

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 3505]
October 24, 1949

**RESTRICTIVE ENDORSEMENTS OF
UNITED STATES BEARER SECURITIES**

*To banks in the Second Federal Reserve District
eligible to follow the procedure prescribed in
Treasury Department Circular No. 853:*

1. At the request of the United States Treasury Department, we are transmitting Treasury Department Circular No. 853 containing "Regulations Governing Restrictive Endorsements of United States Bearer Securities" which become effective November 14, 1949.

Procedure limited to banks

2. The procedure provided for in the regulations may be utilized only by "banks", as defined therein, which include (a) incorporated banks doing a general commercial banking business, (b) incorporated trust companies doing a general banking business or a general trust business, and (c) savings banks, whether or not mutual. Any such bank may utilize the procedure without making any advance application for authority to do so. If any institution is in doubt as to whether it is a "bank" as so defined, it should inquire of us as to whether it may properly utilize the procedure.

Circumstances under which procedure may be used

3. Briefly, the new Treasury regulations provide that any bank (as defined therein) may place restrictive endorsements on the face of United States bearer securities owned by it or by its customers at the time of forwarding such securities to a Federal Reserve Bank or Branch or to the Treasurer of the United States for payment, redemption, or optional exchange for a new issue. The regulations do not authorize such endorsements for any other purpose or at any other time. For example, they do not apply to securities submitted for wire transfer, for registered exchange, for denominational exchange or for exchange for registered securities of the same issue. Securities bearing restrictive endorsements placed thereon strictly in accordance with the provisions of the regulations will thereafter be nonnegotiable and payment, redemption, or exchange for new issues will be made only as provided in such endorsements. This procedure will be advantageous to banks and their customers owning such securities since relief in case of loss, theft, or destruction may be given as in the case of registered securities. In many cases a distinct saving will be possible in transportation and insurance charges.

Strict compliance with regulations

4. If you determine to take advantage of this procedure you should give very careful consideration to the provisions of the regulations and carefully follow the procedure indicated

therein, since, as provided in Section 328.7 of the regulations, relief in case the endorsed securities should be lost, stolen, or destroyed cannot be given except upon satisfactory proof that they were endorsed and otherwise handled in strict conformity with the regulations. If a lost or stolen security which is claimed to have been endorsed and for which relief has been granted, is subsequently presented to the Treasury without bearing an endorsement and under circumstances that require its payment or redemption, the loss incurred will be charged to the bank which failed or neglected to endorse the security properly.

Making of endorsement

5. The restrictive endorsement authorized by the regulations is required to be imprinted on the face of the security in such manner and by such means as will render the endorsement substantially ineradicable. The ABA code number of the presenting bank must be perforated immediately below the endorsement. Banks may use any suitable mechanical equipment for imprinting such endorsements and making such perforations. A good quality black penetrating ink with a carbon pigment base must be used. While the use of plates is desirable, it is not mandatory and endorsements imprinted by typewriter will not be rejected if phrased in accordance with the regulations and made with a properly inked ribbon. The ordinary form of stamp pad ink has been found susceptible to eradication and should not be used; accordingly, if a rubber stamp is used, care should be taken to see that a carbon pigment ink is used on the stamp pad. Information as to suitable equipment may be secured from us upon request.

Endorsement of unmatured coupons

6. Unmatured coupons attached to securities restrictively endorsed under this procedure should be cancelled by imprinting the prescribed endorsement in such manner that a substantial portion of the endorsement appears on each unmatured coupon. The ABA code number should not be perforated on coupons.

Photographic reproductions

7. It is highly desirable, where facilities are available, to make photographic reproductions of the securities after the endorsements have been made. Prints of such photographic reproductions will be the best evidence that the endorsements were properly made in accordance with the requirements. Where it is possible to obtain prompt photographic development, it is desirable to make a comparison of the films with the actual securities before shipment, in order to guard against failure of equipment.

Listing endorsed securities

8. A sample of our Form No. G.B. 533, which may be used for listing securities restrictively endorsed, is also enclosed. Reasonable quantities of this form will be furnished upon request. Its use is not obligatory. Any bank may prepare its own form for this purpose provided its form contains the information and certification called for in our Form No. G.B. 533 and it is executed in triplicate. If the securities are being presented to us for payment, they should be accompanied by the customary request for payment form (our Form No. G.B. 311). If the securities are presented in exchange for other securities pursuant to an optional exchange offering, the customary subscription form should be used in connection with the exchange.

