a fractional part of the preceding full half-year period.

Interest for any fractional part of a full half-year period is computed on the basis of the exact number of days in the full period, including February 29 whenever it falls within such a period.

The number of days in any half-year period is shown in the following table:

Interest period	FOR THE HALF-YEAR			
	Beginning and ending days are 1st or 15th of months listed under interest period (number of days)		Beginning and ending days are last days of months listed under interest period (number of days)	
	Regular year	Leap year	Regular year	Leap year
January to July	181	182	181	182
February to August	181	182	184	184
March to September	184	184	183	183
April to October	183	183	184	184
May to November	184	184	183	183
June to December	183	183	184	184
July to January	184	184	184	184
August to February	184	184	181	182
September to March	181	182	182	183
October to April	182	183	181	182
November to May	181	182	182	183
December to June	182	183	181	182
1 year (any 2 consecutive half-years)	365	366	365	366

The following are dates for end-of-the-month interest computations.

When interest period ends on—	Interest-computation period will be from but will not include—
Jan. 31	July 31.
Feb. 28 in 365-day year.	Aug. 31.
Feb. 29	Do.
Mar. 30, 31	Sept. 30.
Apr. 30	Oct. 31.
May 30, 31	Nov. 30.
June 30	Dec. 31.
July 31	Jan. 31.
Aug. 29, 30 or 31	Feb. 28 in 365-day year. Feb. 29 in leap year.
Sept. 30	Mar. 31.
Oct. 30, 31	Apr. 30.
Nov. 30	May 31.
Dec. 30, 31	June 30.

USE OF INTEREST TABLES

In the appended tables decimals are set forth for use in computing interest for fractional parts of interest periods. The decimals cover interest on \$1,000 for 1 day in each possible semiannual (Table I), and annual (Table II) interest period, at all rates of interest, in steps of 1/8 percent, from 1/8 to 9 percent. The amount of interest accruing on any date (for a fractional part of an interest period) on \$1,000 face amount of any issue of Treasury bonds, Treasury notes, or Treasury certificates of indebtedness may be ascertained in the following way:

(1) The date of issue, the dates for the payment of interest, the basis (semiannual or annual) upon which interest is computed, and the rate of interest (percent per annum) may be determined from the text of the security, or from the official circular governing the issue.

(2) Determine the interest period of which the fraction is a part, and calculate the number of days in the full period to determine the proper column to be used in selecting the decimal for 1 day's interest.

(3) Calculate the actual number of days in the fractional period from but not including the date of issue or the day on which the last preceding interest payment was made, to and including the day on which the next succeeding interest payment is due or the day as of which the transaction which terminates the accrual of additional interest is effected.

(4) Multiply the appropriate decimal (1 day's interest on \$1,000) by the number of days in the fractional part of the interest period. The appropriate decimal will be found in the appended table for interest payable semiannually or annually, as the case may be, opposite the rate borne by the security, and in the column showing the full interest period of which the fractional period is a part. (For interest on any other amount, multiply the amount of interest on \$1,000 by the other amount expressed as a decimal of \$1,000.)

TREASURY BILLS

The methods of computing discount rates on U.S. Treasury bills are given below:

Computation will be made on an annual basis in all cases. The annual period for bank discount is a year of 360 days, and all computations of such discount will be made on that basis. The annual period for true discount is 1 full year from but not including the date of issue to and including the anniversary of such date. Computation of true discount for a fractional part of a year will be made on the basis of 365 days in the year, or 366 days if February 29 falls within the year.

BANK DISCOUNT

The bank discount rate on a Treasury bill may be ascertained by (1) subtracting the sale price of the bill from its face value to obtain the amount of discount; (2) dividing the amount of discount by the number of days the bill is to run to obtain the amount of discount per day; (3) multiplying the amount of discount per day by 360 (the number of days in a commercial year of 12 months

of 30 days each) to obtain the amount of discount per year; and (4) dividing the amount of discount per year by the face value of the bill to obtain the bank discount rate.

