

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-141

December 19, 1977

TREASURY TAX AND LOAN INVESTMENT PROGRAM

TO THE CHIEF EXECUTIVE OFFICER, EACH BANK  
IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed is an information packet containing the Treasury's proposed rules for the new Treasury Tax and Loan Investment Program which is tentatively scheduled for implementation in April of 1978. This material should be reviewed and, as indicated in the proposed rules, any written comments should be directed to the Fiscal Assistant Secretary, United States Department of the Treasury, Room 2112, Washington, D.C. 20220, prior to January 19, 1978.

The enclosed are proposed rules and are subject to change pending the outcome of the public hearings to be held on January 12, 1978, and review of the written comments submitted.

Plans are now being made for each Reserve Office to hold several meetings in their respective territory during February-March, 1978, for the purpose of presenting the Treasury's Investment Program to the banks in this District and to provide an opportunity for questions to be answered prior to the implementation date. The dates and places of these meetings will be announced at a later date.

Any questions concerning the Treasury Tax and Loan Investment Program should be directed to Jack A. Clymer, Assistant Vice President of this Bank, Ext. 6340, or the appropriate officer at our El Paso, Houston, or San Antonio Branch.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosures

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Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

SPREAD BETWEEN THE R/P RATE  
AND THE FEDERAL FUNDS RATE  
JANUARY - NOVEMBER 1977

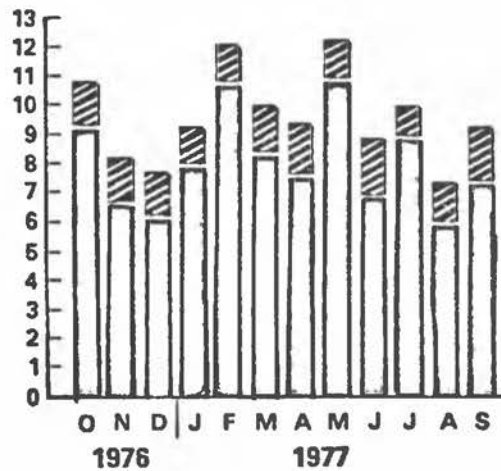
| <u>Week<br/>Ending</u> | <u>R/P<br/>Rate</u> | <u>Federal<br/>Funds Rate</u> | <u>Spread<br/>(in basis points)</u> |
|------------------------|---------------------|-------------------------------|-------------------------------------|
| January 19             | 4.59                | 4.65                          | 6                                   |
| 26                     | 4.61                | 4.72                          | 11                                  |
| February 2             | 4.54                | 4.60                          | 6                                   |
| 9                      | 4.53                | 4.66                          | 13                                  |
| 16                     | 4.55                | 4.70                          | 15                                  |
| 23                     | 4.61                | 4.74                          | 13                                  |
| March 2                | 4.53                | 4.68                          | 15                                  |
| 9                      | 4.52                | 4.63                          | 11                                  |
| 16                     | 4.53                | 4.62                          | 9                                   |
| 23                     | 4.56                | 4.77                          | 21                                  |
| 30                     | 4.56                | 4.74                          | 18                                  |
| April 6                | 4.53                | 4.60                          | 7                                   |
| 13                     | 4.59                | 4.65                          | 6                                   |
| 20                     | 4.58                | 4.71                          | 13                                  |
| 27                     | 4.50                | 4.82                          | 32                                  |
| May 4                  | 4.40                | 5.15                          | 75                                  |
| 11                     | 4.72                | 5.31                          | 59                                  |
| 18                     | 5.05                | 5.34                          | 29                                  |
| 25                     | 5.22                | 5.45                          | 23                                  |
| June 1                 | 5.22                | 5.36                          | 14                                  |
| 8                      | 5.23                | 5.31                          | 8                                   |
| 15                     | 5.25                | 5.37                          | 12                                  |
| 22                     | 5.26                | 5.43                          | 17                                  |
| 29                     | 5.20                | 5.43                          | 23                                  |
| July 6                 | 5.19                | 5.35                          | 16                                  |
| 13                     | 5.22                | 5.33                          | 11                                  |
| 20                     | 5.23                | 5.35                          | 12                                  |
| 27                     | 5.23                | 5.45                          | 22                                  |
| August 3               | 5.28                | 5.80                          | 52                                  |
| 10                     | 5.32                | 5.70                          | 38                                  |
| 17                     | 5.49                | 5.94                          | 45                                  |
| 24                     | 5.77                | 5.99                          | 22                                  |
| 31                     | 5.81                | 6.02                          | 21                                  |
| September 7            | 5.87                | 5.97                          | 10                                  |
| 14                     | 5.95                | 6.05                          | 10                                  |
| 21                     | 6.04                | 6.10                          | 6                                   |
| 28                     | 6.03                | 6.35                          | 32                                  |
| October 5              | 6.02                | 6.41                          | 39                                  |
| 12                     | 6.23                | 6.41                          | 18                                  |
| 19                     | 6.38                | 6.50                          | 12                                  |
| 26                     | 6.35                | 6.49                          | 14                                  |
| November 2             | 6.30                | 6.50                          | 20                                  |
| 9                      | 6.38                | 6.58                          | 20                                  |
| 16                     | 6.38                | 6.42                          | 4                                   |
| 23                     | 6.31                | 6.51                          | 20                                  |
| 30                     | 6.31                | 6.55                          | 24                                  |

RANGE OF SPREAD: 4 to 75 basis points  
AVERAGE OF SPREAD: 20 basis points

# LEVEL AND LIFE OF BALANCES

## Prior to TT&L Investment Program

\$ Billions

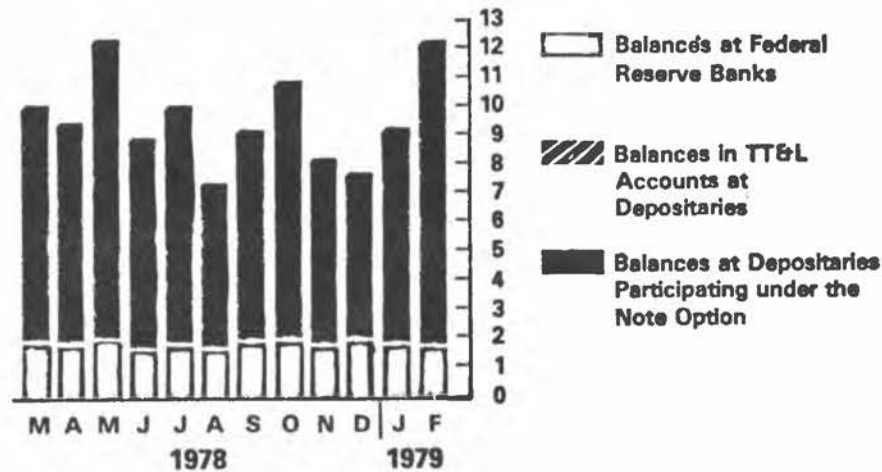


### Average Life

- A. Nine months ending September 1977 ..... 2 days
- B. Calendar year - 1976 ..... 2½ days
- C. Calendar year - 1975 ..... 2½ days

