

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

AT CIR No. 10 083  
September 23, 1986

**Treasury CUBES Program  
For Conversion of Stripped Coupons to Book-Entry Form**

*To All Depository Institutions  
in the Second Federal Reserve District:*

Enclosed with this letter is the Treasury's announcement of the CUBES (Coupon Under Book-Entry Safekeeping) program which will begin on January 5, 1987. The purpose of the program is to allow depository institutions (DIs) to convert their holdings of physically stripped Treasury coupons to book-entry form. Beginning in January, all DIs wishing to participate in this program should send their stripped coupon holdings directly to the Federal Reserve Bank of New York on a predetermined scheduled basis. It is the Treasury's intention that this schedule not extend beyond a two- or three-month period, and that this be a one-time program.

In order to allow the Treasury and the Federal Reserve Bank of New York to determine the conversion schedule, and in order to assure that DIs receive appropriate supplies of transmittal information and material, DIs wishing to participate in the program should complete and return a statement, on the enclosed form, of their holdings of unmatured stripped Treasury coupons. (Extra copies of this form should be made as required in order to provide for full reporting of your institution's holdings.) The "Holdings Statement" should be completed as follows:

1. Please print or type all required information.
2. At the top of the first "Holdings Statement" that you complete, please furnish:
  - your institution's name;
  - your full 9-digit ABA number;
  - the complete mailing address of your institution;
  - a contact person at your office for this program and his/her telephone number. (Direct telephone contact with your institution may become essential throughout the program's operation);
  - the signature of the officer in charge of your securities operation; and,
  - the Federal Reserve office with which you normally deal.
3. The main body of the "Holdings Statement" asks for detailed information with respect to the number of stripped Treasury coupons that you now hold. In completing the "Holdings Statement" (and throughout the CUBES program's operation), it will be most important to keep in mind that coupons cut from different

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issues of Treasury securities must be reported (and ultimately presented) separately. Therefore, in completing the "Holdings Statement," you should record the total number of coupons held that were cut from each distinct Treasury security issue and for each distinct coupon payment date. The enclosure entitled "Security Description Abbreviations" lists all issues with coupons that are eligible for the CUBES program. Accordingly, using the appropriate abbreviated security description, please record the total number of coupons that you hold at this time for each such issue and the coupon payment date. Please also note that the CUBES program will apply only to coupons maturing on or after January 15, 1988, and coupons *not* "Subject-To-Call."

4. After recording the information for all issues and payment dates that you hold, it is suggested that you number the pages of your statements, make a copy for your records, and return a set of your completed "Holdings Statement"(s) no later than *October 15, 1986* to:

Pauline Chen, Manager  
Government Bond Department — 2nd Floor  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045

After analyzing all of the "Holdings Statement" information submitted, we will return the following to you on or about *November 17, 1986*:

1. A CUBES conversion schedule for the month of January 1987;
2. Detailed submission instructions and supplies of CUBES conversion transmittal forms and submission materials; and,
3. An announcement of the amount of the fee and billing procedures that will apply to the CUBES program.

If you have any questions concerning this matter, please call Pauline Chen (Tel. No. 212-720-5514).

WHITNEY R. IRWIN,  
*Vice President.*



# TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

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September 18, 1986

## **Treasury Offers Coupons Under Book-Entry Safekeeping (CUBES) Program For Depository Institutions**

The Department of the Treasury will implement a COUPON UNDER BOOK-ENTRY SAFEKEEPING (CUBES) program for depository institutions beginning January 5, 1987. The program will allow depository institutions to convert stripped physical Treasury interest coupons to book-entry form. The program is designed to reduce the volume of Treasury obligations held in physical form. Stripping of physical bearer securities in recent years, prior to the introduction of the Treasury STRIPS program in early 1985, produced a large volume in the market of detached interest coupons which has added significantly to safekeeping and insurance costs. The CUBES program will reduce costs by permitting the transfer of such physical obligations to a book-entry system and thus improve overall market efficiency. CUBES will provide a specific, one-time conversion period, to be announced later, during which depository institutions can present their coupon holdings to the Federal Reserve Bank of New York which has been designated as the central processing site. CUBES will also provide off-line trading of the book-entry holdings between depository institutions.

No additional coupons will be accepted for conversion after the program has closed. All coupons with payment dates on and after January 15, 1988, except for those with payment dates during a callable period, are eligible. Coupons with payment dates after the first call date will not be eligible for conversion.

Each depository institution participating in the program will be charged a fee as well as bear the full cost and risk associated with the delivery of the coupons to the central processing site.

Federal Reserve Banks will provide additional information on the requirements for participation in the CUBES program to depository institutions.

### **HIGHLIGHTS OF THE COUPON UNDER BOOK-ENTRY SAFEKEEPING (CUBES) PROGRAM**

1. CUBES is scheduled to begin January 1987.
2. A detailed conversion schedule will be published before the program begins. The schedule will be provided to depository institutions by their local Federal Reserve Banks. Conversion will be scheduled according to specific securities and coupon payment dates.
3. The conversion will begin January 5, 1987, and, although a closing date has not been determined, it is expected that the conversion period will be available to depositors for only two or three months.
4. All stripped Treasury coupons maturing on or after January 15, 1988, will be eligible for conversion except those maturing after the first call date.
5. Depositors will be required to submit details of holdings by issue, payment date, payment amount, and number of coupons prior to the initiation of the conversion program.
6. The Federal Reserve Bank of New York (FRBNY) will be designated as the conversion site, and all coupons must be presented to FRBNY by participating depository institutions.
7. Depositors will be charged a fee for each coupon presented for the CUBES program. The amount of the fee will be announced later. Also, depositors will bear the full costs and risks associated with the delivery of the coupons to FRBNY.