Relief in case of loss

9. In case of loss, theft, or destruction after the endorsements have been imprinted, whether such loss, theft, or destruction occurs in the bank or in the course of transmission by registered mail or other authorized means to the Federal Reserve Bank or Branch, immediate notice should be given to the Federal Reserve Bank or Branch to which shipment was to be made. The presenting bank will then be furnished with Treasury Department Form PD 2211 for the purpose of making application for relief. The expenses in connection with relief will, in the main, consist only of those connected with the preparation of Form PD 2211, any incidental notarial fees, postage, and the expense of a surety on a bond of indemnity, in case such surety is required. If a bank is the claimant and the principal on the bond of indemnity, ordinarily no surety will be required.

Shipment

10. Shipments are at the shipper's risk and expense. Shipments may be made to this Bank or its Buffalo Branch by messenger, armored car service, express or registered mail. Shipments may not be made by express or mail to the Treasury Department, Washington, D. C.

Additional copies of circulars

11. Additional copies of this circular and of Treasury Department Circular No. 853 will be furnished upon request.

ALLAN SPROUL,
President.

REGULATIONS GOVERNING RESTRICTIVE ENDORSEMENTS OF UNITED STATES BEARER SECURITIES

1949
Department Circular No. 853
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, October 5, 1949.

TO FEDERAL RESERVE BANKS, FISCAL AGENTS OF THE UNITED STATES, AND OTHERS CONCERNED:

On August 31, 1949, a notice of proposed rule making regarding restrictive endorsements of bearer securities of the United States was published in the Federal Register (14 F. R. 5397).

Pursuant to the authority of Revised Statutes section 161 (5 U. S. C. 22) and of the Second Liberty Bond Act, as amended, and after consideration of all such relevant matter as was presented by interested parties regarding the proposal, the following regulations are hereby prescribed, effective November 14, 1949, to govern restrictive endorsements placed upon bearer securities of the United States presented for payment or redemption or pursuant to an optional exchange offering:

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328.1 Scope of regulations.—These regulations are applicable only to bearer securities presented by or through banks for payment at maturity, or for redemption prior to maturity, or in exchange for any securities pursuant to an optional exchange offering. The term “bearer securities” as herein used shall include Treasury bonds, notes, certificates of indebtedness, and Treasury bills, issued by the United States and payable to bearer. The term “banks” as herein used shall include incorporated banks (which for this purpose are defined as banks doing a general commercial banking business), incorporated trust companies (which for this purpose are defined as trust companies doing either a general banking business or a general trust business), and savings banks (whether or not mutual). These regulations do not apply to securities presented for any other transaction, nor do they apply to registered bonds assigned in blank or so assigned as to become, in effect, payable to bearer.

328.2 Authorization for restrictive endorsement.—At any time after one calendar month prior to (a) maturity date, (b) the date securities become payable pursuant to a call for redemption, or (c) the date upon which an exchange may be effected pursuant to an optional exchange offering, banks are author-

ized, under the conditions and in the manner hereinafter provided, to place restrictive endorsements upon the face of bearer securities owned by themselves or their customers for the purpose of presentation to Federal Reserve Banks or Branches, or to the Treasurer of the United States, for payment, redemption, or optional exchange. Bearer securities bearing such restrictive endorsements will thereafter be non-negotiable and payment, redemption, or exchange will be made only as provided in such endorsements.

Federal Reserve Banks will inform eligible banks in their respective districts as to the procedure to be followed under the authority granted by these regulations. No bank should imprint restrictive endorsements on securities or make shipments as provided herein until it has received such information from the Federal Reserve Bank.

328.3 Form of endorsement.—The endorsement should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent
of the United States, for redemption or in exchange for securities of a new issue, in accordance with written
instructions submitted by _____
(Insert name of presenting bank)

ABA No. _____

The name of the Federal Reserve Bank of the district must appear on the plate or stamp used for the imprinting of the endorsement and presentation to the appropriate Branch of the Federal Reserve Bank named will be considered as presentation to the bank. When securities are to be presented to the Treasurer of the United States, the words "The Treasurer of the United States" should be used in lieu of the words "The Federal Reserve Bank of _____, Fiscal Agent of the United States." No subsequent endorsement will be permitted and no other form of endorsement may be made.

