

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10265**]
November 2, 1988]

**CASH-ITEM HANDLING
OF REDEEMED SAVINGS BONDS**

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

Enclosed is a copy of Appendix I, on the cash-item handling of redeemed savings bonds, to our Operating Circular No. 4. The new procedures, effective October 1, 1988, implement the provisions of Treasury Department Circular No. 750 (31 CFR 321), a copy of which is also enclosed.

Questions on the new procedures may be directed to John F. Sobala, Vice President, Check Processing Function (Tel. No. 212-720-6334).

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix I to
Operating Circular No. 4**

Effective October 1, 1988

**COLLECTION OF CASH ITEMS
AND RETURNED CHECKS
Redeemed Savings Bonds**

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

1. We handle redeemed Series A, B, C, D, E, and EE Savings Bonds and Savings Notes ("Savings Bonds") as cash items under Treasury Department Circular No. 750 (31 Code of Federal Regulations, Part 321). Copies of that Circular will be furnished on request. As to matters that Circular does not cover, Regulation J, this Appendix, and our time schedules apply.

2. Savings Bonds sent to us as cash items may be sent in mixed cash letters containing checks and other cash items, or in separately sorted cash letters containing only redeemed Savings Bonds. Each cash letter must show the name, address, and the nine-digit ABA number of the sender, the date of delivery to the Reserve Bank, the total number of pieces transmitted, the value of each of the bundles in the cash letter, and the total value of the cash letter. The cash letter should be accompanied by a detailed listing of all items.

3. Each Savings Bond sent to us must have the redemption value MICR-encoded in the "Amount" field on the face of the Savings Bond. If Savings Bonds are sent to us in a mixed cash letter, the routing/transit number 000090007 must be MICR-encoded in the "R/T" field on all pre-1985 Savings Bonds which do not contain a preprinted MICR-encoded routing/transit number. If a document carrier or MICR strip is used, the redemption value of the Savings Bond must be MICR-encoded in the "Amount" field and 000090007 must be MICR-encoded in the "R/T" field. A Savings Bond must not be MICR-encoded with any other data in any field other than the auxiliary "On-Us" field, and must not be MICR-encoded in the "On-Us" field for any reason.

4. We give immediate credit, subject to payment and adjustment upon audit by Treasury, for Savings Bonds as provided in our time schedules. After we handle Savings Bonds, as fiscal agent of the United States, the Savings

Bonds are subject to audit by the Treasury Department. We make an adjustment required by the Treasury Department by notifying the sender and charging back or crediting the amount of the adjustment to the sender. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to Savings Bonds.

5. Savings Bonds submitted in separately sorted cash letters are not subject to cash item deposit/processing charges. We forward paying agent fees received from the Treasury Department to the sender on a monthly basis for Savings Bonds that are submitted in separately sorted cash letters. Payment of these fees is made only by the automated clearing house method under 31 Code of Federal Regulations, Part 210. Inquiries regarding Savings Bonds submitted in separately sorted cash letters should be directed to Pittsburgh Branch, Federal Reserve Bank of Cleveland, P.O. Box 867, Pittsburgh, Pennsylvania 15230-0867.

6. Savings Bonds submitted in mixed cash letters are subject to cash item deposit/processing charges. No paying agent fees will be paid for Savings Bonds submitted in mixed cash letters. Inquiries concerning Savings Bonds submitted in mixed cash letters should be directed to the sender's local Reserve Bank office.

7. A record of the serial number and amount paid for each Savings Bond must be retained by the sender. Film records of the front and back of a Savings Bond must be kept confidential, and prints therefrom may be made only with the permission of the Bureau of the Public Debt or a Federal Reserve Bank.

E. GERALD CORRIGAN,
President.

Federal Register

Monday
September 26, 1988

Part X

Department of the Treasury

Fiscal Service

31 CFR Part 321

U.S. Savings Bonds and Notes; Final
Rules and Notice

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Part 321**

[Department of the Treasury Circular No. 750, Fourth Revision]

Payments by Banks and Other Financial Institutions of United States Savings Bonds and United States Savings Notes; Freedom Shares

AGENCY: Bureau of the Public Debt, Fiscal Service, Treasury.

ACTION: Final rule.