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8. See-through plastic jackets, holding up to 10 individual coupons, and transmittal forms, will be supplied by FRBNY to depositors. In accordance with the schedule mentioned above, depositors will be required to fill the plastic jackets with coupons to be converted, segregating them by issue, payment date and denomination (payment amount).
9. Upon presentation to FRBNY, depositors will receive either "subject to verification" or "subject to count" receipts. Depositors' presentations of physical coupons will be subject to rejection and adjustment until fully verified by FRBNY and the Treasury.
10. After processing and verification, FRBNY will credit amounts presented to special "off-line" book-entry accounts established for depositors (country-wide) at FRBNY. It is anticipated that book-entry accounts will be established within 10 business days of presentation.
11. Amounts placed in depositors' special book-entry accounts will be consolidated by payment date and assigned new and distinct "generic" CUSIP numbers. CUSIPS associated with converted physical coupons will always remain distinct from CUSIPS associated with STRIPS.
12. Trading that occurs after conversion to book-entry will require written or "tested" telephonic instructions to the depositor's local Federal Reserve Bank. Book-entry balances will be adjusted to reflect trades on a one (or more) day lagged basis by FRBNY.
13. Book-entry transfers under the CUBES program will be subject to the same fee schedule applicable for the transfer of other Treasury book-entry securities.
14. Transfers of CUBES will be accomplished *against receipt only*. Payments associated with transfers of CUBES must be settled outside of the book-entry system.
15. No additional coupons will be accepted for the program after the conversion window closes.
16. Once stripped coupons have been converted to book-entry form, reconversion to physical form will not be allowed.
17. Principal (corpus) securities from which interest coupons have been stripped will not be converted into book-entry form.
18. Converted coupons will not be eligible as collateral for tax and loan balances or other public funds.



## SECURITY DESCRIPTIONS ABBREVIATIONS

### TREASURY NOTES

8-1/4% A-1988  
8-3/4% B-1988  
12-3/8% C-1988  
13-1/4% D-1988  
14% E-1988  
15-3/8% F-1988  
10-1/8% G-1988  
9-1/4% A-1989  
10-3/4% B-1989  
14-5/8% C-1989  
14-3/8% D-1989  
14-1/2% E-1989  
11-7/8% F-1989  
10-3/4% A-1990  
13% B-1990  
14-1/2% A-1991  
14-7/8% B-1991  
14-1/4% C-1991  
14-5/8% A-1992  
13-3/4% B-1992  
10-1/2% C-1992

### TREASURY BONDS

4% 1988-93\*  
7-1/2% 1988-93\*  
4-1/8% 1989-94\*  
3-1/2% 1990  
8-1/4% 1990  
7-1/4% 1992  
6-3/4% 1993  
7-7/8% 1993  
7% 1993-98\*  
8-5/8% 1993 (F&A) \*\*  
8-5/8% 1993 (M&N) \*\*  
9% 1994  
8-1/2% 1994-99\*  
8-3/4% 1994  
10-1/8% 1994  
3% 1995  
10-1/2% 1995  
7-7/8% 1995-00\*  
10-3/8% 1995  
12-5/8% 1995  
8-3/8% 1995-00\*  
11-1/2% 1995  
8% 1996-01\*  
3-1/2% 1998  
8-1/4% 2000-05\*  
11-3/4% 2001  
13-1/8% 2001  
13-3/8% 2001  
15-3/4% 2001  
14-1/4% 2002  
7-5/8% 2002-07\*  
7-7/8% 2002-07\*  
8-3/8% 2003-08\*  
8-3/4% 2003-08\*  
9-1/8% 2004-09\*  
10-3/8% 2004-09\*  
11-3/4% 2005-10\*  
10% 2005-10\*  
12-3/4% 2005-10\*  
13-7/8% 2006-11\*  
14% 2006-11\*

\*These issues have some "Subject-To-Call" coupons. Such coupons bear the legend "Unless Previously Called for Redemption" and, therefore, are not eligible for the CUBES program.

\*\*These two issues are described similarly; however, one has February and August 15th coupon payments while the second has May and November 15th payments.



# TREASURY UNMATURED STRIPPED DEFINITIVE COUPON HOLDINGS STATEMENT

## DEPOSITORY INSTITUTION

NAME		ABA NUMBER	
STREET ADDRESS	CITY	STATE	ZIP CODE
PRIME CONTACT AT YOUR OFFICE—CUBES PROG.		CONTACT TELEPHONE NO.	SIGNATURE OF OFFICER IN CHARGE
(      )			
FEDERAL RESERVE OFFICE			

NOTE: "SUBJECT-TO-CALL" COUPONS SHOULD **NOT** BE REPORTED

ABBREVIATED SECURITY DESCRIPTION	COUPON PAYMENT DATE	NUMBER OF COUPONS HELD	ABBREVIATED SECURITY DESCRIPTION	COUPON PAYMENT DATE	NUMBER OF COUPONS HELD
			31		
			32		
			33		
			34		
			35		
			36		
			37		
			38		
			39		
			40		
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