

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 6379]
[August 1, 1969]

Expansion of Book-Entry Procedure for Treasury Securities

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

The Treasury Department has adopted, effective July 15, 1969, an amendment to Subpart O of its Circular No. 300, "General Regulations with Respect to United States Securities." The amendment provides for the expansion of the book-entry procedure for Treasury securities and was the subject of our Circular No. 6325, dated April 29, 1969.

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

(1) Subpart O, as amended effective July 15, 1969, of Treasury Department Circular No. 300, and the Appendix to Subpart O dealing with certain record-keeping requirements and other matters for Federal income tax purposes;

(2) Operating Circular No. 21 of this Bank, Revised effective August 1, 1969, entitled "Book-Entry Treasury Securities"; and

(3) Operating Circular No. 14 of this Bank, Revised effective August 1, 1969, entitled "Safekeeping, Handling, and Shipment of Securities."

As explained in our Circular No. 6075, dated December 12, 1967, an amendment, effective January 1, 1968, to Treasury Department Circular No. 300 provided for the maintenance of Treasury securities in book-entry form on the records of this Bank, as fiscal agent of the United States, whenever Treasury securities are deposited with us (1) as collateral for advances by this Bank; (2) as collateral for Treasury Tax and Loan Accounts or for deposits of public monies under Treasury Department Circular No. 92 or No. 176, respectively; or (3) for the sole account of a member bank in lieu of the safekeeping of definitive Treasury securities by this Bank.

Under the expanded book-entry procedure as provided for in the enclosed amended Subpart O of Treasury Department Circular No. 300, and in particular Section 306.117(b) of such Subpart O, the Federal Reserve Banks, as fiscal agents of the United States, are authorized to apply the book-entry procedure to Treasury securities deposited in accounts with such Banks in their individual capacity and as to which securities the Reserve Banks, in their individual capacity, are to continue to maintain deposit accounts, notwithstanding application of the book-entry procedure to the Treasury securities in such accounts. Such accounts include accounts in which Treasury securities are deposited (1) pursuant to Section 61 of the Bankruptcy Act in connection with deposits of bankruptcy funds in commercial banks; (2) as collateral in connection with the qualification of member banks to exercise trust powers; or (3) as collateral to secure deposits of trust funds in the commercial banking departments of member banks. This Bank's revised Operating Circular No. 14 provides that any bank or other depositor that has transferable Treasury bonds, notes, certificates of indebtedness, or bills on deposit with this Bank, in its individual capacity, in any such types of accounts on September 1, 1969, and any bank or other depositor which on or after such date deposits or causes to be deposited any such securities in any of the said accounts or in any other account specified by this Bank for application of the book-entry procedure under

(OVER)

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

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

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

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

ALFRED HAYES,
President.

GENERAL REGULATIONS WITH RESPECT TO UNITED STATES SECURITIES

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

TREASURY DEPARTMENT
Washington, June 13, 1969

Fiscal Service
Bureau of the Public Debt

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

SUBPART O--BOOK-ENTRY PROCEDURE

Sec. 306.115. Definition of terms.

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

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

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

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

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

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

security (or securities) has been executed.

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

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

Sec. 306.116. Authority of Reserve Banks.

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 306.118. Pledges.

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

Sec. 306.119. Limitations on transfers or pledges.

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

Sec. 306.120. Withdrawals and transfers.

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

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

Sec. 306.121. Registered bonds and notes.

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

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

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

JOHN K. CARLOCK
Fiscal Assistant Secretary
of the Treasury.

APPENDIX FOR SUBPART O

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

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Records for Federal Income Tax Purposes

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

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

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

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

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

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

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

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

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

TITLE 26--INTERNAL REVENUE

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

SUBCHAPTER A--INCOME TAX

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

Identification of book-entry Treasury securities

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

Sec. 1.1012-1 Basis of property.

* * * * *

(c) Sale of stock. * * *

(7) Book-entry Treasury securities.