328.4 Requirements for endorsement.—The endorsement must be imprinted in the left-hand portion of the face of each security with the first line thereof parallel to the left edge of the security and in such manner as to be clearly legible and in such position that it will not obscure the serial number, series designation, or other identifying data, and that it will cover the smallest possible portion of the text on the face of the security being endorsed. The dimensions of the endorsement should approximate four inches in width and one and one-half inches in height, and must be imprinted by stamp or plate of such character, with a carbon pigment ink, and by such means, as will render the endorsement substantially ineradicable. Immediately below and as a part of the endorsement the ABA code number of the presenting bank must be perforated in figures approximately one-half inch in height. The perforation should be placed as nearly as possible beneath the endorsement but without obliterating any of the above-mentioned identifying data.

328.5 Preparation of securities for shipment.—(a) *Coupons.*—All matured coupons, including (except where otherwise specifically provided in an announcement of an optional exchange) all coupons which will mature on or before the date of redemption or exchange, should be detached from securities upon which restrictive endorsements are to be imprinted, and all coupons maturing subsequent to the date of redemption or exchange should be left attached and appropriately cancelled in accordance with the instructions given by the Federal Reserve Banks. If any such subsequently dated coupons are missing, deduction of the face amount of such missing coupons will be made in cases of redemption and in cases of optional exchange remittance equal to the face amount of the missing coupons must accompany the securities.

(b) *Mingling of issues.*—Securities of different issues may be included in a single shipment but they should be sorted by issue, denomination, and serial number. When securities to be redeemed are included in the same shipment as securities to be presented in payment for an exchange subscription, the securities to be redeemed should be clearly segregated from those to be exchanged, and if any securities offered are available in registered form and registration is desired, complete registration instructions should be given on the list hereinafter required.

(c) *Listing.*—After the endorsements have been imprinted and the securities segregated, as required by subsection (b) hereof, a list of all securities of each issue included in the shipment should be prepared in triplicate. The list should be prepared in the order in which the securities are to be packaged and dispatched and should show in the case of each issue the date of the next maturing coupon, specifying either that all subsequent coupons are attached or indicating which coupons, if any, are missing and whether or not remittance for the value of any missing coupons accompanies the securities. Appropriate forms for the preparation of such lists may be procured from the Federal Reserve Banks of the respective districts. The lists must be verified against the securities.

(d) *Microfilming.*—Where adequate facilities for making microfilms or other photographic reproductions of endorsed securities are available, banks are urged to make use thereof for their own protection and for that of their customers. Relief in case of loss, theft, or destruction of securities cannot be given except upon satisfactory proof that such securities were endorsed as provided in these regulations. Microfilms or other photographic reproductions of securities bearing such endorsements will constitute the best evidence that such endorsements were made prior to loss, theft, or destruction, and will materially expedite any application for relief. No prints may be made from the film, except as provided in section 328.7 of these regulations, or when otherwise specifically authorized by a Federal Reserve Bank or by the Treasury Department.

(e) *Supervision of listing and verification.*—In all cases the listing and verification, as well as the checking of any photographic reproductions, must be made under the supervision of a responsible officer of the bank concerned, who will sign all three copies of the list. The officer verifying and signing the list must also supervise the packaging and shipment of the securities. The original and triplicate copies of the list and the photographic records, if made, should be retained by the bank until the transaction is completed by receipt of payment or receipt of the securities issued in exchange.

328.6 Shipment of securities.—Securities bearing restrictive endorsements and prepared for shipment as provided herein, under the terms of these regulations, are no longer securities payable to bearer and may be forwarded by messenger, armored car service, express, or by registered mail, accompanied in each case by the duplicate copy of the list required in the preceding section. Postmasters under existing Postal Laws and Regulations and supplemental instructions are authorized to accept such securities for shipment by registered mail upon payment of postage at the first-class rate at the declared value of the known or estimated cost of duplication, including the cost of an indemnity bond if required; provided, that a surcharge shall be paid in any case for the cost of duplication in excess of the maximum amount of indemnity payable for the registration. Such securities may not be shipped as cancelled vouchers or as cancelled securities. Shipments may be made only to the Federal Reserve Bank of the district in which the presenting bank is located or the appropriate Branch of such Federal Reserve Bank, and will be at the risk and expense of the shipper. No shipment to any other Federal Reserve Bank is authorized and no shipment by mail or express may be made to the Treasury Department, Washington, D. C.; delivery to the Treasury Department may be made by messenger or armored car.