## Projected under TT&L\* Investment Program

\$ Billions

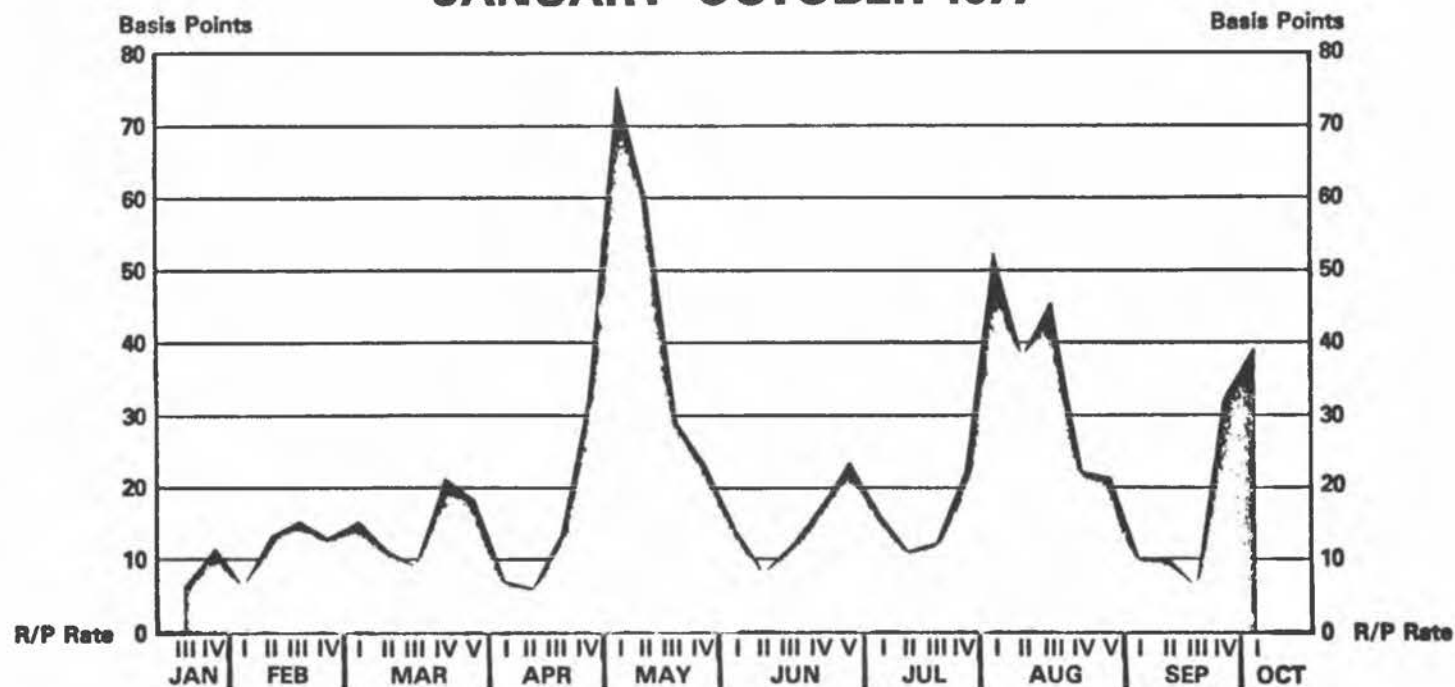


### Projected Average Life

- 10 days - Assumes 100% of deposit flow is through note-option depositories
- 20 days - Assumes 50% of deposit flow is through note-option depositories

\* Assumes total amount of Treasury operating cash (FRB and TT&L balances) is the same in 1978-1979 as the comparable periods in 1976-1977

# SPREAD BETWEEN THE R/P RATE AND THE FEDERAL FUNDS RATE JANUARY-OCTOBER 1977



During the period January 13 through October 5, 1977, the average weekly Federal Funds rate has ranged from 6 to 75 basis points above the R/P rate and has averaged 21 basis points above the R/P rate.

QUESTION: Why was the RP rate (repurchase agreement) selected as the rate of interest that depositaries would pay for Treasury funds?

ANSWER: In looking at the various money market rates that might be considered appropriate for this purpose, we sought that rate which (1) most closely approximated the rate that otherwise would be available to the Treasury if it maintained its cash in Federal Reserve Banks or directly entered the market by investing in its own securities and (2) was equitable to depositaries in terms of the value of Treasury funds to the depositaries. The RP rate on Government securities seemed to meet these conditions better than any other money market rate.

In terms of equity to depositaries, the following factors were considered: (1) The Treasury's investment in a depositary's obligations is essentially a secured Federal funds transaction and is closely akin to an RP transaction. (2) The RP rate relates to transactions in U.S. Government securities while the Treasury accepts a much broader class of securities as collateral for its funds. This, in effect, should make the RP rate marginally favorable to depositaries. (3) The interest computation does not include compounding which would, of course, take place in day-to-day RP transactions. Also, the date of payment of interest (the 25th of the following month) serves to reduce the effective date. (4) Since the amount of credits to a depositary's tax and loan account are not added to the interest-bearing note until the business day following the day of credit, the effective rate of interest being paid on Treasury funds held by the depositary is less than the rate of interest on the note.



## DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

FISCAL ASSISTANT SECRETARY

### MEMORANDUM TO TREASURY TAX AND LOAN DEPOSITARIES

The Congress recently passed Public Law 95-147 authorizing the Treasury to invest its operating cash in obligations of depositaries maintaining Treasury tax and loan accounts.

The intent of the law is that the Treasury will earn interest by the investment of its operating balances, and, at the same time, pay fees to financial institutions for certain services which have not heretofore been compensable. These services are the handling of tax and loan accounts, acceptance of tax deposits, and the issuance of savings bonds. Fees for the redemption of savings bonds will also be revised at the time of implementation of the law.

The attached package of material contains the details of a proposed revision of the Treasury tax and loan system designed to carry out the intent of the new law. The package by its sheer size alone must seem formidable, but I believe you will find that while it involves some very significant changes in concept, the procedural changes are relatively simple. Most of the package is simply a restatement of the present procedures.

Under the new program, the Treasury will continue to use the tax and loan system for the following purposes:

1. As a means of minimizing the impact of Treasury cash flows on reserves of the banking system and on the money markets, and
2. As a primary method of collecting certain taxes.

It is hoped that under the new program, most existing depositaries will continue to be part of the tax deposit system. Each depositary will be given a separate choice as to whether it wishes to hold part of the Treasury's operating cash. Those depositaries that elect to hold cash will, in effect, be buying funds from the Treasury at a rate of interest based on current overnight money market rates.

Based on the foregoing, there will be two classes of depositaries as follows:

1. Depositaries that elect to hold Treasury cash and function as part of the Treasury's cash collection system. These depositaries will be referred to as "Note Option" depositaries.
2. Depositaries that elect only to provide the service of receiving tax deposits from taxpayers and remitting such deposits directly to the Federal Reserve Banks. These depositaries will be referred to as "Remittance Option" depositaries.

Included in the attached package is a rather detailed description of how some of the changes, such as the computation of the payment of interest and fees, will be accomplished. We have attempted insofar as possible to have the Federal Reserve Banks do the computations, effect the charges and credits, and send to each depositary statements showing and explaining the entries made. The depositary need only, therefore, to review the Federal Reserve Bank's statement.

If you elect the "Remittance Option," the significant change from the present procedure is that all of your advices of credit when received at the Federal Reserve Bank will be the basis for immediate call and charge to your reserve account or the reserve account of your designated member bank correspondent.

If you elect the "Note Option," the most significant changes that you will encounter are:

1. On the business day after a credit to the tax and loan account, you will charge that account and credit a note reflecting funds purchased from the Treasury. In other words, the only balance in your tax and loan account at the close of each day is that day's credits to the account.

2. Calls will be made from time to time by the Federal Reserve Banks for payments on the notes essentially in the same manner as calls have heretofore been made against Treasury tax and loan balances. It is anticipated that the average amount of the notes outstanding will represent the major part of the Treasury's operating cash with a relatively fixed balance being maintained in Treasury accounts at the Federal Reserve Banks. While the actual amount of notes outstanding will depend upon the Treasury's cash position it is expected that the average balance of notes outstanding will be of the magnitude of \$7 to 8 billion, based upon our experience in the past 12 months. The comparable tax and loan account average balance in the past 12 months was approximately \$1.5 billion.