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

(ii) For purposes of this subparagraph:

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

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

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

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

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SECTION 1012.--BASIS OF PROPERTY--COST

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

Rev. Rul. 67-419

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

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

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

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

* * * * *

Rev. Rul. 69-416

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

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

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

**FEDERAL RESERVE BANK
OF NEW YORK**

[Operating Circular No. 14
Revised effective August 1, 1969]

SAFEKEEPING, HANDLING, AND SHIPMENT OF SECURITIES

*To All Member and Nonmember Banks
in the Second Federal Reserve District:*

This circular contains the general terms and conditions governing (1) the handling by this Bank at its Head Office in New York City and at its Buffalo Branch of securities received from or for the account of member banks in the Second Federal Reserve District to be held in safekeeping, or to be sold, redeemed, or exchanged; and (2) the shipment of securities by or to this Bank (Head Office and Buffalo Branch).

Transferable Treasury securities—book-entry securities

1.(a) In accordance with Section 306.117(a) of Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States, maintains transferable Treasury bonds, notes, certificates of indebtedness, and bills issued under the Second Liberty Bond Act by means of entries on the records of this Bank as such fiscal agent ("book-entry Treasury securities") when such transferable Treasury securities are deposited with us for any of the following purposes: (1) as collateral for advances by this Bank in its individual capacity; (2) as collateral for balances in Treasury Tax and Loan Accounts or for deposits of public monies under Treasury Department Circular No. 92 or No. 176, respectively; or (3) for the sole account of a member bank in this District and in lieu of the safekeeping of definitive Treasury securities. Transferable Treasury securities maintained in such book-entry form under Section 306.117(a) are handled pursuant to the terms and conditions of our Operating Circular No. 21, "Book-Entry Treasury Securities," notwithstanding any inconsistent provisions herein.

(b) (1) Under Section 306.117(b) of Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States, may apply the book-entry procedure to Treasury securities deposited in accounts maintained by this Bank in its individual capacity and as to which securities this Bank in its individual capacity is to continue to maintain such deposit accounts notwithstanding application of the book-entry procedure to such securities. Such accounts include, but are not limited to, accounts in which Treasury securities are deposited (i) pursuant to Section 61 of the Bankruptcy Act (11 U.S.C. 101) in connection with deposits of bankruptcy funds in commercial banks, (ii) as collateral in connection with the qualification of member banks to exercise trust powers, or (iii) as collateral to secure deposits of trust funds in the commercial banking departments of mem-

ber banks.* Section 306.117(b) of Subpart O provides that such application of the book-entry procedure shall not derogate from or adversely affect the relationships that would otherwise exist between any Reserve Bank in its individual capacity and its depositors; and that the rights of all persons in and with respect to the obligations of the United States represented by such Treasury securities shall be in all respects and at all times the same as though definitive Treasury securities in bearer form in the same amount and of the same loan title (or series) and maturity date as those entered in the deposit account had been at all times held in custody by such Reserve Bank in its individual capacity in such account under the deposit agreement between such Reserve Bank and its depositor.

(2) Any bank or other depositor whose definitive Treasury securities are on deposit in any account specified in paragraph (b) (1) above maintained by this Bank in its individual capacity on September 1, 1969, and any bank or other depositor which on or after such date deposits or causes to be deposited any such securities in any of the aforesaid accounts or any other account specified by this Bank for application of the book-entry procedure under Section 306.117(b) of Subpart O, will be deemed to have authorized this Bank to employ the book-entry procedure under the provisions of such section with respect to such Treasury securities and to have authorized the conversion of such definitive Treasury securities to book-entry form.†

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

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

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

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

(c) Under Section 306.117(c) of Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States,

* More specifically, Treasury securities set aside in the trust department of a member bank to secure deposits of trust funds awaiting investment or distribution (as is provided in section 1(d) of Public Law 87-722).

† The book-entry procedure will not be applied to such Treasury securities which are held by this Bank for the account, or subject to the order, of a third party without the consent of such third party.

may also apply the book-entry procedure to Treasury securities deposited in other accounts designated by this Bank. Transferable Treasury securities maintained in book-entry form under Section 306.117(c) are handled pursuant to such terms and conditions as may be agreed upon between this Bank and the depositors of such securities.

Safekeeping

Securities that will be held in safekeeping

2.(a) We will accept and hold in safekeeping at our Head Office for account of any member bank in the District, except a member bank having an office located in the central financial district of New York City, any securities other than transferable Treasury securities owned solely by such bank. A member bank located in the territory assigned to our Buffalo Branch and required to maintain the reserves prescribed for a member bank not located in a reserve city may at its option have such securities held in safekeeping at our Head Office or at our Buffalo Branch.