SUMMARY: Department of the Treasury Circular No. 750, as revised (31 CFR Part 321), contains the regulations governing financial institutions qualified to redeem United States Savings Bonds and United States Savings Notes (Freedom Shares). The Fourth Revision of the Circular provides authority for financial institutions to transmit and receive settlement for redeemed securities through, a new procedure, the EZ CLEAR system in the same manner as commercial checks, as well as to redeem securities upon the request of a surviving beneficiary. The revisions are necessary to permit paying agents greater flexibility in the redemption and processing of savings bonds and notes.

EFFECTIVE DATE: October 1, 1988.

FOR FURTHER INFORMATION CONTACT: Dean A. Adams, Assistant Chief Counsel, Bureau of the Public Debt, Savings Bond Operations Office, Parkersburg, WV, 26106-1328, (304) 420-6505.

SUPPLEMENTARY INFORMATION: The Third Revision of this Circular implemented changes brought about by the introduction of Series EE and HH savings bonds in January 1980, by extending the payment authority of paying agents to include eligible Series EE bonds, as well as Series A-E bonds and saving notes. Additionally, paying agents were authorized to redeem eligible securities in exchange for Series HH bonds.

The Fourth Revision adds new provisions that will enable paying agents to transmit and receive settlement for redeemed securities through a new procedure, named the EZ CLEAR System, under which paid bonds and notes will be processed in the same manner as checks. Where it is used, the securities will be sent by agents to the Check Department of the Federal Reserve Bank, Branch, or Regional Check Processing Center, for their own account, or through designated correspondent institutions.

Service fees for redeemed securities presented through EZ CLEAR, in separately sorted cash letters, will be paid monthly by the Automated Clearing House method (ACH) to the institution presenting the securities to a Federal Reserve Bank. Agents may also continue to submit redeemed securities to the Fiscal Agency Department of a Federal Reserve Bank and receive service fees quarterly by check or ACH.

The EZ CLEAR System has been the subject of an extended pilot program, the success of which has resulted in its adoption nationwide. The pilot program has been continuing, and the Fourth Revision, upon adoption, will immediately apply to that program, as well as to paying agents that will thereafter utilize the system.

The Fourth Revision, in addition, authorizes paying agents to redeem eligible savings bonds and notes for cash or in exchange for Series HH bonds at the request of a surviving beneficiary, upon submission of the owner's death certificate. The Fourth Revision also includes the requirement that paying agents report interest paid as part of the redemption value of securities, which was enacted by the Tax Equity and Fiscal Responsibility Act of 1982 and the Interest and Dividend Tax Compliance Act of 1983. Further, the revision will now specify the collection of amounts owed Treasury by paying agents, resulting from erroneous payments, will be made in accordance with the Federal Claims Collection Standards (4 CFR Parts 101-105).

All paying agents currently qualified are automatically requalified to redeem securities in accordance with the provisions of the Fourth Revision.

Apart from the changes already mentioned, the Fourth Revision of Circular No. 750 does not differ substantially from the Third Revision. Where appropriate, there has been rewording for clarity and consistency. Differences between the two revisions are discussed below.

Subpart A—General Information

The definitions in § 321.1 have been expanded.

Subpart B—Procedures for Qualification

Section 321.2 has been modified to stipulate that a paying agent that desires to transmit and receive settlement for redeemed securities through EZ CLEAR must either MICR-encode data on the securities and receive fee payments by ACH, or it must arrange to obtain these services from another financial institution.

Subpart C—Scope of Authority

Sections 321.7 and 321.8 have been modified to authorize an agent to redeem securities, for cash or in exchange for Series HH bonds, at the request of a surviving beneficiary upon presentation of the owner's death certificate. Provisions concerning the requirement to report, for Federal income tax purposes, interest included in the redemption value of securities redeemed for cash and on redemption-exchange have also been included in §§ 321.7 and 321.8. The limitation excluding payments to beneficiaries has been removed from Section 321.9. Information about annotating evidence presented by beneficiaries has been added to § 321.11. Section 321.11 has also been amended to stipulate that although an agent is not required to complete the certification to the requests for payment on securities it redeems, it will, nevertheless, be deemed to certify that the transaction was conducted, in accordance with the provisions of Circular No. 750, by transmitting the securities for settlement to a Federal Reserve Bank.

