

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7143]
May 15, 1973

Use of Restrictive Endorsements

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

Our Circular No. 7090, dated January 31, 1973, contained information concerning the use of restrictive endorsements on bearer United States Treasury securities and on plans for extending the use of such endorsements to Federal Agency securities. Since then, Treasury Department Circular No. 853—"Regulations Governing Restrictive Endorsements of United States Bearer Securities"—has been revised, effective April 11, 1973. Printed below is an excerpt from the *Federal Register* of April 30, 1973, setting forth the text of the revision. In addition, most Federal Agencies have adopted the same restrictive endorsement procedures with regard to their bearer securities.

The revision of the Treasury regulations is intended to simplify the procedures for restrictively endorsing Treasury securities and to eliminate certain limitations on the use of such endorsements. In particular, the requirement that a bank's ABA code number be perforated beneath the endorsement has been eliminated. Also, in addition to those banking institutions (including savings banks) previously authorized, savings and loan associations and building and loan associations are now expressly authorized to use the procedures set forth in the Treasury regulations, and all banks presenting bearer Treasury securities to a Federal Reserve Bank for conversion into book-entry securities may now restrictively endorse such securities.

The bearer securities of the following Federal Agencies are now governed by the restrictive endorsement procedures set forth in Treasury Department Circular No. 853:

Export-Import Bank of the United States
Government National Mortgage Association
Federal Home Loan Bank Board
Federal Home Loan Mortgage Corporation
Federal National Mortgage Association
United States Postal Service
Washington Metropolitan Area Transit Authority

In addition, the Farm Credit Administration has issued regulations authorizing the application of restrictive endorsement procedures to the bearer securities of the Banks for Cooperatives,

Federal Intermediate Credit Banks, and Federal Land Banks. Such regulations parallel the Treasury regulations except that they do not, at this time, authorize the use of restrictive endorsements on securities presented for conversion into book-entry form.

Information and instructions on such matters as the authorized form of the endorsement, the requirements for endorsement, and the procedures for granting relief on account of restrictively endorsed securities proven to have been lost or stolen are set forth in Treasury Department Circular No. 853. Instructions on the procedures to be followed in submitting such securities to this Bank, and a form for that purpose, are enclosed. Additional forms will be furnished upon request directed to our Government Bond and Safekeeping Department.

As noted in our Circular No. 7090, the use of the restrictive endorsement procedures can minimize the risk of loss associated with shipments of valuables and, at the same time, effect significant cost savings. The recent changes in the Treasury regulations should facilitate the use of such endorsements. Accordingly, we urge all banks in this District to make the fullest possible use of the restrictive endorsement procedures. The officers of our Government Bond and Safekeeping Department would be pleased to discuss any questions you may have concerning such procedures.

ALFRED HAYES,
President.

Title 31—Money and Finance: Treasury
CHAPTER II—FISCAL SERVICE, DEPARTMENT OF THE TREASURY
SUBCHAPTER B—BUREAU OF THE PUBLIC DEBT
PART 328—RESTRICTIVE ENDORSEMENTS OF U.S. BEARER SECURITIES

The regulations in 31 CFR part 328 have been amended for the purpose of reducing costs of shipping definitive bearer securities submitted for conversion to book-entry securities or for redemptions or exchanges.

Notice and public procedures are unnecessary and are dispensed with as the fiscal policy of the United States is involved. The changes were effected under authority of R.S. 3706; 40 Stat. 288, 502, 1309; 46 Stat. 20; 48 Stat. 343; 49 Stat. 20; 56 Stat. 189; 73 Stat. 622; 85 Stat. 5, 74 (31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a and 754b); and 5 U.S.C. 301.

Dated April 11, 1973.

[SEAL] JOHN K. CARLOCK,
Fiscal Assistant Secretary.

Department of the Treasury Circular No. 853, Revised, dated December 4, 1964, is hereby further amended and revised and issued as Department of the Treasury Circular No. 853, Second Revision, effective April 11, 1973.

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AUTHORITY: R.S. 3706; 40 Stat. 288, 502, 1309; 46 Stat. 20; 48 Stat. 343; 49 Stat. 20; 56 Stat. 189; 73 Stat. 622; 85 Stat. 5, 74 (31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a and 754b); and 5 U.S.C. 301.

§ 328.1 Scope of regulations.

The regulations in this part are applicable only to U.S. 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 banks 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 Service Center Directors and District Directors, Internal Revenue Service, for redemption, with the proceeds to be applied in payment of taxes (other than securities presented under paragraph (c) of this section). These regulations do not apply to bearer securities presented for

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

any other transactions, or to registered securities assigned in blank, or to bearer, or so assigned as to become, in effect, payable to bearer.

§ 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 a general trust business), and savings and loan associations, building and loan associations, and such other financial institutions as may be designated by the Federal Reserve banks. This definition is limited to institutions incorporated within the United States, its territories and possessions, the Commonwealth of Puerto Rico and the Canal Zone.

(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."