(b) We will also accept and hold in safekeeping at our Head Office, for account of any member bank located in New York City for which we will not hold securities in safekeeping pursuant to paragraph 2(a) hereof, any securities other than transferable Treasury securities owned solely by such bank that are eligible as collateral for borrowings from this Bank or for balances in Treasury Tax and Loan Accounts when such securities are being used from time to time for such purposes; we will render this service only to the extent that it contributes to efficient and economical operations at our Head Office.

(c) In any case in which we would accept and hold securities in safekeeping for account of any member bank as specified in paragraph 2(a) hereof, we will also accept and hold in safekeeping for account of the trust department of such bank any securities other than transferable Treasury securities owned solely by such bank and set aside in its trust department to secure deposits of trust funds awaiting investment or distribution (as is provided in section 1(d) of Public Law 87-722); but securities held by a member bank in any other fiduciary capacity, or as collateral for loans or advances made by it, or which are the property of others, will not be accepted for safekeeping.

Representations as to securities tendered for safekeeping

3. Any member bank tendering securities to us for safekeeping for its account (other than for the account of its trust department) will be deemed to represent to us that such securities are owned solely by it; and any member bank tendering securities to us for safekeeping for account of its trust department will be deemed to represent to us that such securities are owned by it and have been set aside in its trust department to secure deposits of trust funds awaiting investment or distribution.

Advices of receipt and withdrawal

4. Securities received by us for safekeeping for account of a member bank or of the trust department of a member bank will be described in an advice of receipt that we will mail to such bank

or trust department. These advices are neither transferable nor negotiable and their return will not be required when securities are withdrawn from safekeeping, but they should be retained by the bank in its records of securities held by us. Corresponding advices will be sent when securities are withdrawn from safekeeping.

Maturing and called securities and coupons

5. This Bank will endeavor to perform the services described in paragraphs 6, 7, and 8 with respect to maturing coupons and maturing, called, or exchangeable securities held in safekeeping, but in no case will the Bank assume any liability for its failure to perform such services.

6. Unless we receive appropriate instructions to the contrary within a reasonable time prior to maturity:

(a) All maturing securities of any obligor for which this Bank acts as fiscal agent, held in safekeeping for account of a member bank or the trust department of a member bank, will be withdrawn from safekeeping and redeemed by this Bank, as fiscal agent of the United States or other obligor, and the amount thereof will be credited to the reserve account of the member bank; and

(b) All other maturing securities payable in United States dollars in any Federal Reserve District,* held in safekeeping for account of a member bank, except securities payable in a city, town, or village in which an office of the member bank is located, will be withdrawn from safekeeping and will be presented for payment, or forwarded for collection, at maturity in accordance with the provisions of our current Operating Circular No. 8, Collection of Noncash Items, and the proceeds will be credited, under advice, to the reserve account of the member bank. A maturing security payable in a city, town, or village in which an office of the member bank is located will be forwarded directly to the head office of such member bank for collection; the proceeds of such item should be retained by the member bank and not treated as the proceeds of a collection item.

Whenever the title of any security held in safekeeping indicates that it may be convertible into a security of another issue, no action will be taken by us with respect to the conversion privilege except upon receipt of timely and appropriate instructions; in the absence of such instructions, our only action will be to present the security upon maturity for payment or forward it for collection. Maturing coupons will be detached from securities held in safekeeping and will be handled in the same manner as maturing securities.

7. Securities or coupons payable in the alternative in more than one currency, including United States dollars, will be presented for payment in United States dollars unless appropriate instructions to the contrary are received by us within a reasonable time prior to the date of maturity.

* As used in this paragraph, the term "any Federal Reserve District" means any Federal Reserve District as referred to in paragraph 1 of Operating Circular No. 8.

8. It is our practice to review the services to which we subscribe for the purpose of ascertaining whether any securities held by us in safekeeping (a) have been called for redemption, (b) are exchangeable for securities in definitive form, or (c) are exchangeable for other securities in connection with a reorganization or readjustment. We endeavor to transmit such information to each bank for which we hold any such securities. Unless we receive appropriate instructions to the contrary, it is our practice to handle called securities in the same manner as other maturing securities, and to endeavor to exchange interim or temporary securities for definitive securities when the latter are available.