For example:

91-day bill:
 Principal amount—maturity
 value ----- \$100.00
 Price at issue—amount received_ 99.50
 Amount of discount----- .50
 $\$0.50 \div 91 \times 360 \div \$100 = .01978$ or 1.978 percent
 TRUE DISCOUNT

The true discount rate on a Treasury bill of not more than one-half year in length may be ascertained by (1 and 2) obtaining the amount of discount per day by following the

first two steps described under "Bank Discount"; (3) multiplying the amount of discount per day by the actual number of days in the year from date of issue (365 ordinarily, but 366 if February 29 falls within the year from date of issue) to obtain the amount of discount per year; and (4) dividing the amount of discount per year by the sale price of the bill to obtain the true discount rate.

For example:

91-day bill:
 Principal amount—maturity
 value ----- \$100.00
 Price at issue—amount received_ 99.50
 Amount of discount----- .50
 $\$0.50 \div 91 \times 365 \div \$99.50 = .02016$ or 2.016 percent

TABLE I—DECIMAL FOR 1 DAY'S INTEREST ON \$100 AT VARIOUS RATES OF INTEREST, PAYABLE SEMIANNUALLY OR ON A SEMIANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS (TO DETERMINE APPLICABLE NUMBER OF DAYS, SEE "COMPUTATION OF INTEREST ON SEMIANNUAL BASIS")

Rate per annum (percent)	Half-year of 184 days	Half-year of 183 days	Half-year of 182 days	Half-year of 181 days
1/8	\$.003 396 739	\$.003 415 301	\$.003 434 066	\$.003 453 039
1/4	.006 793 478	.006 830 601	.006 868 132	.006 906 077
3/8	.010 190 217	.010 245 902	.010 302 198	.010 359 116
1/2	.013 586 957	.013 661 202	.013 736 284	.013 812 155
5/8	.016 983 696	.017 076 503	.017 170 330	.017 265 193
3/4	.020 380 435	.020 491 803	.020 604 396	.020 718 232
7/8	.023 777 174	.023 907 104	.024 038 462	.024 171 271
1	.027 173 913	.027 322 404	.027 472 527	.027 624 309
1 1/8	.030 570 652	.030 737 705	.030 906 593	.031 077 348
1 1/4	.033 967 391	.034 153 005	.034 340 659	.034 530 387
1 3/8	.037 364 130	.037 568 306	.037 774 725	.037 983 425
1 1/2	.040 760 870	.040 983 607	.041 208 791	.041 436 464
1 5/8	.044 157 609	.044 398 907	.044 642 857	.044 889 503
1 3/4	.047 554 348	.047 814 208	.048 076 923	.048 342 541
1 7/8	.050 951 087	.051 229 508	.051 510 989	.051 795 580
2	.054 347 826	.054 644 809	.054 945 055	.055 248 619
2 1/8	.057 744 565	.058 060 109	.058 379 121	.058 701 657
2 1/4	.061 141 304	.061 475 410	.061 813 187	.062 154 696
2 3/8	.064 538 043	.064 890 710	.065 247 253	.065 607 735
2 1/2	.067 934 783	.068 306 011	.068 681 319	.069 060 773
2 5/8	.071 331 522	.071 721 311	.072 115 385	.072 513 812
2 3/4	.074 728 261	.075 136 612	.075 549 451	.075 966 851
2 7/8	.078 125 000	.078 551 913	.078 983 516	.079 419 890
3	.081 521 739	.081 967 213	.082 417 582	.082 872 928
3 1/8	.084 918 478	.085 382 514	.085 851 648	.086 325 967
3 1/4	.088 315 217	.088 797 814	.089 285 714	.089 779 006
3 3/8	.091 711 957	.092 213 115	.092 719 780	.093 232 044
3 1/2	.095 108 696	.095 628 415	.096 153 846	.096 685 083
3 5/8	.098 505 435	.099 043 716	.099 587 912	.100 138 122
3 3/4	.101 902 174	.102 459 016	.103 021 978	.103 591 160
3 7/8	.105 298 913	.105 874 317	.106 456 044	.107 044 199
4	.108 695 652	.109 289 617	.109 890 110	.110 497 238
4 1/8	.112 092 391	.112 704 918	.113 324 176	.113 950 276
4 1/4	.115 489 130	.116 120 219	.116 758 242	.117 403 315
4 3/8	.118 885 870	.119 535 519	.120 192 308	.120 856 354
4 1/2	.122 282 609	.122 950 820	.123 626 374	.124 309 392
4 5/8	.125 679 348	.126 366 120	.127 060 440	.127 762 431
4 3/4	.129 076 087	.129 781 421	.130 494 505	.131 215 470
4 7/8	.132 472 826	.133 196 721	.133 928 571	.134 668 508
5	.135 869 565	.136 612 022	.137 362 637	.138 121 547
5 1/8	.139 266 304	.140 027 322	.140 796 703	.141 574 586
5 1/4	.142 663 043	.143 442 623	.144 230 769	.145 027 624
5 3/8	.146 059 783	.146 857 923	.147 664 835	.148 480 663
5 1/2	.149 456 522	.150 273 224	.151 098 901	.151 933 702
5 5/8	.152 853 261	.153 688 525	.154 532 967	.155 386 740
5 3/4	.156 250 000	.157 103 825	.157 967 033	.158 839 779
5 7/8	.159 646 739	.160 519 126	.161 401 099	.162 292 818
6	.163 043 478	.163 934 426	.164 835 165	.165 745 856