We hope that you will elect to participate in the new tax and loan program.

Should you have questions or comments regarding the revised tax and loan system, you may contact personnel in my office at the Treasury as indicated in the enclosed copy of the proposed rules, or you may contact the Federal Reserve Bank of your district. In a separate letter, each Federal Reserve Bank will provide you with the telephone numbers of the people to contact within the Federal Reserve Bank.



David Mosso



**FRIDAY, DECEMBER 9, 1977**

**PART V**



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# **DEPARTMENT OF THE TREASURY**

**Fiscal Service**



## **TREASURY TAX AND LOAN ACCOUNTS**

**Proposed Rules**

**Registered  
Proposed**

## PROPOSED RULES

[ 4810-35 ]

[ 4810-40 ]

## DEPARTMENT OF THE TREASURY

Fiscal Service

[ 31 CFR Parts 203, 214, 317, 321 ]

## TREASURY TAX AND LOAN ACCOUNTS

## Proposed Rules

AGENCY: Fiscal Service, Department of the Treasury.

ACTION: Proposed rulemaking.

**SUMMARY:** The Treasury Department is proposing to amend its regulations to implement the investment authority provisions of Pub. L. 95-147 of October 28, 1977. The intent of that law is to permit the Treasury to earn interest by the investment of its operating cash balances and at the same time to pay fees for certain services which have not heretofore been compensable.

The proposed fees to be paid for the handling of tax deposits and the issuance and redemption of savings bonds are based upon a survey by Treasury of a sampling of depositories. These fees may be adjusted in the future on the basis of a detailed study of the procedures involved and the costs related thereto.

The law also makes certain savings and loan associations and credit unions eligible to participate in the Treasury tax and loan account system. Previously, only incorporated banks and trust companies were eligible.

**DATES:** Written comments on these proposed rules are invited but must be received on or before January 19, 1978. A public hearing will be held from 9 a.m. to 5 p.m. on January 12, 1978. The Treasury plans to issue final rules to be effective during the second quarter of calendar year 1978.

**ADDRESSES:** Written comments or inquiries should be submitted to the Fiscal Assistant Secretary, U.S. Department of the Treasury, Room 2112, Washington, D.C. 20220. The public hearing will be held in the Cash Room, Main Treasury Building, 15th and Pennsylvania Avenue NW., Washington, D.C.

**FOR FURTHER INFORMATION CONTACT:**

Mr. John Kilcoyne, Assistant Fiscal Assistant Secretary (Banking), Office of the Secretary, Department of the Treasury, Washington, D.C. 20220, 202-566-2849. Additionally, financial institutions having questions as to operating procedures may direct such questions to the Federal Reserve Bank or Branch serving the geographical area in which the institution is located.

**SUPPLEMENTARY INFORMATION:** The highlights of the revisions and amendments of this proposed rulemaking are as follows:

## 31 CFR PART 203

## TREASURY TAX AND LOAN DEPOSITARIES

(FORMERLY SPECIAL DEPOSITARIES OF PUBLIC MONEY)

The highlights of the revisions in 31 CFR Part 203 are as follows:

1. Under the proposed revision, each Treasury tax and loan depository selects (a) whether it wishes to remit immediately all deposits in its tax and loan account to the Treasury's operating account at the Federal Reserve Bank, or (b) whether it wishes to hold Treasury cash. Depositories electing to remit funds only will be known as Remittance Option depositories. Those electing to hold funds will be referred to as Note Option depositories.

2. Note Option depositories will issue to the Treasury interest-bearing notes representing funds withdrawn from their tax and loan account and, in effect, purchased by the financial institution. The notes will be payable upon demand and will bear interest at a rate representing a weighted average rate of repurchase agreements with a one-day maturity in U.S. Government securities, which are transacted in a national money market by a sample of money center banks and non-bank primary dealers in Government securities. This rate will be published in the Federal Reserve Bulletin in the near future.

At the present time, regulations of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation define "deposits" as including promissory notes and other obligations of banks not specifically exempted. The Federal Reserve Board and the Federal Deposit Insurance Corporation will in the near future consider proposals to exempt notes issued by banks to the Treasury from the definition of deposits.

The Treasury is including in this publication a synopsis of those parts of its Manual of Instructions and Procedures for Treasury Tax and Loan Depositories containing information helpful in providing an adequate understanding of the revised Treasury tax and loan account system. The complete manual will be sent directly to each depository by its Federal Reserve Bank, after the issuance of final rules. (The synopsis will not appear in the Code of Federal Regulations.)

## 31 CFR PART 214

## DEPOSITARIES FOR FEDERAL TAXES

The highlights of the revisions in 31 CFR Part 214 are as follows:

1. Tax deposits accepted by institutions designated as depositories for Federal taxes will be remitted to the Treasury only by credit to a Treasury tax and loan account.

2. Provisions have been made for the payment of fees to depositories to cover acceptance and processing of Federal tax deposits. The Treasury proposes to reimburse depositories at a per-item fee of 50¢ per Federal tax deposit forwarded by the depository and processed by an

Internal Revenue Service Center. This fee will also cover the administration of the Treasury tax and loan account.

3. The revisions reflect changes in procedures introduced during the past year under which Federal tax deposit forms are forwarded directly to the Internal Revenue Service Centers rather than to the Federal Reserve Banks.

The revisions do not change any of the procedures applicable to taxpayers making tax deposits with depositories for Federal taxes or with Federal Reserve Banks.

## 31 CFR PARTS 317 AND 321

## ISSUANCE AND REDEMPTION OF SAVINGS BONDS

Under current practice, Series E savings bonds are issued without charge to the Treasury by financial institutions, companies, state and local governments and other organizations in the private sector. Financial institutions also redeem savings bonds and notes, and receive a fee for each bond and note paid; although the sale of savings notes has been discontinued, outstanding notes are being redeemed.

In view of the enactment of Pub. L. 95-147, the Treasury has agreed to pay fees to agents which are qualified to issue United States Savings Bonds, Series E (31 CFR Part 317), other than Federal Agencies which, for this purpose, include Government corporations and independent establishments. Fees to qualified agents which redeem United States Savings Bonds and Notes (31 CFR Part 321) will also be increased.

The fees to be paid for issuing bonds are intended to recompense agents for costs associated with obtaining and controlling bond stock and inscribing and delivering bonds to purchasers, exclusive of postage which is paid by the Treasury. The fees are based generally on the alternative costs to the Treasury of obtaining or providing this issuing service.

As the issuance of savings notes has been discontinued, the reference to Department Circular, Public Debt Series No. 3-67 and all references to notes in 31 CFR 317.5 have been eliminated.

## PUBLIC HEARING

A public hearing will be held in the Cash Room, Main Treasury Building, Washington, D.C., at 9 a.m. on January 12, 1978, in order to provide interested persons an opportunity to make oral presentations concerning the proposed amendments and other aspects of the proposed Treasury tax and loan account investment program. The hearing will be of the informal type. Nevertheless, any person who intends to comment orally at the informal public hearing should submit a written statement of such intent to the Fiscal Assistant Secretary, U.S. Department of the Treasury, Room 2112, Washington, D.C. 20220, before January 6. The statement should also provide a concise outline of the topics to be covered, an estimate of the

time required, and a telephone number where the person desiring to comment may be reached during the day of January 10. An agenda will be prepared thereafter and, if necessary, a maximum time will be allotted to each presentation. The Treasury emphasizes that comments filed in writing will be given equal weight with oral statements made at the public hearing.

