

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-154

October 31, 1978

TREASURY TAX AND LOAN INVESTMENT PROGRAM

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

On May 15, 1978, Circular No. 78-57 was distributed to all banks with an attached Treasury booklet covering the Treasury Tax and Loan Investment Program. Included in this booklet was Bulletin No. 78-03 which contained the procedural instructions for all Treasury Tax and Loan depositaries. The Treasury has advised us that pen and ink revisions need to be made to this procedure in the two areas as outlined below:

Revisions

Delete

Page 1, Section 2.C. (Line 3)
"quoted as a percentage to two
decimal places,"

Page 2, Section 2.C. (Line 10)
", or to the next lower number"

Insert

Page 1, Section 2.C. (Line 3)
"converted to a four decimal place
factor,"

Page 2, Section 2.C. (Line 10)
". The fifth number to the right of
the decimal point will remain the
same"

Also, as you are aware, the Treasury Tax and Loan Investment Program will begin on November 2. For your reference, printed on the following pages is the notice of the implementation date as was issued in the *Federal Register* on October 16.

Additional copies of this circular will be furnished upon request to the Fiscal Agency Department at the Dallas Office, Ext. 6341.

Sincerely yours,

Robert H. Boykin

First Vice President

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.

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pp. 47505 - 47506

[4810-35-M]

**Title 31—Money and Finance:
Treasury**

**CHAPTER II—FISCAL SERVICE;
DEPARTMENT OF THE TREASURY**

**TREASURY TAX AND LOAN
ACCOUNTS**

**Announcement of Effective Date of
Final Rules and Amendments to
Certain Provisions Concerning Col-
lateral Pledged**

AGENCY: Fiscal Service, Department of the Treasury.

ACTION: Announcement of effective date of final rules and amendments to certain provisions concerning collateral pledged under 31 CFR Part 203.

SUMMARY: In the FEDERAL REGISTER of May 2, 1978 (43 FR 18960) the Treasury Department issued final regulations (31 CFR Parts 203, 214, 317, and 321) and interim regulations (31 CFR 226) to implement the investment provisions of Pub. L. 95-147 of October 28, 1977. The regulations issued on May 2, 1978, called for an effective date of July 6, 1978, provided the Congress had appropriated funds to cover the payment of fees for certain services rendered under the regulations. Since the Congress had not appropriated the necessary funds, a notice was published in the FEDERAL REGISTER on June 19, 1978 (43 FR 26309) deferring that effective date.

The Congress has now made the necessary funds available. Accordingly, the effective date of both the final and interim rules issued on May 2 as amended by this notice is November 2, 1978.

The intent of Pub. L. 95-147 is to permit the Treasury to earn interest by the investment of its operating cash balances and, at the same time, pay fees for certain services which have not heretofore been compensable.

Subpart D of 31 CFR Part 203 relating to collateral pledged as security by depositaries for tax and loan accounts as published in the FEDERAL REGISTER of May 2 is being amended. First, by this amendment, the maturity of the type of collateral security accepted under subparagraph 9 of § 203.15(d) (i.e., commercial and agricultural paper and bankers' acceptances) is being extended from one year to two years. Second, by this amendment, a

new paragraph (i.e., paragraph (f)) is being added to § 203.15 to describe actions which will be taken, upon the insolvency of a depository, to perfect the Treasury's security interest in the proceeds of the collateral which that depository has pledged as security for tax and loan funds.

Further, 31 CFR Part 226, entitled "Recognition of Insurance Covering Treasury Tax and Loan Depositaries" which was published as an interim rule on May 2 is hereby being adopted as a final rule.

EFFECTIVE DATES: The provisions of the rules which were published in the FEDERAL REGISTER of May 2 (43 FR 18960) and as amended by this notice are effective on November 2, 1978.

**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: By this notice, the effective date of the regulations issued on May 2, 1978, as amended, is being established. Certain paragraphs of the regulations issued on May 2, 1978, cited specific dates which were predicated on the presumption that those regulations were to be effective on July 6, 1978. Consequently, due to the postponement of the effective date to November 2, 1978, those paragraphs are hereby being revised to reflect dates consistent with the revised effective date.

In the preamble to the final regulations issued on May 2, 1978, it was stated that the Treasury was considering what action it could take to expand categories of eligible collateral. While the Treasury's study of collateral is continuing, the Department is now extending the maturity limitation of the collateral security accepted under subparagraph (9) of § 203.15(d) from one year to two years: at 90 percent of face value.

Further, by this amendment, the Treasury is adding a new paragraph (paragraph f) to § 203.15 to describe general requirements pertaining to the perfection of the Treasury's security interest in the proceeds of pledged collateral in the event of the insolvency of the depository. This is an amendment of a technical nature which is intended to preserve, subsequent to the insolvency of a depository, the Treasury's interest in the proceeds of the collateral that a tax and loan deposi-

tary has pledged for the purpose of securing the tax and loan funds on deposit or invested with it.

Since each Treasury Tax and Loan Depository enters into a depository contract as stated at § 203.6, the Treasury is of the view that the amendments involve a matter relating to "contracts" as that term is used in 5 U.S.C. 553(a)(2). Further, the Treasury is of the view that because the amendments (1) add to the supply of securities available to depositories to secure tax and loan funds, and (2) set forth requirements intended to solidify the Treasury's rights to the proceeds of the collateral which a depository has pledged to secure public funds, subsequent to the insolvency of that depository, they involve a matter relating to "public property" within the meaning of 5 U.S.C. 553(a)(2).