Subpart D—Payment and Transmittal of Securities

Section 321.14 has been modified to accommodate the EZ CLEAR system for transmittal and settlement of redeemed securities.

Subpart E—Losses Resulting from Erroneous Payments

Section 321.17 has been modified to accommodate changes in the procedures for investigating erroneous payments. Section 321.18 has been modified to reflect that reimbursement from a paying agent for a loss resulting from an erroneous payment will be sought in accordance with the Federal Claims Collection Standards (4 CFR Parts 101-105).

Subpart F—Forwarding Items

No substantive changes have been made.

Subpart G—Miscellaneous Provisions

Section 321.23 has been modified to reflect the fact that fees for redeemed securities transmitted via EZ CLEAR, in separately sorted cash letters, will be paid via ACH. No fees will be paid for redeemed securities submitted via EZ CLEAR in mixed cash letters. Section 321.24 has been revised to reflect current handling of claims on account of lost redeemed securities.

Appendix

The Appendix has been modified to accommodate payments to surviving beneficiaries, tax reporting requirements, and guidelines for the transmittal of redeemed securities via EZ CLEAR and to streamline the existing provisions by eliminating unnecessary instructions.

Procedural Requirements

This rule is not considered a "major rule" for purposes of Executive Order 12291. A regulatory impact analysis, therefore, is not required.

The notice and comment provisions of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2). As no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) do not apply.

Because this regulation is being issued, without prior notice and public comment, the collections of information contained in this regulation have been reviewed and, pending receipt and evaluation of public comments, approved by the Office of Management and Budget (OMB) under control number 1535-0087.

Comments concerning the collections of information and the accuracy of estimated average annual burden, and suggestions for reducing burden should be directed to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503, attention: Desk Officer for Bureau of the Public Debt, with copies to Rita DeNagy, Management Analyst, Bureau of the Public Debt, Washington, DC 20239-0001.

The collections of information in this regulation are in 31 CFR 321.7(c) and 321.11(b), and in the appendix, items 7(b), 14(a), 17(a), 18, 19, and 23(e). This information is required by the Bureau of the Public Debt pursuant to regulations promulgated under the authority of 31 U.S.C. 3105 and 3126. These regulations govern the manner in which qualified banks and financial institutions may redeem eligible savings bonds and savings notes, and transmit and receive settlement for redeemed securities through EZ CLEAR, under which paid securities will be processed through the Federal Reserve Bank Check Collection System, or through the Fiscal Agency Department of a Federal Reserve Bank. This information will be used to ensure regulatory compliance and for audit purposes. The likely respondents and recordkeepers are business or other for-profit institutions and non-profit institutions.

Estimated total annual reporting and recordkeeping burden: 74,226 hours.

Estimated average annual burden hours per respondent and recordkeeper: 1.53 hours.

Estimated number of respondents and recordkeepers: 48,517.

Estimated annual frequency of responses: 1,278 per respondent.

List of Subjects in 31 CFR Part 321

Banks and banking, Federal Reserve System, Government Securities.

Dated: September 22, 1988.

Gerald Murphy,

Fiscal Assistant Secretary.

In 32 CFR Chapter II, Part 321, Department of the Treasury Circular No. 750, Third Revision, dated July 1, 1980, is hereby revised and reissued as Department of the Treasury Circular No. 750, Fourth Revision, to read as follows:

PART 321—PAYMENTS BY BANKS AND OTHER FINANCIAL INSTITUTIONS OF UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

Subpart A—General Information

- Sec.
321.0 Purpose.
321.1 Definitions.

Subpart B—Procedures for Qualification

- 321.2 Eligible organizations.
321.3 Procedure for qualifying and serving as paying agent.
321.4 Paying agents previously qualified.
321.5 Termination of qualification.

Subpart C—Scope of Authority

- 321.6 General.
321.7 Authorized cash payments.
321.8 Redemption-exchange of Series E and EE savings bonds and savings notes.
321.9 Specific limitations on payment authority.
321.10 Responsibilities of paying agents.

Subpart D—Payment and Transmittal of Securities

- 321.11 Payment.
321.12 Redemption value of securities.
321.13 Cancellation of redeemed securities.
321.14 Transmittal to and settlement by a Federal Reserve Bank.