Receipt and delivery of securities

9. Upon receipt of appropriate instructions, we will arrange:

(a) To receive or deliver securities, against payment or receipt, for account of any member bank other than a member bank located in the central financial district of New York City.

(b) For the purchase or sale of securities (other than corporate stocks) for account of those member banks that do not have ready access to ordinary market facilities, provided that, in the judgment of this Bank, such transactions, for any one member bank, are occasional and in small amounts.

Instructions to receive securities against payment or to purchase securities should specify the amount to be paid and the purchase price, and will constitute our order to debit the reserve account of the member bank with such amount on the day the securities are received by us. When instructed by a member bank to deliver securities against payment, or to sell securities, we will, unless otherwise instructed, accept payment therefor in the form of a check drawn on a commercial bank and payable to our order, and immediate or deferred credit therefor, subject to receipt of payment in actually and finally collected funds, will be given in the reserve account of such member bank in accordance with the time schedule contained in our current Operating Circular No. 5. If payment for any such securities is made in "Federal funds," however, the proceeds thereof will be credited to the reserve account of such member bank on the day the securities are delivered.

Instructions

10. Instructions with reference to securities held, or to be received and held, by us in safekeeping for account of the trust department of a member bank should be in writing and signed by a trust officer, an assistant trust officer, or some other officer of the member bank whose authority to act for the trust department generally or to issue instructions relating to such securities has been satisfactorily certified to us by the member bank.

11. All instructions with reference to other securities should be in writing over authorized signature(s) on behalf of the bank for account of which such securities are handled. In exceptional circumstances or emergencies we will accept and act upon instructions transmitted by telegraph or telephone on the understanding, in either instance, that

written confirmation of such instructions over authorized signature(s) will be mailed to us promptly. Telegrams should be forwarded prepaid, should be in the American Bankers Association code wherever possible, and should be duly tested by the appropriate word taken from the list of special test words supplied by us. All telephonic instructions should also include such a test word, and whenever securities are to be delivered against receipt to other than a bank, additional confirmation will be required in the form of a telegram promptly dispatched, including the test word used in the telephonic instructions.

Charges and expenses

12. We make no charge for any of the services described in the preceding paragraphs of this circular except that any necessary out-of-pocket expenses, such as postage or express charges on outgoing shipments and insurance on incoming and outgoing shipments, will be charged to the bank on whose behalf such expenses are incurred. No such charge will be made, however, for shipping and insurance costs incurred in connection with the collection of maturing coupons detached from securities held in safekeeping for member banks.

Risk of loss

Shipments of securities

13. Except in the case of the shipments to us referred to in paragraph 24, any bank or other person shipping, or causing the shipment of, securities to us shall by such action be deemed to have agreed that the risk of loss on such shipments occurring prior to the actual delivery thereof to us by the post office, express company, or other carrier is not assumed by us but is on the sender. Likewise, except in the case of the shipments by us referred to in paragraphs 23 and 24, any bank or other person ordering shipments of securities from us shall by such action be deemed to have agreed that in making such shipments we undertake merely to make delivery to the post office, express company, or other carrier, and that the risk of loss occurring subsequently to such delivery is not assumed by us but is on the bank or other person ordering the shipment to be made.

Securities held in safekeeping

14. Any bank or other person depositing securities with us, either directly or through others, shall by such action be deemed to have agreed that we (a) will be responsible only for the exercise of the same diligence with which we care for our own property; (b) will not be liable for any loss of such securities when a loss is due to any cause other than lack of such diligence; (c) will not be responsible for the genuineness, validity, or alteration of or any defect in such securities; and (d) will not be obligated to maintain any form of insurance for the account of the depositor in relation to securities held in custody for it.

Insurance of securities held in safekeeping

15. Securities held by us in safekeeping for member banks are insured under our Bankers Blanket Bond, but the amount of such bond is relatively small in comparison with the total amount of money

and securities held by us for our own account and for account of others. Such bond is carried primarily for our own protection, and accordingly, in the event of loss the amount recovered thereunder will be first applied against the loss of property held for our own account, and the excess only will be available for pro rata distribution against losses of property held for account of others. If additional insurance protection is desired by a member bank, it should make its own arrangements for such insurance.