1. Accordingly, the Fiscal Service proposes to revise 31 CFR Part 203 (Department Circular No. 92) to read as follows:

**PART 203—TREASURY TAX AND LOAN DEPOSITARIES**

| Sec.   | Subpart A—General Information  |
|--------|--|
| 203.1  | Scope of regulations.  |
| 203.2  | Definitions.   |
| 203.3  | Designation of financial institutions as Treasury tax and loan depositaries. |
| 203.4  | Maximum balances.  |
| 203.5  | Sources of deposit.  |
| 203.6  | Directives regarding credits (deposits) to Treasury tax and loan accounts.   |
|        | Subpart B—Contract   |
| 203.7  | Contract of deposit.   |
| 203.8  | Contractual obligations of depositaries.                                     |
|        | Subpart C—Options  |
| 203.9  | General requirement.   |
| 203.10 | Note Option.   |
| 203.11 | Remittance Option.   |
| 203.12 | Election of option by previously authorized depositaries.                    |
| 203.13 | Change of options.   |
|        | Subpart D—Interest and Compensation  |
| 203.14 | Rate of interest.  |
| 203.15 | Compensation for services rendered.  |
|        | Subpart E—Collateral Security  |
| 203.16 | Collateral security requirements.  |
|        | Subpart F—Miscellaneous Provisions   |
| 203.17 | Termination of contract.   |
| 203.18 | Implementing instructions.   |
| 203.19 | Effective date.  |

**AUTHORITY:** The provisions of this revised Part 203 issued under Sec. 8, Act of Sept. 24, 1917, Chapter 56, 40 Stat. 291, as amended (31 U.S.C. 771); Sec. 6302(c), Internal Revenue Code of 1954; and Sec. 1, 2, and 3, Pub. L. 95-147, 91 Stat. 1227 (31 U.S.C. 1038); unless otherwise noted.

**Subpart A—General Information**

**§ 203.1 Scope of regulations.**

The regulations in this Part govern the designation of Treasury tax and loan depositaries and their contract with the Treasury Department to maintain and administer separate accounts to be known as Treasury tax and loan accounts in which they may credit funds representing payments for certain United States obligations and payments of Federal taxes.

**§ 203.2 Definitions.**

As used in this Part:

(a) "Advices of credit" means those Treasury forms, which are supplied to tax and loan depositaries to be used in supporting credits to Treasury tax and loan accounts.

(b) "Business day" means a business day of the Federal Reserve Bank of the district.

(c) "Election of Option form" means a document, preprinted and supplied by the Federal Reserve Bank of each district, on which a tax and loan depositary indicates the option under which it will administer its Treasury tax and loan account after the effective date of this Part.

(d) "Federal Reserve Bank of the district" means the Federal Reserve Bank serving the geographical area in which the tax and loan depositary is located. Tax and loan depositaries located in Puerto Rico, the Virgin Islands, and the Panama Canal Zone are included in the Second Federal Reserve District.

(e) "Federal tax deposit form" means a preprescribed form supplied to a taxpayer by the Treasury Department to accompany deposits of Federal taxes.

(f) "Federal taxes" means those Federal taxes specified by the Secretary of the Treasury or his delegate as eligible for payment through the procedure prescribed in this Part and Part 214.

(g) "Note Option" means that choice available to depositaries under which a tax and loan depositary credits deposits to its Treasury tax and loan account, and purchases funds from the Treasury in the amount of such deposits to be evidenced by open-ended interest-bearing notes.

(h) "Remittance Option" means that choice available to tax and loan depositaries under which funds equivalent to the amount of deposits credited by a depositary to its Treasury tax and loan account will be withdrawn by the Federal Reserve Bank immediately upon receipt by the Federal Reserve Bank of the advices of credit supporting such deposits.

(i) "Reporting cycle" means the time period established for reporting and computation purposes which may be composed of four or five weekly periods, each week to be a seven-day period ending at the close of business on Wednesday of each week.

(j) "Special depositary" means a depositary designated under the provisions of 31 CFR Part 203 prior to the effective date of this revision. As of the effective date of this revision, a depositary is to be designated under this Part as a Treasury tax and loan depositary.

**§ 203.3 Designation of financial institutions as Treasury tax and loan depositaries.**

(a) *Previously authorized depositaries.* Every special depositary which, at the close of business on \_\_\_\_\_, 1978 (the business day preceding the effective date of this revision of this Part), was authorized to maintain a Treasury tax and loan account is hereby redesignated as a Treasury tax and loan account is hereby redesignated as a Treasury tax and loan depositary. Existing contracts under the former 31 CFR Part 203 between depositaries and the Treasury Department shall continue in effect without further action until terminated.

(b) *New designations.* (1) *Requirements.* (i) *Eligible institutions.* The following classes of financial institutions are eligible to be designated as Treasury tax and loan depositaries:

(A) Every incorporated bank and trust company in the United States, Puerto Rico, the Virgin Islands, the Panama Canal Zone and every United States branch of a foreign banking corporation authorized by the State in which it is located to transact commercial banking business.

(B) Every institution insured by the Federal Savings and Loan Insurance Corporation.

(C) Every credit union insured by the Administrator of the National Credit Union Administration.

(D) Savings and loan, building and loan, homestead associations and credit unions, created under the laws of any State, the deposits or accounts of which are insured by a State or agency thereof, or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts of such financial institutions, shall be eligible for designation as and when the Secretary of the Treasury determines the adequacy of such insurance arrangements.

(ii) *Other requirements.* In order to meet Treasury requirements for designation, each financial institution must possess under its charter and regulations issued by its chartering authority either general or specific authority permitting the maintenance of the tax and loan account as a demand account. Each financial institution must also possess the authority to pledge collateral to secure Treasury tax and loan funds.

(2) *Application procedures.* Any eligible financial institution seeking designation as a Treasury tax and loan depositary and thereby the authority to maintain a Treasury tax and loan account shall file with the Federal Reserve Bank of the district an application accompanied by a resolution of its board of directors authorizing the application (both on forms prescribed and available on request from the Federal Reserve Bank).

(3) *Designation.* Each financial institution satisfying the eligibility requirements and the application procedures will receive from the Federal Reserve Bank of the district notification of its specific designation as a Treasury tax and loan depositary. A financial institution is not authorized to maintain a Treasury tax and loan account until it has been designated as a Treasury tax and loan depositary by the Federal Reserve Bank of the district.

**§ 203.4 Maximum balance.**

Each Federal Reserve Bank may establish a maximum balance for the tax and loan account or note account of any depositary of its district.

**§ 203.5 Sources of deposit.**

A tax and loan depositary may credit to its Treasury tax and loan account funds representing:

(a) Payments for United States Savings Bonds issued by the tax and loan



depository, in its issuing agent capacity;

(b) Payments for United States Savings Bonds subscribed for through the tax and loan depository on behalf of its customers, but which may be issued only by Federal Reserve Banks and the United States Treasury Department;

(c) Payments of such Federal taxes as the Secretary of the Treasury may from time to time by regulation authorize to be paid through Treasury tax and loan accounts.

**§ 203.6 Directives regarding credits (deposits) to Treasury tax and loan accounts.**

(a) Payments for United States Savings Bonds shall be credited in accordance with instructions prescribed by the Federal Reserve Bank of the district.

(b) Federal tax payments will be credited in accordance with Part 214 of this Chapter and any instructions issued pursuant to that Part.