328.7 Loss, theft, or destruction of securities bearing restrictive endorsement.—In the case of loss, theft, or destruction of securities bearing restrictive endorsements made strictly in accordance with the provisions of these regulations, relief will be given as provided by U. S. C. 1946 Ed., Title 31, Sec. 738a as applied to securities not payable to bearer. (See Appendix A for more detailed information regarding the applicable provisions of the law.) Applications for relief accompanied by the necessary supporting evidence and by the original of the list required by section 328.5 (e) hereof will be acted upon promptly by the Department. Application should be made on Form PD 2211, should give full details so far as known of the loss, theft, or destruction, and should be accompanied by an affidavit from the officer who supervised the listing, verification, and shipment of the securities and who signed the list, a copy of which accompanied the shipment. This affidavit should show that to the officer's personal knowledge each security claimed to have been lost, stolen, or destroyed bore the restrictive endorsement in the form prescribed in section 328.3 hereof, fully completed, and that shipment was actually made under his direction, and should describe the method of shipment. If photographic records were made, prints thereof

should also accompany the claim and be verified as records of the securities claimed to have been lost, stolen, or destroyed. A bond of indemnity with surety satisfactory to the Secretary of the Treasury for the full value of the securities claimed to have been lost, stolen, or destroyed, including the value of any interest payable thereon, will be required from the owner of the securities. A bank will be considered as the owner, if it so desires, for securities handled by the bank on behalf of its customers. If such bond is executed by a bank or other corporation, the execution must be authorized by general or special resolution of the board of directors or other body exercising similar functions, or of some other board or committee authorized to act under the bylaws on behalf of such bank or corporation. Ordinarily no surety will be required on a bond executed by the presenting bank. The Secretary of the Treasury reserves the right, however, to require a surety in any case in which he considers such action necessary for the protection of the United States.

328.8 Miscellaneous.—Any provisions of Department Circular No. 300, dated July 31, 1923, as supplemented and amended (31 CFR 306) and of Department Circular No. 666, dated July 21, 1941 (31 CFR 307), which are in conflict with the provisions of these regulations are hereby superseded. The Secretary of the Treasury reserves the right at any time to amend, supplement, or withdraw any or all of the provisions of these regulations.

JOHN W. SNYDER,
Secretary of the Treasury.

APPENDIX A

The statutory authority for relief on account of loss, theft, or destruction of United States securities is contained in 31 U. S. C. 1946 Ed., Sec. 738a, and reads as follows:

Interest-bearing security destroyed, mutilated, defaced, lost or stolen—(a) Issuance of duplicate; redemption of matured security.

Whenever it is clearly proved to the satisfaction of the Secretary of the Treasury—

(1) That any interest-bearing security of the United States, identified by number and description, payable to bearer or so assigned as to become, in effect, payable to bearer, has been wholly or partly destroyed, or so mutilated or defaced as to impair its value to the owner, or has been lost or stolen under such circumstances, and such a period of time having elapsed after it has matured or has become redeemable pursuant to a call for redemption, as in the judgment of the Secretary would indicate that it has been destroyed or irretrievably lost, is not held by any person as his own property and will never become the basis of a valid claim against the United States; or

(2) That any interest-bearing security of the United States, identified by number and description, which is not payable to bearer and which has not been so assigned as to become, in effect, payable to bearer, has been lost or stolen, so that it is not held by any person as his own property, or has been wholly or partly destroyed, or so mutilated or defaced as to impair its value to the owner;

the Secretary, upon receipt and approval by him of a bond of indemnity, if and as required by subsection (b) hereof, shall, in the case of a security which has not matured or become redeemable pursuant to a call for redemption, issue a substitute marked "duplicate" and showing the serial number of the original security; or shall, in the case of a security which has matured or become redeemable pursuant to a call for redemption, make payment thereof to the owner, with such interest only as would have been paid had the security been presented when it became due and payable: *Provided*, That in the case of an interim certificate relief may be given by the issue of a definitive security, whether before or after maturity, rather than by the issue of a substitute or by payment: *And provided further*, That no payment shall be made on account of interest coupons claimed to have been attached to such original security unless the Secretary is satisfied that such coupons have not been paid, and are in fact destroyed or can never become the basis of a valid claim against the United States.