Subpart E—Losses Resulting From Erroneous Payments

- 321.15 Liability for losses.
321.16 Report of erroneous payment.
321.17 Investigation of potential loss.
321.18 Determination of loss.
321.19 Certification of signatures.
321.20 Applicability of provisions.
321.21 Replacement and recovery of losses.

Subpart F—Forwarding Items

- 321.22 Forwarding securities not payable by an agent.

Subpart G—Miscellaneous Provisions

- 321.23 Paying agent fees and charges.
321.24 Claims on account of lost securities.
321.25 Role of Federal Reserve Banks.
321.26 Preservation of rights.
321.27 Supplements, amendments, or revisions.

Appendix to Department of the Treasury Circular No. 750, Fourth Revision

Authority: 31 U.S.C. 3105, 3126.

Subpart A—General Information

§ 321.0 Purpose.

These regulations govern the manner in which financial institutions may qualify and act as paying agents for the redemption of:

(a) United States Savings Bonds of Series A, B, C, D, E, and EE, and United States Savings Notes (Freedom Shares), presented for cash payment, and (b) eligible Series E and EE savings bonds and savings notes presented for redemption in exchange for Series HH savings bonds under the provisions of Department of the Treasury Circular, Public Debt Series No. 2-80 (31 CFR Part 352).

§ 321.1 Definitions.

(a) "ACH payment" or "ACH" means an Automated Clearing House method of transferring funds under the provisions of 31 CFR Part 210.

(b) "Beneficiary" means an individual whose name is inscribed on a security as the person to whom it is payable in his or her right upon the prior death of the other individual designated thereon as owner, shown commonly in the form: "A P.O.D. [payable on death to] B."

(c) "Cash payment" means payment in currency, by check or by credit to a checking, savings or share account.

(d) "EZ CLEAR" refers to the system by which financial institutions present redeemed securities to a Federal Reserve Bank through the commercial check collection system in the same manner as other cash items.

(e) "Federal Reserve Bank" or "Bank" refers to the Federal Reserve Bank of the District (1) in which the paying agent or applicant-organization is located, or (2) to which the agent is instructed to transmit redeemed securities and securities forwarded for payment, and includes parent Banks, Branches, and Regional Check Processing Centers, as appropriate.

(f) "Fiscal agency system" refers to the system by which paying agents transmit redeemed securities to the Fiscal Agency Department of the Federal Reserve Bank and receive settlement thereof.

(g) "Mixed cash letter" refers to a bundle containing nonsegregated redeemed securities, cash items, and other items submitted to a Federal Reserve Bank via the commercial check collection system.

(h) "Paying agent(s)" or "agent(s)" means: (1) a financial institution that is qualified under the provisions of this Part as originally issued, or any subsequent revision, to make payment of securities, and includes branches located within the United States, its territories and possessions, and the Commonwealth of Puerto Rico; and (2) any banking facilities of such institutions established at military installations overseas, provided the offering of such redemption services has been authorized by the Department of the Treasury.

(i) "Presenter" means the individual requesting the redemption or redemption-exchange of securities.

(j) "Presenting institution" means the organization from which the Federal Reserve Bank receives redeemed securities to be processed via EZ CLEAR. If a paying agent submits separately sorted or mixed cash letters directly to the Bank using its own ABA code, it is the Presenting institution. If a correspondent financial institution submits cash letters on behalf of another institution using the correspondent's ABA code, the correspondent is the presenting institution.

(k) "Redemption" and "payment" are used interchangeably for payment of a security in accordance with the terms of its offering and governing regulations, including redemption-exchange.

(l) "Redemption-exchange" means the authorized redemption of eligible securities for the purpose of applying the proceeds in payment for other securities offered in exchange by the Treasury.

(m) "Registrant" means a person whose name is inscribed on a security as owner, coowner, or beneficiary.

(n) "Security" or "securities" means a United States Savings Bond of Series A, B, C, D, E, or EE and/or a United States Savings Note (Freedom Share).

(o) "Separately sorted cash letter" refers to a bundle of redeemed securities that have been segregated from all other items prior to transmittal to a Federal Reserve Bank via EZ CLEAR.

Subpart B—Procedures for Qualification

§ 321.2 Eligible organizations.