**Subpart B—Contract**

**§ 203.7 Contract of deposit.**

A financial institution which is designated as a Treasury tax and loan depository enters into a contract of deposit with the Treasury Department. The parties to this contract are the Treasury, through the Federal Reserve Banks as Fiscal Agents of the United States, and financial institutions which have been designated under procedures set forth in § 203.3. The terms of the contract include all of the provisions of this Part.

**§ 203.8 Contractual obligations of the depositories.**

A Treasury tax and loan depository shall: (a) Administer a Treasury tax and loan account in accordance with this Part and any amendments or supplements thereto, and instructions issued pursuant thereto, including the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories;

(b) Comply with the requirements of section 202 of Executive Order 11246, entitled "Equal Employment Opportunity" as amended by Executive Order 11375, entitled "Equal Employment Opportunity Clause," which is incorporated herein by reference, and the regulations issued thereunder at 41 CFR Chapter 60, as amended. The Secretary of the Treasury may terminate the contract with a tax and loan depository for failure to comply with the terms of the contract set forth in this paragraph, relating to equal employment opportunity, after following the procedures specified by the U.S. Department of Labor at 41 CFR Part 60-30, as amended, for noncompliance with equal employment opportunity requirements.

**Subpart C—Options**

**§ 203.9 General requirement.**

A Treasury tax and loan depository shall administer its Treasury tax and loan account under either the Note Option or the Remittance Option.

**§ 203.10 Note option.**

(a) *Deposits.* A depository electing the Note Option will, as of the first business

day after crediting deposits to its tax and loan account, purchase funds from the Treasury in the amount of such deposits. The purchase will be evidenced by interest-bearing notes.

(b) *Other additions.* (1) A tax and loan depository may thereafter be given the option of adding directly to its note the amounts of payments made by or through it for allotments on tenders and subscriptions for United States securities issued under the Second Liberty Bond Act, 40 Stat. 268, as amended. If permitted, such payments will be provided for under the terms of the Treasury's offering circulars. The payments will be added to the note on the dates of settlement.

(2) In addition, other funds from the Treasury's operating cash may be offered from time to time to a Note Option depository. The depository may then decide whether it wishes to purchase such additional funds from the Treasury.

(c) *Withdrawals.* The amount of a note will be payable on demand without previous notice. Calls for payments on a note will be by direction of the Secretary of the Treasury through the Federal Reserve Banks. A depository shall be required to arrange for the payment of calls on the payment dates specified in the calls by a charge to the reserve account of a depository or the reserve account of a member bank correspondent.

(d) *Interest.* A note shall bear interest which is payable monthly through the reserve account of a depository or through the reserve account of a member bank correspondent. Specific details about the computation of the amount of interest due, the means of payment, payment dates, Federal Reserve Bank responsibilities, and other related details are described in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

**§ 203.11 Remittance option.**

(a) *Withdrawals.* For a depository selecting the Remittance Option, funds equivalent to the amount of deposits credited by a depository to its Treasury tax and loan account will be withdrawn by the Federal Reserve Bank upon receipt by the Federal Reserve Bank of the advices of credit supporting such deposits. A depository shall be required to arrange for the payment of withdrawals by an immediate charge to the reserve account of the depository or the reserve account of a member bank correspondent.

(b) *Remittance Option Classes.* Depositories electing this option will be subdivided into Class 1 and Class 2 depending upon the volume of deposits credited to their tax and loan accounts during the previous calendar year. The amount differentiating Class 1 from Class 2 is specified in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories. A depository shall be subject to the provisions applicable to the class into which it is placed.

(1) *Remittance Option—Class 1 requirements.* (i) *Delivery.* A depository administering its tax and loan account under the Remittance Option—Class 1 must establish procedures to ensure the delivery of its advices of credit at the Federal Reserve Bank of the district prior to the Federal Reserve Bank's cutoff time for processing such credits the next business day after the date of credit. If a depository whose volume of credits is higher than the amount specified in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories cannot arrange to forward its advices of credit so that they regularly arrive at the Federal Reserve Bank prior to the designated cutoff hour, it should not elect the Remittance Option but should select the Note Option.

(ii) *Late fee.* If an advice of credit does not arrive at the Federal Reserve Bank before the designated cutoff hour for receipt of such advices, a late fee in the form of interest at the rate specified at § 203.14 of this Part will be assessed for failure to perform under the terms of the option. Such late fee assessments will be effected on a monthly basis through a depository's reserve account or the reserve account of a member bank correspondent. Specific details and procedures are included in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

(2) *Remittance Option—Class 2 requirements.* (i) *Delivery.* A depository administering its tax and loan account under the Remittance Option—Class 2 should forward its advices of credit to the Federal Reserve Bank of the district via the most expeditious means available.

(ii) *Analysis credit.* All tax and loan balances which are in excess of a current day's credits will be subject to an analysis credit, as explained in § 203.15 of this Part and the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

(iii) *Excessive flow.* A depository may continue as a Class 2 depository if the rate of flow of deposits it accepts does not exceed the amount specified for this purpose in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories. If a depository's flow exceeds that amount, a depository shall administer its tax and loan account under the provisions of the Remittance Option—Class 1, or the Note Option. Specific details and procedures concerning the excessive flow of deposits are described in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

**§ 203.12 Election of option by previously authorized depositories.**

(a) *General.* A depository which was authorized as of the close of business on \_\_\_\_\_, 1978 (the business day preceding the effective date of this revision of this Part) to maintain a tax and loan account and which wishes to administer a tax and loan account under the Note Option or the Remittance Option shall file with the Federal Reserve Bank of the District an Election of Option form

signed by an official authorized to act on behalf of the depository. The depository will receive from the Federal Reserve Bank notice as to the effective date of that election.

(b) *Depositories not filing an Election of Option form, yet accepting tax deposits.* A depository authorized prior to \_\_\_\_\_, 1978 (the effective date of this revision of this Part) to administer a Treasury tax and loan account, which has not filed an Election of Option form by that date, or, having filed that form, has not received from the Federal Reserve Bank prior to that date notice as to the effective date of that election:

(1) Until \_\_\_\_\_, 1978 (the effective date of this revision of this Part), shall continue to administer a tax and loan account under its authorization effective prior to that date; and

(2) On and after \_\_\_\_\_, 1978 (the effective date of this revision of this Part), if it continues to credit deposits to the Treasury tax and loan account, will, by entering such credits, be presumed to have assented to all terms and provisions of this Part and to be administering the tax and loan account under the Remittance Option.

(c) *Inactive depositories.* The Secretary of the Treasury will revoke the authority of a depository, authorized prior to \_\_\_\_\_, 1978 (the effective date of this revision of this Part) to administer a Treasury tax and loan account, which has not filed an Election of Option form and whose tax and loan account has had no credits for six months after \_\_\_\_\_, 1978 (the effective date of this revision of this Part). Thereafter, to accept deposits for credit to a Treasury tax and loan account, the financial institution shall seek new designation in accordance with § 203.3.

#### § 203.13 Change of options.

A depository is subject to the provisions of the option it has selected until such time as it provides notice to the Federal Reserve Bank requesting a change in option and receives formal notification from the Federal Reserve Bank of the effective date of the change of option. Specific details regarding changes in option are included in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

#### Subpart D—Interest and Compensation

#### § 203.14 Rate of interest.

The rate of interest to be used in connection with the Note Option and the Remittance Option will be a weighted average rate of repurchase agreements with a one-day maturity in U.S. Government securities, which are transacted in a national money market by a sample of money center banks and non-bank primary dealers in Government securities. This rate will be published monthly in the Federal Reserve Bulletin.