TABLE II—DECIMAL FOR 1 DAY'S INTEREST ON \$1,000 AT VARIOUS RATES OF INTEREST, PAYABLE ANNUALLY OR ON AN ANNUAL BASIS, IN REGULAR YEARS OF 365 DAYS AND IN LEAP YEARS OF 366 DAYS

Rate per annum (percent)	Regular year, 365 days	Leap year, 366 days
1/8	\$0.003 424 658	\$0.003 415 301
1/4	.006 849 315	.006 830 601
3/8	.010 273 973	.010 245 902
1/2	.013 698 630	.013 661 202
5/8	.017 123 288	.017 076 503
3/4	.020 547 945	.020 491 803
7/8	.023 972 603	.023 907 104
1	.027 397 260	.027 322 404
1 1/8	.030 821 918	.030 737 705
1 1/4	.034 246 575	.034 153 005
1 3/8	.037 671 233	.037 568 306
1 1/2	.041 095 890	.040 983 607
1 5/8	.044 520 548	.044 398 907
1 3/4	.047 945 205	.047 814 208
1 7/8	.051 369 863	.051 229 508
2	.054 794 521	.054 644 809
2 1/8	.058 219 178	.058 060 109
2 1/4	.061 643 836	.061 475 410
2 3/8	.065 068 493	.064 890 710
2 1/2	.068 493 151	.068 306 011
2 5/8	.071 917 808	.071 721 311
2 3/4	.075 342 466	.075 136 612
2 7/8	.078 767 123	.078 551 913
3	.082 191 781	.081 967 213
3 1/8	.085 616 438	.085 382 514
3 1/4	.089 041 096	.088 797 814
3 3/8	.092 465 753	.092 213 115
3 1/2	.095 890 411	.095 628 415
3 5/8	.099 315 068	.099 043 716
3 3/4	.102 739 726	.102 459 016
3 7/8	.106 164 384	.105 874 317
4	.109 589 041	.109 289 617
4 1/8	.113 013 699	.112 704 918
4 1/4	.116 438 356	.116 120 219
4 3/8	.119 863 014	.119 535 519
4 1/2	.123 287 671	.122 950 820
4 5/8	.126 712 329	.126 366 120
4 3/4	.130 136 986	.129 781 421
4 7/8	.133 561 644	.133 196 721
5	.136 986 301	.136 612 022
5 1/8	.140 410 959	.140 027 322
5 1/4	.143 835 616	.143 442 623
5 3/8	.147 260 274	.146 857 923
5 1/2	.150 684 932	.150 273 224
5 5/8	.154 109 589	.153 688 525
5 3/4	.157 534 247	.157 103 825
5 7/8	.160 958 904	.160 519 126
6	.164 383 562	.163 934 426

which is issued by any department or agency of the Government of the United States, or the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Land Banks, the Federal Intermediate Credit Banks, the Banks for Cooperatives, or the Tennessee Valley Authority.