(b) *Bond of Indemnity; exceptions.*

Except as provided in paragraphs (1)–(4) of this subsection, the owner of such lost, stolen, destroyed, mutilated, or defaced security shall file with the Secretary of the Treasury a bond, to indemnify the United States, in such form and amount and with such surety, sureties, or security as the Secretary of the Treasury shall require: *Provided*, That in case of securities payable to bearer or so assigned as to become, in effect, payable to bearer, the destruction of which has not been proved, a corporate surety, qualified under sections 6–13 of Title 6, shall be required on such bond of indemnity: *And provided further*, That a bond of indemnity shall not be required in any of the following classes of cases, except as provided in paragraph (4) of this subsection:

(1) If the Secretary of the Treasury is satisfied that the loss, theft, destruction, mutilation, or defacement, as the case may be, occurred without fault of the owner and while the security was in the custody or the control

of the United States (not including the Postal Service when acting solely in its capacity as the public carrier of the mails), or of a person thereunto duly authorized as lawful agent of the United States, or while it was in the course of shipment effected pursuant to and in accordance with the regulations issued under section 134 of Title 5;

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

(3) If the lost, stolen, destroyed, mutilated, or defaced security is one which by the provisions of law or by the terms of its issue is transferable only by operation of law;

(4) If the owner or holder is the United States or an officer or employee thereof in his official capacity, a State, the District of Columbia, a Territory or possession of the United States, including the Commonwealth of the Philippine Islands, a municipal corporation or political subdivision of any of the foregoing, a corporation the whole of whose capital is owned by the United States, a foreign government, or a Federal Reserve bank:

Provided, however, That in any of the foregoing classes of cases the Secretary of the Treasury may require a bond of indemnity if he deems it essential to the public interest.

(c) *Definitions.*

The term "interest-bearing security of the United States" or "security", wherever used in this section, means any direct obligation of the United States issued pursuant to law for valuable consideration and which by its terms bears interest, or is issued on a discount basis, and includes (but is not limited to) bonds, notes, certificates of indebtedness, and Treasury bills, and interim certificates issued for any such security, and also means any bond issued under section 780 of Title 26.

(d) *Rules and regulations.*

The Secretary of the Treasury shall have the power to make such rules and regulations as he may deem necessary for the administration of this section.

United States securities payable to bearer, which have been restrictively endorsed and shipped to Federal Reserve Banks or Branches, or to the Treasury Department, Washington, D. C., all in strict accordance with the provisions of the regulations, have been made nonnegotiable and relief in case of their loss, theft, mutilation, or destruction may be given under the provisions of paragraph (2) of subsection (a) of the above statute.

In case a bank does not receive within a reasonable time payment or securities offered in exchange for securities surrendered prompt notice should be given the agency to which the securities were forwarded. If payment or new securities are received after such notice has been given, the agency to which the securities were forwarded should be immediately notified.

Application for relief should be made on Form PD 2211, copies of which may be secured from the Federal Reserve Banks of the various districts or from the Treasury Department, Washington, D. C. If the bank is the actual owner of the securities or wishes to be considered as the owner, as provided in section 328.7 of the regulations, the application may be executed in the name of the bank by an officer thereof. If not executed by the officer who supervised the endorsement and shipment, it must be accompanied by an affidavit from such officer. If the bank is not the owner and does not elect to be considered the owner, the application must be signed by the owner of the securities for which relief is sought and must be accompanied by an affidavit from the officer of the bank who supervised the preparation and shipment. The original of the list made by the bank must also be submitted and if photographic reproductions were made prints therefrom should accompany the application as provided in section 328.7. If the loss, theft, mutilation, or destruction occurred in the mail, a postal inspector's report ordinarily will be required.

Form PD 2211 and the accompanying evidence must be submitted to the agency to which the securities were forwarded and will be expedited both by that agency and by the Department at Washington, and, if approved, a bond of indemnity (which is required by the statute) will be forwarded for execution; if the bond of indemnity is executed by the presenting bank as owner, ordinarily no surety will be required. However, the Secretary reserves the right to require surety in any particular case.