(a) Organizations eligible to apply for qualification and to serve as paying agents are commercial banks, trust companies, savings banks, savings and loan associations, building and loan

associations (including cooperative banks), credit unions, cash depositories, industrial banks, or similar financial institutions which:

(1) Are incorporated under Federal law or the laws of a State, territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico; (2) in the usual course of business accept, subject to withdrawal, funds for deposit or the purchase of shares; (3) are under the supervision of the banking department or equivalent authority of the jurisdiction in which they are incorporated; and (4) maintain regular offices for the transaction of business.

(b) An organization that desires to transmit and obtain settlement for securities via EZ CLEAR must either MICR-encode data on securities accepted for payment and receive payment of fees by ACH or must arrange to obtain these services from another financial institution.

§ 321.3 Procedure for qualifying and serving as paying agent.

(a) *Execution of application-agreement.* An eligible organization wishing to act as a paying agent shall obtain from, execute and file with, a Federal Reserve Bank an application-agreement form. The terms of each application-agreement shall include the provisions prescribed by section 202 of Executive Order 11246, entitled "Equal Employment Opportunity" (3 CFR Subchapter B, 42 U.S.C. 2000e note). For the purpose of these regulations, eligible institutions in Puerto Rico and the Virgin Islands shall make application to the Federal Reserve Bank of New York, and eligible institutions in Guam shall make application to the Federal Reserve Bank of San Francisco.

(b) *Qualification.* Each Federal Reserve Bank, as fiscal agent of the United States, is authorized to qualify any eligible organization, located in its district, which possesses adequate authority under its charter to act as paying agent. Upon approval of an application-agreement, the Bank will issue a certificate of qualification to the organization. Such a certificate automatically qualifies the branches of the organization to redeem securities as provided in this Part.

(c) *Announcement of authority.* Upon receipt of a certificate of qualification from a Federal Reserve Bank, a financial institution may announce or advertise its authority to redeem eligible securities for cash and to process exchanges for Series HH bonds.

(d) *Adverse action.* An organization will be notified by the Federal Reserve Bank in writing if its application-

agreement to act as paying agent is not approved.

§ 321.4 Paying agents previously qualified.

Institutions qualified as paying agents under previous revisions of this Part are authorized to continue to act in that capacity without requalification. By so acting, they shall be subject to the terms and conditions of their previously executed application-agreements and these regulations in the same manner and to the same extent as though they had requalified hereunder.

§ 321.5 Termination of qualification.

(a) *By the Treasury.* The Secretary of the Treasury, or a designee, may authorize a Federal Reserve Bank to terminate the qualification of any paying agent at any time, following prior written notice of such action to the agent.

(b) *At request of paying agent.* A Federal Reserve Bank will terminate the qualification of a paying agent upon its written request, provided the agent renders a final accounting for all redeemed securities and is found to have fully complied with the terms of its agreement and the applicable regulations and instructions.

(c) *Reservation.* Termination of the qualification as paying agent of any institution shall not prejudice the right of the Treasury to recover the amounts of any erroneous payment(s) made by the institution.

Subpart C—Scope of Authority

§ 321.6 General.

Securities are issued only in registered form, are not transferable, may not be hypothecated or used as collateral for a loan, and, except as otherwise specifically provided in the governing regulations and this Part, are payable to the owner or coowner named on the security. The regulations governing Series EE and HH bonds are contained in Department of the Treasury Circular, Public Debt Series No. 3-80, current revision (31 CFR Part 353); those governing all other series of securities are contained in Department of the Treasury Circular No. 530, current revision (31 CFR Part 315).

§ 321.7 Authorized cash payments.

(a) *General.* Subject to the terms and conditions appearing on the securities, the governing regulations, and the provisions of this Part, and any instructions issued in connection therewith, an agent may make payment of savings bonds of Series A, B, C, D, E, and EE, and savings notes, presented for cash redemption. Except as provided in

paragraph (b) through (d) of this section, the securities must be presented by an individual whose name is inscribed on the securities as owner or coowner, and who is known to the agent, or who can establish his or her identity in accordance with Treasury instructions and guidelines. (See § 321.11(b)).

