

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7090]
January 31, 1973

Shipments of Valuables and Use of Restrictive Endorsements

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

For some time, this Bank has been concerned over the extent to which valuables, in particular bearer Government and Agency securities, are sent to this Bank in ordinary mail shipments by member banks and other financial institutions. The use of ordinary mail for the shipment of valuables greatly increases the risk of loss or theft. Inasmuch as such risk can be minimized by the use of alternative methods of shipment, including the use of registered-mail facilities, we urge all banking institutions in this District to avoid the use of ordinary-mail facilities when shipping items having intrinsic value.

With respect to shipments of bearer United States Treasury securities to a Reserve Bank office, banks may, in certain circumstances, effect savings in insurance costs and further reduce the risk of loss or theft through the use of restrictive endorsements. Treasury Department Circular No. 853, "Regulations Governing Restrictive Endorsements of United States Bearer Securities," contains the provisions under which banks may use restrictive endorsements; a copy of that circular is enclosed. We urge all banks in this District to make use of such endorsements in all circumstances in which such use has been authorized by the Treasury Department.

In this connection, Treasury Department Circular No. 853 has recently been revised, effective September 21, 1972, to authorize member banks of the Federal Reserve System to place restrictive endorsements on bearer Treasury securities for the purpose of presenting such securities to a Reserve Bank for conversion into book-entry form. The revision is intended to ensure that the ongoing conversion of physical securities into book-entry form can be accomplished at minimal risk and expense. In addition, the regulations continue to provide that all banks are authorized to place restrictive endorsements on bearer Treasury securities presented to a Reserve Bank for the following purposes:

- (a) *For payment or redemption*—at any time within one calendar month prior to the maturity date, or the date on which the securities become payable prior to a call for redemption, or at any time after the maturity or call date of the securities;
- (b) *For exchange*—during any period for the presentation of the securities pursuant to an exchange offering;
- (c) *For redemption at par in payment of Federal estate taxes, where eligible*—at any time prior to the maturity or call redemption date of the securities.

In accordance with the provisions of Treasury Department Circular No. 853, securities

(OVER)

restrictively endorsed in the manner prescribed therein will thereafter be nonnegotiable, and payment, redemption, or exchange will be made only as provided in such endorsements. Moreover, bearer securities so endorsed may be declared to be of "no value" for purposes of registered-mail shipments, thus reducing significantly the cost of mail shipments of such securities. In this connection it should be noted that Treasury Department Circular No. 853 provides that restrictively endorsed securities may be shipped by registered mail, messenger, armored car service, or express to a Reserve Bank. Ordinary mail facilities may not be used for such shipments.

Information and instructions on such matters as the authorized form of the endorsement, the requirements for endorsement, and the procedures for the granting of relief on account of restrictively endorsed securities proven to have been lost, stolen, or destroyed are set forth in the enclosed circular. Instructions and forms on the procedures to be followed in submitting such securities to a Reserve Bank will be sent to you within the next few weeks.

At the present time, several Federal agencies are reviewing their procedures with a view to authorizing the use of restrictive endorsements on their securities under the same conditions applicable to bearer Treasury securities. We expect that such reviews will be completed by the time we send you instructions on the new procedures, and at that time we will furnish you with full information on the restrictive endorsement procedures of those agencies.

The officers of our Government Bond and Safekeeping Department would be pleased to discuss any questions you may have concerning methods and procedures for the shipment of valuables and the use of restrictive endorsements.

ALFRED HAYES,
President.

REGULATIONS GOVERNING RESTRICTIVE ENDORSEMENTS OF UNITED STATES BEARER SECURITIES

1964

Department Circular No. 853
Revised and amended*

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, December 4, 1964.

Fiscal Service
Bureau of the Public Debt

Department Circular No. 853, dated October 5, 1949, is hereby amended and issued as Department Circular No. 853, Revised.

AUTHORITY: Secs. 328.1 to 328.9 issued under R.S. 161, as amended (5 U.S.C. 22); Second Liberty Bond Act, as amended (31 U.S.C. 752, 753, 754, 754b).

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Sec. 328.1 *Scope of regulations.* — The regulations in this part are applicable only to United States bearer securities¹ presented (a) by or through banks for payment at or after their maturity or call date, or in exchange for any securities under any exchange offering, (b) by member banks of the Federal Reserve System for conversion to book-entry securities, (c) by or through banks at any time prior to their maturity or call date for redemption at par and application of the entire proceeds in payment of Federal estate taxes, provided said securities by the terms of their issue are eligible for such redemption, and (d) by District Directors, Internal Revenue Service, for redemption, with the proceeds to be applied in payment of taxes (other than securities presented under (c) above). These regulations do not apply to bearer securities presented for any other transactions, or to registered securities assigned in blank, or to bearer, or so assigned as to become, in effect, payable to bearer.

Sec. 328.2 *Definitions.* — Certain words and terms, as used in these regulations, are defined as follows:

(a) "Banks" refer to, and include, incorporated banks (i.e., banks doing a general commercial banking business), incorporated trust companies (i.e., trust companies doing either a general banking business or general trust business), and savings banks (whether or not mutual).

(b) "Bearer securities" or "securities" are those which are payable on their face to "bearer," the ownership of which is not recorded. They include "Treasury bonds," "Treasury notes," "Treasury certificates of indebtedness," and "Treasury bills."

* Includes amendment of September 21, 1972.

¹ Certain agencies of the United States and certain Government and Government-sponsored corporations also authorize the restrictive endorsement of bearer securities.