#### § 203.15 Compensation for services rendered.

(a) *General.* In lieu of compensating tax and loan depositories separately for the servicing of the tax and loan account, the Treasury has considered that service together with the service of accepting Federal tax deposits in establishing the per-item fee for each Federal tax deposit, as prescribed at section 214.6(b) of this Chapter.

(b) *Remittance Option—Class 2 depositories.* Fees payable to Remittance Option—Class 2 depositories for Federal tax deposits and for servicing the tax and loan account will be reduced by an analysis credit representing the value of the balances in tax and loan accounts in excess of a current day's credits. Specific details regarding the determination of the amount of compensation due are discussed in the Manual of Instructions and Procedures for Treasury Tax and Loan Depositories.

#### Subpart E—Collateral Security

#### § 203.16 Collateral security requirements.

(a) *Note Option.* Prior to crediting deposits to its Treasury tax and loan account, a Note Option depository shall pledge collateral security in accordance with the requirements and valuations of paragraph (d) of this section, to cover the full amount of the note balance and the closing balance in its Treasury tax and loan account in excess of recognized insurance coverage.

(b) *Remittance Option.* Prior to crediting deposits to its Treasury tax and loan account, a Remittance Option depository shall pledge collateral security in accordance with the requirements and valuations of paragraph (d) of this section in an amount which is sufficient to cover the maximum balance in the tax and loan account at the close of business each day, less recognized insurance coverage.

(c) *Deposit of securities.* Collateral security required under paragraphs (a) and (b) of this section shall be deposited with the Federal Reserve Bank of the district, or with a custodian or custodians within the United States designated by the Federal Reserve Bank, under terms and conditions prescribed by the Federal Reserve Bank.

(d) *Acceptable securities.* Unless otherwise specified by the Secretary of the Treasury, collateral security pledged under this section may be transferable securities of any of the following classes:

(1) Obligations issued or fully insured or guaranteed by the United States or any U.S. Government agency, and obligations of Government-sponsored corporations which under specific statute may be accepted as security for public funds: At face value.

(2) Obligations issued or fully guaranteed by the International Bank for Re-

construction and Development, the Inter-American Development Bank or the Asian Development Bank: At face value.

(3) Obligations partially insured or guaranteed by any U.S. Government agency: At a value equal to the amount of the insurance or guaranty.

(4) Notes representing loans to students in colleges or vocational schools which are insured either by Federal insurance or by a State agency or private nonprofit institution or organization administering a student loan insurance program in accordance with a formal agreement with the Commissioner of Education under the provisions of the Higher Education Act of 1965 or the National Vocational Student Loan Insurance Act of 1965: At face value.

(5) Obligations issued by States of the United States: At 90 percent of face value.

(6) Obligations of Puerto Rico: At 90 percent of face value.

(7) Obligations of counties, cities, and other governmental authorities and instrumentalities which are not in default as to payments on principal or interest: At 80 percent of face value.

(8) Obligations of domestic corporations which may be purchased by banks as investment securities under the requirements of Federal bank regulatory agencies: At 80 percent of face value.

(9) Commercial and agricultural paper and bankers' acceptances approved by the Federal Reserve Bank of the district and having a maturity at the time of pledge of not to exceed one year: At 90 percent of face value.

(e) *Assignment of securities.* A tax and loan depository that pledges securities which are not negotiable without its endorsement or assignment may, in lieu of placing its unqualified endorsement on each security, furnish an appropriate resolution and irrevocable power of attorney authorizing the Federal Reserve Bank to assign the securities. The resolution and power of attorney shall conform to such terms and conditions as the Federal Reserve Bank shall prescribe.

#### Subpart F—Miscellaneous Provisions

#### § 203.17 Termination of contract.

(a) *Termination by the Treasury.* The Secretary of the Treasury may terminate the contract of a Treasury tax and loan depository at any time upon notice to that effect to that depository.

(b) *Termination by the tax and loan depository.* A tax and loan depository may terminate the contract by submitting a notice in writing to the Federal Reserve Bank of the district 30 days before the date of the intended termination.

#### § 203.18 Implementing instructions.

Federal Reserve Banks are authorized to issue instructions consistent with this



Part to implement the requirements of this Part which shall be binding upon tax and loan depositaries.

#### § 203.19 Effective date.

This revision of this Part is effective on -----, 1978.

#### SYNOPSIS OF PERTINENT INFORMATION AS CONTAINED IN THE MANUAL OF INSTRUCTIONS AND PROCEDURES FOR TREASURY TAX AND LOAN ACCOUNT DEPOSITARIES

##### 1. Interest on Notes.

The amount of interest due on the notes will be computed by applying to the average amount of the note for each 7-day period of a reporting cycle the average rate of interest (determined in accordance with Section 203.14 of 31 CFR Part 203) for that 7-day period.

Interest due will be computed at simple interest on the basis of the bank interest method and will be payable on the 25th of each month for the previous reporting cycle. Federal Reserve Banks will compute the amount of interest and will charge the amount due to the depositary's reserve account or the reserve account of a member bank correspondent.

When the average daily closing balance of a note during the week is \$25,000 or less, the first \$5,000 shall be exempt from interest.

##### 2. Amount differentiating Class 1 and Class 2 Remittance Option Depositaries.

Depositaries which during the prior calendar year processed credits of \$1.5 million or more to their tax and loan accounts will be placed in Remittance Option—Class 1. Tax and loan depositaries which during the prior calendar year processed credits to their tax and loan accounts of less than \$1.5 million will be placed in Remittance Option—Class 2.

If at anytime during the year a Remittance Option—Class 2 depositary generates a flow of deposits to its tax and loan account during the preceding three reporting cycles exceeding \$3 million on an annualized basis, the depositary will automatically be transferred to Remittance Options—Class 1, or, if it so elects, to the Note Option.

##### 3. Compensation of Remittance Option—Class 2 Depositaries.

The amount of compensation due Class 2 depositaries based upon the application of the uniform fee of 50¢ to the number of Federal tax deposits processed will be reduced by an analysis credit representing the value of the balance in the depositary's tax and loan account in excess of a current day's credits. The amount of the analysis credit will be determined by applying the rate of interest specified in Section 203.14 of 31 CFR Part 203 for the applicable period of time to the average amount in transit, commencing as of the first business day after credit to the tax and loan account.

##### 4. Change of Options.

A depositary may change from one option to another after due notice to the Federal Reserve Bank of the district. The changes will be effected as of the beginning of a subsequent reporting cycle. The depositary will be subject to the provisions of the existing option until it receives formal notification from the Federal Reserve Bank that the change has been effected.

##### 5. Classification of Depositaries.

The classification of depositaries selecting the Note Option into the Classes 'A', 'B', and 'C' will continue as has been the practice for tax and loan depositaries prior to the inception of the tax and loan investment program.

##### 6. Reporting Cycles.

The following table reflects the specific dates of the reporting cycles in 1978 and 1979.