Insurance of shipments of securities

Insurance available

16. We hold certain open registered mail insurance policies under which shipments of securities made by us by registered mail and shipments of securities consigned to us by registered mail may be insured, at the expense of the bank requesting the shipment by us or making the shipment to us,* as set forth in paragraphs 16 to 22, inclusive. These policies cover all risks, except that they do not cover loss by theft by employees of senders or addressees (except in a very limited class of circumstances and even in such circumstances the insurance afforded by such policies is excess insurance only), nor do they provide protection against so-called war or related risks. Such policies cover such shipments from the time the shipment leaves the office of the sender until actual delivery has been made to the office of the addressee, whether delivery is effected in whole or in part by employees or agents of the Post Office Department, the sender or the addressee, and in the event of nondelivery, until delivered at the proper address or a substituted address, or until returned to the sender. Coverage under these policies is limited to \$10,000,000 on property dispatched from any one sender to any one addressee on any one train, boat, or other conveyance.

War and related risks not covered

17. Such policies contain the following language with respect to war and related risks:

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

* As specified in paragraph 12, no charge will be made, however, for insurance costs incurred in connection with the collection of maturing coupons detached from securities held in safekeeping for member banks.

Amount for which shipments insured

18. Shipments will be insured for the amount reported or declared, which amount may be more or less than the actual value of the property shipped, and in the event of loss the liability of the insurers shall be the replacement cost of the lost property or the market value thereof at the time of dispatch or at the time the loss becomes known to us, whichever of the foregoing shall be the measure of the actual loss sustained, but in no case shall the liability of the insurers exceed in the aggregate the sum for which the lost property was reported or declared.

Insurance of incoming registered mail shipments

19. Any bank shipping securities to us by registered mail for any purpose may have the shipment insured under our registered mail insurance policies for its account and risk, and at its expense, provided the following conditions are complied with:

(a) Concurrently with a shipment to our Head Office, the sender should mail to our Head Office under separate cover an insurance declaration or notice of shipment (Form Misc. 110) stating the amount of insurance to be effected. Concurrently with a shipment to our Buffalo Branch, the sender should mail such declaration or notice (Form Misc. 111) under separate cover to our Branch. Copies of these forms will be furnished by our Head Office or Branch upon request.

(b) The contents of the shipment shall be verified by at least one person and shall be enclosed in a strong wrapper, envelope, or cloth or canvas bag, well secured, and the package shall be sealed in a manner acceptable to the post office at the place of mailing.

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

In order for shipments to us to be insured they must be made by *registered* mail. In no circumstances can a shipment sent to us by ordinary mail be insured under our policies.

Insurance of outgoing shipments

20. Except in the case of shipments made by this Bank as fiscal agent of the United States (referred to in paragraphs 23 and 24), whenever we have occasion to ship securities to or on behalf of a bank the shipment will be made by registered mail; and, unless we receive appropriate instructions to the contrary, we will arrange for shipments of securities transferable by delivery to be insured under our registered mail insurance policies at the expense of such bank.* It is not our practice to arrange for the insurance of shipments of securities that are not transferable by delivery. In the case of securities transferable by delivery it is our practice, in the absence of instructions, to declare such securities for insurance in the amounts set forth below:

* See footnote on page 7.

(a) securities accompanying a draft, for the amount of the draft,

(b) detached matured or maturing coupons, for their face amount, and

(c) other securities, for their face amount or approximate market value, whichever is higher, plus (i) the face amount of all attached matured coupons, (ii) the amount of interest accrued to the date of shipment on attached unmatured coupons, and (iii) three per cent of the face amount of the securities.

Use of other insurance policies

21. Since shipments of securities will be insured at the expense of the bank with which we deal,* it is suggested that banks holding registered mail insurance policies of their own may find it more convenient to insure shipments of securities under their own policies.

Making claim for loss

22. In the event of loss of all or part of a shipment insured under our policies, we will make claim on behalf of the sender or the addressee, as the case may be, for the amount involved. The post office registry receipt covering each shipment to us should be carefully preserved by the sender in order that it may be available as evidence in the event of loss.