§ 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 presenta-

FEDERAL RESERVE BANK OF NEW YORK

Form No. _____

Submission of bearer securities of the United States
and certain Government-sponsored corporations and agencies
of the United States which are restrictively endorsed under
the provisions of Treasury Department Circular No. 853
(See reverse side for detailed instructions)

O: FEDERAL RESERVE BANK OF NEW YORK GOVERNMENT BOND AND SAFEKEEPING DEPT.		DATE SHIPPED		SHEET NO. _____ OF _____	
DESCRIPTION OF SECURITIES		SERIES		DATED	
				DUE	
COUPON INFORMATION: DATE OF NEXT MATURING COUPON:		ARE SUBSEQUENT COUPONS ATTACHED: YES _____ NO _____		DATE(S) OF MISSING COUPONS (IF ANY)	
METHOD OF PAYMENT FOR MISSING COUPONS <input type="checkbox"/> CHECK <input type="checkbox"/> CHARGE RESERVE ACCOUNT		TYPE OF TRANSACTION (CHECK ONE) <input type="checkbox"/> REDEMPTION <input type="checkbox"/> CONVERSION TO BOOK-ENTRY <input type="checkbox"/> EXCHANGE <input type="checkbox"/> PAYMENT OF ESTATE TAXES			
<u>LISTING OF SECURITIES ENCLOSED</u>					
DENOMINATION	DENOMINATION	DENOMINATION	DENOMINATION	DENOMINATION	DENOMINATION
	\$	\$	\$	\$	\$
SERIAL NOS.	SERIAL NOS.	SERIAL NOS.	SERIAL NOS.	SERIAL NOS.	SERIAL NOS.
TOTALS					\$
				PIECES	AMOUNT

Submitted By _____

The securities listed above have been endorsed,
processed and shipped in accordance with the
provisions of Treasury Department Circular
No. 853 and the instructions on the reverse
side of this form.

Authorized Signature

DETAILED INSTRUCTIONS

1. Eligible Securities: Bearer securities of the United States and the following Government sponsored corporations and agencies of the United States: Banks For Cooperatives, Export-Import Bank of the United States, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Government National Mortgage Association, United States Postal Service and the Washington Metropolitan Transit Authority.
2. Use of Form: This form should be used when transmitting eligible bearer securities which are restrictively endorsed under the provisions of Treasury Department Circular No. 853 for the following purposes:
 - (a) By or through banks for payment at or after maturity or call date, or in exchange for other securities under any exchange offering.
 - (b) By banks for conversion of Treasury securities to book-entry form at time prior to their maturity or call redemption date.
 - (c) By or through banks at any time prior to maturity or call redemption date for redemption at par in payment of Federal Estate taxes (eligible securities only).
 - (d) By Service Center Directors, District Directors, Internal Revenue Service, for redemption, with the proceeds to be applied in payment of taxes (other than securities presented under (c) above).
3. Completion of Form: This form should be typed in triplicate. The original should accompany the shipment, a copy should be sent under separate cover and a copy should be retained by the sender. A separate form must be used for each issue of securities. The listing should be by denomination and serial number order. All information must be supplied including, where applicable, the date of the next maturing coupons and whether 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. Such remittance should be in the form of a check made payable to the Federal Reserve Bank of New York or, if a member bank, written authority to change your reserve account. This listing must be prepared whether or not the securities are microfilmed in accordance with paragraph 4 below. When Treasury securities are submitted for conversion into book-entry form, the member bank should specify the account into which the securities are to be deposited.
4. Microfilming of Securities: Microfilms or other film reproductions of endorsed securities should be made, where facilities are available, by banks and District Directors, Internal Revenue Service. Where securities bearing restrictive endorsements have become lost, stolen, or destroyed, such film reproductions will be acceptable to establish that the securities were so endorsed prior to their loss, theft, or destruction. No prints may be made from the film records unless specifically authorized by a Federal Reserve Bank or the Department of the Treasury.
5. Supervision of Listings and Verification: The listing and verification, as well as the checking of any film reproductions, should be made under the supervision of an official or other responsible employee(s) so designated by the bank concerned, or an employee authorized by the District Director of the Internal Revenue Service concerned, who should sign all copies of the listing. The official or employee signing the list should also supervise the packaging and shipment of securities. At least one copy of the list, as well as the film records, if made, should be retained by the bank or the District Director, Internal Revenue Service, until the transaction is completed by advice or notice of payment, receipt of the securities issued in exchange, or, in appropriate cases, advice of deposit of securities in a book-entry account.

tion 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 1 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;

(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; and

(4) For conversion to book-entry securities under subpart O of part 306 of this chapter—at any time prior to their maturity or call redemption date.

(b) *By Service Center Directors and District Directors, Internal Revenue Service.*—Service Center Directors and 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 Service Center Directors and District Directors, Internal Revenue Service, in their respective districts as to the procedure to be followed under the authority granted by these regulations. Restrictive endorsements shall not be placed on securities until such information is received from the Federal Reserve banks.

§ 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.

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

(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)

(b) *For conversion to book-entry securities.*—The endorsement placed on a bearer security presented 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)

(c) *When presented by Service Center Directors or District Directors, Internal Revenue Service.*—The endorsement placed on a bearer security by a Service Center Director or 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 Service Center Director, Internal Revenue Service, at _____, for credit on the Federal _____ taxes due
(Income, gifts, or other)

from _____

(Name and address)

§ 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 4 inches in width and 1½ inches in height, and must be imprinted by stamp or plate of such character as will render the endorsement substantially in-eradicable. 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 recognized. If the form of endorsement on a security is different than that prescribed in § 328.5, the provisions of §§ 328.7 and 328.8 shall not apply to the security.

(b) *On coupons.*—Unmatured coupons attached to restrictively endorsed securities should be canceled by imprinting the prescribed endorsement in such manner that a substantial portion of the endorsement will appear on each such coupon. 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.

§ 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, the Service Center Director, or the 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.

§ 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 governing 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.

§ 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.

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