Consequently, it has been determined that the amendments are not subject to the rulemaking requirements, including notice or proposed rulemaking, which are contained in 5 U.S.C. 553.

31 CFR Part 226, entitled "Recognition of Insurance Covering Treasury Tax and Loan Depositories" was published as an interim rule in the FEDERAL REGISTER of May 2, 1978 (43 FR 18972). Since the publication of that part, the Department received one written comment concerning that interim rule. In essence that comment was a request for clarification of one of the provisions of that rule. Accordingly, in view of the absence of any substantive comment, the Department is of the view that 31 CFR Part 226, which was published in the FEDERAL REGISTER of May 2, 1978, as an interim rule, should hereafter be regarded as a final rule. By this notice, 31 CFR Part 226 is being adopted as a final regulation.

On May 24, 1978, a proposed Treasury directive entitled "Criteria and Procedures for the Preparation, Review and Approval of Regulations" was published at 43 FR 22319, in implementation of Executive Order 12044 (March 23, 1978; 43 FR 12661). Although the proposed directive was made effective on May 22, 1978, it was provided that regulations in process of preparation before that date which had been the subject of a public hearing would not be subject to the requirement of paragraph 9 of the proposed directive that a work plan be prepared. As the instant publication is the culmination of a regulatory project which was the subject of a public hearing on January 12, 1978, no work plan has been prepared. Nevertheless, the other applicable requirements of the proposed Treasury directive have been complied with.

In consideration of all the foregoing, 31 CFR Chapter II is amended as follows:

PART 203—TREASURY TAX AND LOAN DEPOSITORIES

§ 203.3 [Amended]

1. Section 203.3 is amended by changing the date, "July 5, 1978," in the first sentence of paragraph (a), to "November 1, 1978."

§ 203.11 [Amended]

2. Section 203.11 is amended as follows:

(a) By changing the date, "July 5, 1978," in the first sentence of paragraph (a), to "November 1, 1978."

(b) By changing the date, "July 6, 1978," in the last sentence of paragraph (a), to "November 2, 1978."

(c) By changing the date, "July 6, 1978," each time it appears in paragraphs (b) and (c), to "November 2, 1978."

3. Section 203.15 is amended by amending paragraph (d)(9) and by adding a new paragraph (f) to read as follows:

§ 203.15 Collateral security requirements.

(d) ***

(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 not to exceed 2 years: At 90 percent of face value.

(f) *Effecting payments of principal and interest on securities pledged as collateral subsequent to the insolvency of a depository—(1) General.* In the event of the depository's insolvency or closure, or in the event of the appointment of a receiver, conservator, liquidator or other similar officer to terminate its business, the depository agrees that all principal and interest payments on any security pledged to protect the note account (if applicable) and the Treasury tax and loan account, due as of the date of the insolvency of closure, or thereafter becoming due, shall be held separate and apart from any other assets and shall constitute a part of the pledged security available to satisfy any claim of the United States.

(2) *Payment procedures.* (i) Subject to the waiver in subparagraph (2)(iii) of this paragraph, each depository (including, with respect to such depository, an assignee for the benefit of creditors, a trustee in bankruptcy, or a receiver in equity) shall immediately remit each payment of principal and/or interest received by it with respect to collateral pledged pursuant to this section to the Federal Reserve Bank of the district, as fiscal agent of the United States, and in any event shall

so remit no later than ten days after receipt of such a payment.

(ii) Subject to the waiver in subparagraph (2)(iii) of this paragraph, each obligor on a security pledged by a depository pursuant to this section shall make each payment of principal and/or interest due with respect to such security directly to the Federal Reserve Bank of the district, as fiscal agent of the United States.

(iii) The requirements of subparagraphs (2) (i) and (ii) of this paragraph are hereby waived for only so long as a pledging depository remains solvent. The foregoing waiver is terminated without further action immediately upon the insolvency of a pledging depository or, if earlier, upon notice by the Treasury or the Federal Reserve Bank of the district of such termination. For purposes of this paragraph, a depository is insolvent when, voluntarily or by action of competent authority, it is closed because of present or prospective inability to meet the demands of its depositors or shareholders.

4. Section 203.18 is amended to read as follows:

§ 203.18 Effective date.

This revision of this part is effective November 2, 1978.

PART 214—DEPOSITORIES FOR FEDERAL TAXES

5. Section 214.9 is amended to read as follows:

§ 214.9 Effective date.

This revision of this part is effective November 2, 1978.

PART 226—RECOGNITION OF INSURANCE COVERING TREASURY TAX AND LOAN DEPOSITORIES

6. Section 226.7 is amended to read as follows:

§ 226.7 Effective date.

The provisions of this part become effective November 2, 1978.

7. Interim 31 CFR Part 226, as amended in item 6. of this document, is hereby adopted as a final rule.

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

8. Section 317.5 is amended by changing paragraph (e) to read as follows:

§ 317.5 Issuance of bonds.

* * * * *

(e) The provisions of this section, as amended, are effective November 2, 1978.

**PART 321—PAYMENTS BY BANKS
AND OTHER FINANCIAL INSTITU-
TIONS OF UNITED STATES SAVINGS
BONDS AND UNITED STATES SAV-
INGS NOTES (FREEDOM SHARES)**

9. Section 321.5 is amended by changing paragraph (e) to read as follows:

§ 321.5 Paying agent fees and charges.

* * * * *

(e) The provisions of this section, as amended, are effective November 2, 1978.

Dated: October 11, 1978.

PAUL H. TAYLOR,
Fiscal Assistant Secretary.

[FR Doc. 78-29199 Filed 10-13-78; 8:45 am]