#### REPORTING CYCLES - TT&L INVESTMENT PROGRAM

| Year | Reporting Cycle # & Month | First Week | Second Week | Third Week | Fourth Week | Fifth Week |
|------|---------------------------|------------|-------------|------------|-------------|------------|
| 1978 | 1 - Jan.                  | 1/5-11     | 1/12-18     | 1/19-25    | 1/26-2/1    |            |
|      | 2 - Feb.                  | 2/2-8      | 2/9-15      | 2/16-22    | 2/23-3/1    |            |
|      | 3 - Mar.                  | 3/2-8      | 3/9-15      | 3/16-22    | 3/23-29     | 3/30-4/5   |
|      | 4 - Apr.                  | 4/6-12     | 4/13-19     | 4/20-26    | 4/27-5/3    |            |
|      | 5 - May                   | 5/4-10     | 5/11-17     | 5/18-24    | 5/25-31     |            |
|      | 6 - June                  | 6/1-7      | 6/8-14      | 6/15-21    | 6/22-28     | 6/29-7/5   |
|      | 7 - July                  | 7/6-12     | 7/13-19     | 7/20-26    | 7/27-8/2    |            |
|      | 8 - Aug.                  | 8/3-9      | 8/10-16     | 8/17-23    | 8/24-30     | 8/31-9/6   |
|      | 9 - Sept.                 | 9/7-13     | 9/14-20     | 9/21-27    | 9/28-10/4   |            |
|      | 10 - Oct.                 | 10/5-11    | 10/12-18    | 10/19-25   | 10/26-11/1  |            |
|      | 11 - Nov.                 | 11/2-8     | 11/9-15     | 11/16-22   | 11/23-29    | 11/30-12/6 |
|      | 12 - Dec.                 | 12/7-13    | 12/14-20    | 12/21-27   | 12/28-1/3   |            |
| 1979 | 1 - Jan.                  | 1/4-10     | 1/11-17     | 1/18-24    | 1/25-31     |            |
|      | 2 - Feb.                  | 2/1-7      | 2/8-14      | 2/15-21    | 2/22-28     |            |
|      | 3 - Mar.                  | 3/1-7      | 3/8-14      | 3/15-21    | 3/22-28     | 3/29-4/4   |
|      | 4 - Apr.                  | 4/5-11     | 4/12-18     | 4/19-25    | 4/26-5/2    |            |
|      | 5 - May                   | 5/3-9      | 5/10-16     | 5/17-23    | 5/24-30     | 5/31-6/6   |
|      | 6 - June                  | 6/7-13     | 6/14-20     | 6/21-27    | 6/28-7/4    |            |
|      | 7 - July                  | 7/5-11     | 7/12-18     | 7/19-25    | 7/26-8/1    |            |
|      | 8 - Aug.                  | 8/2-8      | 8/9-15      | 8/16-22    | 8/23-29     | 8/30-9/5   |
|      | 9 - Sept.                 | 9/6-12     | 9/13-19     | 9/20-26    | 9/27-10/3   |            |
|      | 10 - Oct.                 | 10/4-10    | 10/11-17    | 10/18-24   | 10/25-31    |            |
|      | 11 - Nov.                 | 11/1-7     | 11/8-14     | 11/15-21   | 11/22-28    | 11/29-12/5 |
|      | 12 - Dec.                 | 12/6-12    | 12/13-19    | 12/20-26   | 12/27-1/2   |            |

2. Accordingly, the Fiscal Service proposes to revise 31 CFR Part 214 (Department Circular No. 1079) to read as follows:

#### PART 214—DEPOSITARIES FOR FEDERAL TAXES

- Sec.
- 214.1 Scope of regulations.
  - 214.2 Definitions.
  - 214.3 Designation.
  - 214.4 Contract of deposit.
  - 214.5 Termination of contract of deposit.
  - 214.6 Deposits of Federal taxes with depositaries.
  - 214.7 Deposits of Federal taxes with Federal Reserve Banks.
  - 214.8 Additional instructions.
  - 214.9 Effective date.

**AUTHORITY:** The provisions of this revised Part 214 issued under Sec. 10, 56 Stat. 356, as amended (12 U.S.C. 265); Sec. 15, 38 Stat. 265 (12 U.S.C. 391); Sec. 8, 40 Stat. 291, as amended (31 U.S.C. 771); Sec. 6302(c), Internal Revenue Code of 1954, as amended; Sec. 2 and 3, Pub. L. 95-147, 91 Stat. 1227 (31 U.S.C. 1038).

##### § 214.1 Scope of regulations.

The regulations in this revision of this Part govern the designation of financial institutions as depositaries for Federal taxes and the handling of deposits of Federal taxes by such depositaries and by Federal Reserve Banks.

##### § 214.2 Definitions.

As used in this Part:

(a) "Depositary" means a depositary for Federal taxes.

(b) "Federal Reserve Bank of the district" means the Federal Reserve Bank serving the geographical area in which the financial institution is located. For

this purpose, depositaries located in Puerto Rico, the Virgin Islands and the Panama Canal Zone are included in the Second Federal Reserve District.

(c) "Federal tax deposit form" means a preinscribed form supplied to a taxpayer by the Treasury Department to accompany deposits of Federal taxes made under the procedure prescribed by this Part.

(d) "Federal taxes" means those Federal taxes specified by the Secretary of the Treasury or his delegate as eligible for payment through the procedure prescribed by this Part.

(e) "Immediate credit item" means a check or other payment instrument for which immediate credit is given in accordance with the check collection schedule of the receiving Federal Reserve Bank or Branch of the district.

(f) "Qualified depositary for Federal taxes" means a previously designated depositary for Federal taxes that at the close of business -----, 1978 (day preceding the effective date of this revision) was qualified by the Federal Reserve Bank of the district under the provisions of the former Part 214.

##### § 214.3 Designation.

(a) *Previously designated depositaries.*

(1) The designation of each qualified depositary for Federal taxes which at the close of business on -----, 1978 (the day preceding the effective date of this revision) was authorized to maintain a Treasury tax and loan account under the provisions of the former Part 203 of this Chapter is hereby extended. Existing contracts between such deposi-

taries and the Treasury Department shall continue in effect without further action until terminated.

(b) *New designations.* (1) *Eligibility.* Each financial institution designated as a Treasury tax and loan depository under the provisions of the current revision of Part 203 of this Chapter is eligible for designation as a depository for Federal taxes.

(2) *Application for designation.* Any eligible financial institution seeking designation as a depository for Federal taxes shall file with the Federal Reserve Bank of the district an application on forms available from the Federal Reserve Bank. Any financial institution not already designated as a Treasury tax and loan depository may make simultaneous application with the Federal Reserve Bank for such designation.

(3) *Designations.* Each financial institution satisfying the eligibility requirements and the application procedures will receive from the Federal Reserve Bank of the district notification of its specific designation as a depository for Federal taxes.

#### § 214.4 Contract of deposit.

The designation of a depository under this Part creates a contract between the depository and the Treasury Department through the Federal Reserve Bank as Fiscal Agent of the United States. The terms of this contract include:

(a) All of the provisions of this Part except § 214.7.

(b) Any instructions issued pursuant to this Part by the Treasury or by Federal Reserve Banks as Fiscal Agents of the United States.

(c) The provisions prescribed in section 202 of Executive Order 11246, entitled "Equal Employment Opportunity" (30 FR 12319) as amended by Executive Order 11375; the requirements of section 503 of the Rehabilitation Act of 1973, 29 U.S.C. § 793, and the regulations issued thereunder at 20 CFR Part 741, which are incorporated herein by reference, requiring Government contractors to take affirmative action to employ qualified handicapped individuals, except that depositaries which under this Part and Part 203 receive on an annual basis fee payments of less than \$2,500 are exempt from compliance with these regulations; and requirements of section 503 of the Veterans Employment and Readjustment Act of 1972, 38 U.S.C. § 2012, Executive Order 11701, and the regulations issued thereunder at 41 CFR Subpart 1-12.11, which are incorporated herein by reference, for the promotion of employment of disabled and Vietnam era veterans, except that depositaries which under this Part and Part 203 receive on an annual basis fee payments of less than \$10,000 are exempt from compliance with these regulations.

#### § 214.5 Termination of contract.

(a) *By Treasury.* The Secretary of the Treasury may terminate the contract with any depository at any time upon notice to that effect.