Shipments of securities made by this Bank as fiscal agent of the United States

23. Shipments of Treasury securities made by this Bank, as fiscal agent of the United States, upon original issue or in exchange for temporary certificates, are at the expense and risk of the United States under the Government Losses in Shipment Act, as amended, and the regulations issued thereunder. However, the interest and responsibility of the United States in such shipments ceases upon delivery by the post office. An addressee accepting delivery at the post office by agent or otherwise must, therefore, transport such shipments at its own risk from the post office to the office of the addressee. If the addressee bank does not carry insurance covering this risk, we can arrange coverage for its benefit from the time the securities are receipted for by its agent, at a rate of one cent per \$1,000, subject to all the conditions of our registered mail insurance policies. Any bank that desires such special coverage should so advise us. As pointed out in paragraph 16, such policies do not cover war or related risks or loss by theft of employees of the addressee. In addition, such special insurance does not cover any claim for shortage or mysterious disappearance unless due to a known casualty in transit between the post office and the office of the addressee.

Shipment of unissued, and paid, savings bonds

24. Stock of unissued savings bonds shipped by this Bank, as fiscal agent of the United States, to issuing agents is the property of the United States, and hence such shipments are at the expense and risk of the United States, and the interest of the Government does not cease upon delivery by the post office. Stock of unissued savings

* See footnote on page 7.

bonds, spoiled bonds, and stubs of issued bonds, in the possession of issuing agents, remain the property of the United States, and shipments thereof to us, in accordance with our instructions to issuing agents, are at the expense and risk of the United States. Savings bonds paid by qualified paying agents, when shipped to us for redemption and in accordance with the instructions of the Treasury Department, are at the risk of the United States.

Commercial paper and bankers' acceptances

25. Upon receipt of appropriate instructions, we will also:

(a) Hold in safekeeping, receive or deliver against payment or receipt, and ship, for account of a member bank, commercial paper and bankers' acceptances owned solely by the member bank.

(b) Purchase or sell, for account of those member banks that do not have ready access to ordinary market facilities, prime bankers' acceptances endorsed by an acceptance dealer or a banking institution and eligible for purchase by us for our own account, provided that, in the judgment of this Bank, such transactions, for any one member bank, are occasional and in small amounts.

The provisions of this circular applicable to securities owned solely by a member bank shall also be applicable to commercial paper and bankers' acceptances, except that, because of the nature of their contents, paragraphs 2, 8, 10, 23, and 24 are inapplicable to such instruments.

General

26. Any bank availing itself of our facilities referred to in this circular shall by such action be deemed to have agreed to all the terms and conditions of this circular. The right is reserved to withdraw, add to, or amend at any time any of the provisions of this circular.

27. This circular supersedes our Operating Circular No. 14, Revised January 5, 1968, and the First Supplement thereto, dated May 5, 1969.

ALFRED HAYES,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**
Fiscal Agent of the United States

[Operating Circular No. 21
Revised effective August 1, 1969]

BOOK-ENTRY TREASURY SECURITIES

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

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

Book-entry Treasury securities

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

(b) Under Section 306.117(b) of Subpart O, this Bank may also apply the book-entry procedure to Treasury securities deposited, as collateral or for other purposes, in accounts maintained by this Bank in its individual capacity and as to which this Bank in its individual capacity is to continue to maintain such deposit accounts, not-

withstanding application of the book-entry procedure to such securities. Our current Operating Circular No. 14, Safekeeping, Handling, and Shipment of Securities, specifies the terms and conditions applicable to deposit accounts maintained by this Bank, in its individual capacity, as to which the book-entry procedure is applied under said Section 306.117(b).

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

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

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

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

Deposit, maintenance, and withdrawal

Original issue of book-entry Treasury securities

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

Conversion of securities to and from book-entry Treasury securities

4. Unless this Bank, in either its individual capacity or as fiscal agent of the United States, determines that special circumstances require otherwise, definitive Treasury securities deposited with this Bank prior to maturity or call by or for account of a member bank or other depositor in this District for any of the purposes specified in paragraph 2(a) hereof will be converted to book-entry Treasury securities in accordance with the terms of this circular and entered in a book-entry account in the name of the depositor. Registered Treasury securities must be assigned to "Federal Reserve Bank of New York, as Fiscal Agent of the United States, for conversion to book-entry Treasury securities," and such assignment must be executed in accordance with Subpart F of Treasury Department Circular No. 300.¹ This Bank reserves the right to convert any book-entry Treasury security to a definitive Treasury security of the same amount, loan title (or series), and maturity date, such definitive security to be held or otherwise dealt with in accordance with the agreement pursuant to which the security is then on deposit.