The three documents are:

(1) The substance of Treasury Department Decision 7081, published in the FEDERAL REGISTER on December 31, 1970;¹

(2) Revenue Ruling 71-21, published in Internal Revenue Bulletin 1971-3, dated January 18, 1971; and

(3) Revenue Ruling 71-15, published in Internal Revenue Bulletin 1971-3, dated January 18, 1971.

The first document modifies the tax identification rules regarding the determination of basis and holding period of securities held as investments. It applies to the sale or transfer of book-entry securities pursuant to a written instruction by a taxpayer. It permits the taxpayer in its written instruction to its bank or to the person through whom the taxpayer makes the sale or transfer to identify the securities being sold or transferred by specifying the unique lot number which he has assigned to the lot containing them.

The taxpayer may make the specification either—(a) in the written instruction, or (b) in the case of a taxpayer having a book-entry account at a Reserve bank, in a list of lot numbers with respect to all book-entry securities on the books of the Reserve bank sold or transferred by him on that date: *Provided*, The list is mailed to or received by the Reserve bank on or before the latter's next business day.

These provisions apply only if the taxpayer assigns lot numbers in numerical sequence to successive purchases of securities in the same loan title (series) and maturity date, except that securities of the same loan title (series) and maturity date which are purchased at the same price on the same date may be included within the same lot.

The written advice of transaction furnished to the taxpayer by the Reserve bank, or by his bank or any other person through whom the taxpayer makes the sale or transfer, which specifies the amount and the description of the securities sold or transferred and the date of the transaction is sufficient confirmation. The Reserve bank need not use or refer to the lot number.

The second document concerns an owner of securities who has assigned sequential numbers to his successive purchases. The owner retains full interest in the securities but transfers them to a bank which has a book-entry account with a Reserve bank, or

APPENDIX TO SUBPART O—BOOK-ENTRY PROCEDURE

RECORDS FOR FEDERAL INCOME TAX PURPOSES

There are attached three documents in connection with the book-entry procedure which simplify recordkeeping for Federal income tax purposes. They apply to transferable Treasury bonds, notes, certificates of indebtedness, or bills issued under the Second Liberty Bond Act, as amended, and to "any other security of the United States." The quoted term is defined to include a bond, note, certificate of indebtedness, bill, debenture, or similar obligation which is subject to the provisions of 31 CFR Part 306, or other comparable Federal regulations and

¹ Filed as part of the original document. See 26 CFR 1.1012-1(c) (7).

to another party which transfers them to a bank which has a book-entry account with a Reserve bank.

When at a later date the bank instructs the Reserve bank to sell or transfer securities held in book entry for its customer, the bank need not refer to the sequential number which had been assigned on the owner's books.

The tax identification requirements are satisfied if the owner's written instruction to his bank or to the person through whom the taxpayer makes the sale or transfer sufficiently identifies the securities to be sold or transferred and refers to the lot number assigned to them in the owner's books. The bank's instruction to the Reserve bank will not refer to lot numbers; the Reserve bank will confirm the sale to the bank in the manner it deems appropriate. The member bank will confirm the sale or transfer to its customer by furnishing a written advice of transaction specifying the amount and description of the securities sold and the date of sale. The confirmation need not refer to lot number.

This document also permits substantially the same kind of identification and confirmation procedures when securities are purchased through the book-entry account for the bank's customers.

The third document provides that a dealer, who properly holds securities in inventory in accordance with § 1.471-5 of the Income Tax Regulations and proposes to transfer them to a book-entry system in a Reserve bank, will continue to maintain his books and records for Federal income tax purposes with respect to such securities in accordance with § 1.471-5 of the regulations and not § 1.1012-1 of the regulations.