(b) *By Depositaries.* A depository may terminate its contract by submitting a notice, in writing, to the Federal Reserve Bank of the district 30 days before the date of the intended termination.

#### § 214.6 Deposits of Federal taxes with depositaries.

(a) *Deposits with depositaries.* A depository shall, through any of its offices that accept deposits:

(1) Accept from a taxpayer cash, a postal money order drawn to the order of the depository, or a check or draft drawn on and to the order of the depository, covering an amount to be deposited as Federal taxes when accompanied by a Federal tax deposit form on which the amount of the deposit has been properly entered in the space provided. A depository may at its discretion accept a check drawn on another financial institution, but it does so purely on a voluntary basis and absorbs for its own account any float involved.

(2) When requested to do so by a taxpayer who makes a deposit of Federal taxes in cash over the counter, issue a counter receipt.

(3) Regardless of the form of payment, in every instance place in the space provided on the face of each Federal tax deposit form a stamp impression reflecting the date on which the tax deposit was received by the depository, by reference to which the timeliness of the tax payment will be determined, and the name and location of the depository.

(4) Credit on the date of receipt all deposits of Federal taxes to the Treasury tax and loan account and administer that account pursuant to the provisions of Part 203 of this Chapter.

(5) Forward each day to the Internal Revenue Service Center servicing the geographical area in which the depository is located, the Federal tax deposit forms for all tax deposits received that day. Each submission of deposit information shall be on the prescribed Treasury form and in the aggregate amount of the Federal tax deposit forms.

(6) Establish, prior to transmittal to the Internal Revenue Service Center, an adequate record of all deposits of Federal taxes so that it will be able to identify deposits in the event tax deposit forms are lost in shipment between it and the Internal Revenue Service Center. For this purpose, a record must be made of each deposit showing as a minimum the date of deposit, the taxpayer's identifying number, and the amount of the deposit. The depository's copies of transmittal letters may be used to provide the necessary information if individual deposits are listed separately showing date, taxpayer's identifying number, and amount.

(7) Not accept compensation from taxpayers for accepting deposits of Federal taxes and handling them as required by this section.

(b) *Compensation for services.* The Treasury will compensate depositaries for Federal taxes at a uniform fee of 50¢ for each Federal tax deposit form for-

warded by the depository and processed by the Internal Revenue Service Center. This fee covers the administration of the Treasury tax and loan account as well as the handling of Federal tax deposits. Fees payable may be reduced by the analysis credits described in § 203.15 of this Chapter.

#### § 214.7 Deposits of Federal taxes with Federal Reserve Banks.

A Federal Reserve Bank shall, through any of its offices:

(a) Accept a tax deposit directly from a taxpayer when such tax deposit is:

(1) Mailed or delivered by a taxpayer located within that Bank's territorial boundaries; and

(2) In the form of cash, a check drawn to the order of that Bank and considered to be an immediate credit item by that Bank, a postal money order drawn to the order of that Bank, or Treasury bills, as authorized in Part 309 of this Chapter, covering an amount to be deposited as Federal taxes; and

(3) Accompanied by a Federal tax deposit form on which the amount of the tax deposit has been properly entered in the space provided.

(b) When requested to do so by a taxpayer who makes a deposit of Federal taxes in cash over the counter, issue a counter receipt.

(c) When a deposit of Federal taxes is made in accordance with the requirements of paragraph (a) of this section, a Bank shall place in the space provided on the face of each Federal tax deposit form accepted directly from a taxpayer, a stamp impression reflecting the name of the Bank and the date on which the tax deposit was received by the Bank so that the timeliness of the Federal tax payment can be determined. However, if such a deposit is mailed to a Bank, it shall be subject to the "Timely mailing treated as timely filing and paying" clause of section 7502 of the Internal Revenue Code (26 U.S.C. 7502).

(d) When a deposit of Federal taxes is not in accordance with the requirements governing form of payment set forth in paragraph (a) of this section, a Bank shall place in the space provided on the face of each Federal tax deposit form a stamp impression reflecting the name of the Bank and the date on which the proceeds of the accompanying payment instrument are collected by the Bank. This date shall be used for the purpose of determining the timeliness of the Federal tax payment.

#### § 214.8 Additional instructions.

Federal Reserve Banks are authorized to issue instructions consistent with these regulations for carrying out the requirements of this Part.

#### § 214.9 Effective date.

The provisions of this Part, as revised, become effective as of \_\_\_\_\_, 1978.

3. Accordingly, the Fiscal Service proposes to amend 31 CFR Part 317 (Department Circular, Public Debt Series No. 4-67) by revising § 317.5 to read as follows:

## PROPOSED RULES

**PART 317—REGULATIONS GOVERNING  
AGENCIES FOR ISSUE OF U.S. SAVINGS  
BONDS OF SERIES E AND U.S. SAVINGS  
NOTES**

\* \* \* \* \*

**§ 317.5 Issuance of bonds.**

(a) *General.* Issuing agents must comply with all regulations and instructions issued by the Department of the Treasury or the Federal Reserve Banks concerning the sale, inscription, dating, validation and issue of the bonds, and disposition of the issue records. No issuing agent shall have authority to sell bonds other than as provided in the offering circulars and the governing regulations.<sup>1</sup>

(b) *Fees.* Issuing agents, other than Federal agencies which for the purpose of this section include Government corporations and independent establishments, shall be paid for each savings bond issued during a calendar quarter as follows:

Seventy cents for each bond issued on sale by a financial institution on the basis of an application received over-the-counter or by mail, or under a bond-a-month plan;

Thirty cents for each bond issued on sale by a financial institution under a payroll plan, if the bond is inscribed by any means other than a computer;

Ten cents for each bond issued on sale by a financial institution under a payroll plan, if the bond is inscribed by computer;

Ten cents for each bond issued on sale by a non-financial institution; and

Five cents for each bond reissued to effect distribution to a participant in a pension, retirement, savings, vacation or similar plan.

(c) *Basis for payment of fees.* A fee will be paid for each Series E savings bond issue included in transmittals of registration stubs or magnetic tape to the Bureau of the Public Debt for the account of an eligible agent during each

<sup>1</sup> Department of the Treasury Circulars No. 530, current revision (31 CFR Part 315), and No. 653, current revision (31 CFR Part 316).

calendar quarter, based on the transfer dates assigned to the transmittals by a Federal Reserve Bank.

(d) *No charge to customers.* Financial institutions accepting fees from the Treasury for issuing savings bonds shall not make any charge to customers for the same service.

4. Accordingly, the Fiscal Service proposes to amend 31 CFR Part 321 (Department Circular No. 750, Second Revision) by revising § 321.5 to read as follows:

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

**Subpart B—Authority To Act**

**§ 321.5 Paying agent fees and charges.**

(a) *Scale or rate and procedures.* Each paying agent shall receive reimbursement at the rate of 30 cents for each bond or note paid hereunder which is received by a Federal Reserve Bank and forwarded for the agent's account to the Department of the Treasury during each calendar quarter.

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

Dated: November 25, 1977.

DAVID MOSO,  
*Fiscal Assistant Secretary.*

**INFLATIONARY IMPACT CERTIFICATION**

Pursuant to the provisions of OMB Circular No. A-107, dated January 28, 1975, it is hereby certified that upon due consideration and application of the Treasury Identification Criteria the inflationary impact of the proposed revisions and amendments to 31 CFR Parts 203, 214, 317 and 321 has been considered, and it has been determined that the proposed revisions will be anti-inflationary.

Dated: November 25, 1977.

DAVID MOSO,  
*Fiscal Assistant Secretary.*

[FR Doc.77-35130 Filed 12-8-77; 8:45 am]