Deposit of book-entry Treasury securities

5. Treasury securities maintained in accounts referred to in paragraphs 2(b) or 2(c) hereof may be deposited in book-entry accounts maintained for any purpose specified in paragraph 2(a) hereof. Subpart O provides, in effect, that the making of such deposits of book-entry Treasury securities shall have the same effect as a delivery of definitive Treasury securities in bearer form.

Pledge of book-entry Treasury securities

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

Withdrawal of book-entry Treasury securities

7. At any time prior to maturity or call, book-entry Treasury securities may be withdrawn by the depositor for whose sole account such

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

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

Transfer of book-entry Treasury securities

8. At any time that a book-entry Treasury security could be withdrawn under paragraph 7 hereof, such security may be transferred by the depositor thereof to any other book-entry account maintained by this Bank for any of the purposes specified in paragraph 2(a) hereof or to any account referred to in paragraph 2(b) or 2(c) hereof. Such transfers will be effected on the records of this Bank by entry of the amount, loan title (or series), and maturity date of the securities in a book-entry account maintained in the name of the transferee. Subpart O provides that a transfer of book-entry Treasury securities has the same effect as a delivery to the transferee of definitive Treasury securities in bearer form. Book-entry Treasury securities may also be transferred by wire in appropriate cases to a bank or other party in another Federal Reserve District under the provisions of this Bank's Operating Circular No. 17.

Representation as to securities tendered for deposit

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

Receipt and delivery of securities

10. Definitive Treasury securities may be delivered to this Bank for account of a member bank, and definitive Treasury securities in the amount of withdrawn book-entry Treasury securities will be de-

² Except for Treasury bills, certificates of indebtedness, and notes of EA and EO series.

livered to someone other than the member bank depositor for whose account they are held, either against receipt or against payment. Definitive Treasury securities will be received and delivered under this circular for the account of depositors other than member banks only against receipt. Instructions to receive securities against payment for account of a member bank will constitute our authority to charge the reserve account of the member bank with the amount of such securities on the day the securities are received by us. When instructed by a member bank to deliver definitive securities against payment, unless other instructions are received, such payment will be accepted in the form of a check drawn on a commercial bank and payable to the order of Federal Reserve Bank of New York, and the amount thereof will be credited to the reserve account of the member bank withdrawing the securities, subject to final payment, at the close of business of the business day next succeeding the day on which such securities are delivered. If payment for any such securities is made in "Federal funds," however, the proceeds thereof will be credited to the reserve account of such member bank on the day the securities are delivered.

Advices of deposit and withdrawal

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

Redemption of book-entry Treasury securities; interest

12. All maturing book-entry Treasury securities will be redeemed by this Bank at maturity or call. Interest on all book-entry Treasury

securities will be paid by this Bank on the date on which such interest becomes due and payable. Unless otherwise instructed by the depositor or pledgee, the amount of such maturing securities or such interest will be credited, under advice, to the reserve account of a member bank depositor, and the amount of such maturing securities or such interest will be paid or credited, under advice, to a depositor other than a member bank in accordance with its instructions.

Depositors' instructions

13. (a) All instructions with reference to book-entry Treasury securities should be in writing over authorized signature(s) on behalf of the depositor for whose account such securities are handled. In exceptional circumstances or emergencies this Bank, in its discretion, may accept and act upon instructions from member banks transmitted by telegraph or telephone on the understanding that written confirmation of such instructions over authorized signature(s) will be mailed to us promptly. Telegrams should be forwarded prepaid, should be in the American Bankers Association code wherever possible, and should be duly tested by the appropriate word taken from the list of special test words supplied by us. All telephonic instructions should also include such a test word, and whenever securities are to be delivered against receipt to other than a bank, additional confirmation will be required in the form of a telegram promptly dispatched, including the test word used in the telephonic instructions.

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

Shipment of Treasury securities

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

of definitive Treasury securities for conversion to or from book-entry Treasury securities.

Revision of this circular

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

Effect of this circular on previous circular

16. This circular supersedes our Operating Circular No. 21, dated January 1, 1968.

ALFRED HAYES,
President.