SECTION 1012—BASIS OF PROPERTY—COST

26 CFR 1.1012.1 *Basis of property. Rev. Rul. 71-21.*¹ A taxpayer owns as investments Treasury securities and certain other securities described in the new § 1.1012-1(c)(7)(iii)(a) of the Income Tax Regulations. The taxpayer owner will assign a lot number to

the securities in his books. The numbers will be assigned in numerical sequence to successive purchases of the same loan title (series) and maturity date, except that securities of the same loan title (series) and maturity date which are purchased at the same price on the same date may be included in the same lot.

The owner proposes to retain full interest in the securities but he will transfer possession of them to a bank. That bank will not keep records of the securities by use of the above-described lot numbers. The bank will also take possession of like securities for other taxpayers.

The bank will transfer all of these securities to a book-entry system of a Federal Reserve bank. The securities will be entries in the book-entry account of the bank and, as such, the securities will no longer exist in definitive form. That account will not reflect the fact that the bank holds securities for several taxpayers.

When the owner wishes to sell certain securities, he will so instruct the bank in writing. The owner's instruction will sufficiently identify the securities to be sold, and will also refer to the lot number assigned in the books of the owner to the securities to be sold. The bank will then instruct, in writing, the Federal Reserve bank to transfer the securities. The latter instruction will not refer to the pertinent lot number. The Federal Reserve bank will confirm the sale to the bank in the manner it deems appropriate. The bank will confirm the sale to the owner by furnishing a written advice of transaction specifying the amount and description of the securities sold and the date of the sale. The confirmation will not refer to lot numbers.

When the owner desires to buy additional securities as investments of the kind described in the new § 1.1012-1(c)(7)(iii)(a) of the regulations, he will order the bank to purchase them. The bank will instruct the Federal Reserve bank to obtain the securities and to put them in the bank's book-entry account. The confirmation of the purchase from the Federal Reserve bank to the bank and from the bank to the owner will be of the nature used for the sale of securities. The owner will assign lot numbers in the

manner described above to these purchased securities:

Held, the above procedure is consistent with the tax record requirements of new § 1.1012-1(c)(7) of the regulations. This procedure exempts the tax record requirements when securities are transferred by parties to a bank who has an account in the book-entry system of a Federal Reserve bank. The tax record requirements in the case of a bank who puts its own investment securities in the book-entry system are set forth in new § 1.1012-1(c)(7) of the regulations.

SECTION 471—GENERAL RULE FOR INVENTORIES

26 CFR 1.471-5 *Inventories by dealers in Rev. Rul. 71-15*¹ *securities. (Also section 1012; 1.1012-1.)* A dealer, as defined in section 1.471-5 of the Income Tax Regulations, holds Treasury securities and other securities of the United States. "Other securities of the United States" means a transferable bond, note, certificate of indebtedness, bill, debenture, or similar obligation which is subject to the provisions of 31 CFR Part 306 or other comparable Federal regulations and which is issued by (1) any department or agency of the Government of the United States, or (2) the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Land Banks, the Federal Intermediate Credit Banks, the Banks for Cooperatives, or the Tennessee Valley Authority.

The dealer properly holds such securities in inventory in accordance with § 1.471-5 of the Income Tax Regulations. He proposes to transfer those securities to a book-entry system maintained by a Federal Reserve bank. The dealer will continue to maintain his books and records for Federal income tax purposes with respect to such securities in accordance with § 1.471-5 of the regulations.

Held, the dealer is not subject to the provisions of § 1.1012-1 of the regulations relating to identification of property with respect to such securities. Such a dealer must, however, comply with the provisions of § 1.471-5 of the regulations relating to inventory by dealers in securities.

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¹ Also released as Technical Information Release 1064, dated Jan. 14, 1971.

¹ Also released as Technical Information Release 1063, dated Dec. 30, 1970.