Sec. 328.3. *Authorization for restrictive endorsements.* — (a) *By banks.* Banks are authorized, under the conditions and in the form 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, as follows:

(1) *For payment or redemption* — at any time within one calendar month prior to their maturity date, or the date on which they become payable pursuant to a call for redemption, or at any time after their maturity or call date;

(2) *For exchange* — during any period for their presentation pursuant to an exchange offering; and

(3) *For redemption at par in payment of Federal estate taxes (only eligible securities)* — at any time prior to their maturity or call redemption date.

(4) *For conversion to book-entry securities, but only by member banks of the Federal Reserve System as defined in Sec. 306.115(g) of this chapter* — at any time prior to their maturity or call redemption date.

(b) *By District Directors, Internal Revenue Service.* District Directors, Internal Revenue Service, are authorized, under the conditions and in the form hereinafter provided, to place restrictive endorsements upon the face of bearer securities for the purpose of presentation to Federal Reserve Banks or Branches, or to the Treasurer of the United States, for redemption and application of the proceeds in payment of taxes (other than securities presented for redemption at par and application of the proceeds in payment of Federal estate taxes).

(c) *Instructions from Federal Reserve Banks.* Federal Reserve Banks will inform eligible banks and District Directors of the Internal Revenue Service in their respective districts as to the procedure to be followed under the authority granted by these regulations. No bank or District Director should imprint restrictive endorsements on securities until such information is received from the Federal Reserve Banks.

Sec. 328.4. *Effect of restrictive endorsements.* — Bearer securities bearing restrictive endorsements as herein provided will thereafter be nonnegotiable and payment, redemption, or exchange will be made only as provided in such endorsements.

Sec. 328.5. *Forms of endorsement.* — (a) *When presented by banks* —

(1) *For payment or exchange.* The endorsement placed on a bearer security presented for payment or exchange by a bank 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 se-

curities of a new issue, in accordance with written instructions submitted by _____ .
(Insert name of presenting bank)

ABA No. _____

(2) *For redemption at par.* The endorsement placed on a bearer security presented for redemption at par in payment of Federal estate taxes should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for redemption at par in payment of Federal estate taxes, in accordance with written instructions submitted by _____ .
(Insert name of presenting bank)

ABA No. _____

(b) *For conversion to book-entry securities.* The endorsement placed on a bearer security presented by a member bank of the Federal Reserve System for conversion to a book-entry security shall be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for conversion to book-entry securities by _____ .

(Insert name of presenting bank)

ABA No. _____

(c) *When presented by District Directors, Internal Revenue Service.* The endorsement placed on a bearer security by a District Director, Internal Revenue Service, should be in the following form:

For presentation to the Federal Reserve Bank of _____, Fiscal Agent of the United States, for redemption, the proceeds to be credited to the account of the District Director, Internal Revenue Service at _____, for credit on the Federal _____ taxes due from _____ .
(Income, gift or other) (Name and address)

Sec. 328.6. Requirements for endorsement. — (a) *On bearer securities.* 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 cover the smallest possible portion of the text on the face of the security. The dimensions of the endorsement should be approximately 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. In cases where the endorsement is being made by a bank, immediately below and as part of the endorsement the ABA code number of the presenting bank must be perforated in figures approximately one-fourth to one-half inch in height. The perforations should be placed as nearly as possible beneath the endorsement without obliterating any of the identifying data. 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 "Treasurer of the United States" should be used in lieu of the words "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.

(b) *On coupons.* Unmatured coupons attached to restrictively endorsed securities should be cancelled by imprinting the prescribed endorsement in such manner that a substantial portion of the endorsement will appear on each such coupon. Where such endorsements are made by a bank, its ABA code number should not be perforated on the coupons. If any such coupons are missing, deduction of their face amount will be made in cases of redemption, and in cases of exchange, remittance equal to the face amount of the missing coupons must accompany the securities. All matured coupons, including coupons which will mature on or before the date of redemption or exchange (except as otherwise specifically provided in an announcement of an exchange offering), should be detached from securities upon which restrictive endorsements are to be imprinted.

Sec. 328.7. Shipment of securities. — Securities bearing restrictive endorsements may be shipped, at the risk and expense of the shipper, by registered mail, messenger, armored car service, or express to the Federal Reserve Bank of the district in which the presenting bank or District Director, Internal Revenue Service, is located, or to the appropriate branch of such Federal Reserve Bank. Shipments to the Treasurer of the United States, Washington, D. C., should be made by messenger or armored car.

Sec. 328.8. Loss, theft or destruction of securities bearing restrictive endorsements. — (a) *General.* Relief will be provided on account of securities bearing restrictive endorsements proved to have been lost, stolen or destroyed, upon the owner's application, in the same manner as registered securities which have not been assigned. (See Subpart N of the current revision of Department Circular No. 300, the general regulations with respect to United States securities.) Except for bearer securities submitted for redemption at par in payment of Federal estate taxes, a bank will be considered the owner of securities handled on behalf of customers unless it otherwise requests. The application for relief (Form PD 2211) and instructions will be furnished by the Federal Reserve Banks.

(b) *Bond of indemnity.* Where securities bearing restrictive endorsements shipped by a bank have been lost, stolen, or destroyed, a bond of indemnity with surety satisfactory to the Secretary of the Treasury will be required from the owner. 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 under its bylaws. Ordinarily, no surety will be required on a bond executed by a 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.

Sec. 328.9. Miscellaneous. — The provisions of this circular are subject to the current revision of Department Circular No. 300. 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 K. Carlock,
Fiscal Assistant Secretary.