(b) *Change of name by marriage.* If the name of the presenter has been changed by marriage from that shown on the security, and the agent knows or establishes that the presenter and the person whose name appears on the security are one and the same individual, the agent may pay the security in accordance with paragraph (a) of this section. The signature to the request for payment should show both names, e.g., "Mary J. Smith, changed by marriage from Mary T. Jones."

(c) *Parent of a minor.* Payment of a security bearing the name of a minor child, who is not of sufficient competency and understanding to sign the request for payment and comprehend the nature of the act, may be made to either parent with whom the minor resides or to whom custody has been granted, provided the form of registration does not indicate that a guardian or similar representative of the estate of the minor has been appointed or is otherwise legally qualified. Payment under this subsection may not be made to any person other than a parent. The parent requesting payment must sign the request for payment in the form, e.g., "John A. Jones, on behalf of John C. Jones." The following endorsement must be typed or imprinted on the back of the security:

"I certify that I am the (father or mother) of John C. Jones and the person (with whom he resides) (to whom custody has been granted). He is _____ years of age and is not of sufficient competency and understanding to sign the request."

(d) *Payment to beneficiary.* An agent may redeem a security registered "A P.O.D. [payable on death to] B" for cash at the request of the surviving beneficiary following the owner's death. A copy of the owner's death certificate, certified under seal of the State or local registrar, must be furnished to support the request for payment.

(e) *Interest reporting.* A paying agent is required to report interest in the amount of \$10 or more, paid as part of the redemption value of securities, to the payee and to the Internal Revenue Service, in accordance with 26 CFR 1.6049-4.

§ 321.8 Redemption-exchange of Series E and EE savings bonds and savings notes.

(a) *General.* Subject to the provisions of Circular No. 2-80 (31 CFR Part 352), the governing regulations, and the provisions of this Part and its Appendix, an agent may make payment of eligible securities presented for redemption in exchange for Series HH bonds. Securities eligible for exchange are:

(1) Series EE bonds presented no earlier than six months from their issue dates; and

(2) Series E bonds and savings notes presented no later than one year from the month in which they reached final maturity. The total redemption value of the securities presented for exchange must be at least \$500.

(b) *Requirements for redemption-exchange.* An agent shall not accept and redeem eligible securities on exchange unless:

(1) The securities are accompanied by a completed exchange subscription signed by the presenter;

(2) The presenter is the owner, surviving coowner or beneficiary, or principal coowner (as defined in § 352.7(e)(2) of Circular No. 2-80) of the securities presented for exchange and is to be named as owner or first-named coowner on the Series HH bonds; and

(3) The request for payment on each security is signed by the presenter. If the name of the presenter has been changed by marriage, or if the presenter is named as beneficiary on the securities, the agent may process the transaction in accordance with the provisions of § 321.7 (b) or (d) of this Part. If the agent is authorized and elects to use the special endorsement procedure set out in Department of the Treasury Circular No. 888, current revision (31 CFR Part 330), the requests for payment do not need to be signed; however, this special endorsement may not be used in lieu of the presenter's signature on the exchange subscription.

(c) *Interest reporting.* To the extent that it represents interest of \$10 or more, a paying agent is required to report cash, refunded in an exchange transaction, to the presenter and to the Internal Revenue Service under the provisions of 26 CFR 1.6049-4.

(d) *Completion of transaction.* An agent shall separately transmit for settlement securities redeemed on exchange to a Federal Reserve Bank at the same time the exchange subscription and any additional cash needed to complete the transaction are forwarded to the Fiscal Agency Department of a Federal Reserve Bank.

§ 321.9 Specific limitations on payment authority.

An agent is not authorized to redeem a security for cash or on redemption-exchange:

(a) If it is a Series EE bond presented for payment prior to six months from its issue date.

(b) If it is a savings bond of Series F, G, H, J, K, or HH.

(c) If the presenter is acting under a power of attorney.

(d) If the agent does not know or cannot establish the identity of the presenter as a person entitled to request payment as provided in § 321.7.

(e) If the presenter does not sign his or her name in ink as it is inscribed on the security, and show a home or business address. (See, also, § 321.7 (b) and (c).)

(f) If the presenter's social security number is not shown in the inscription, and he or she refuses to furnish the number.

(g) If the security bears a material irregularity, such as an illegible, incomplete or unauthorized inscription, issue date, or issuing agent's validating data, or if any essential part of the security appears to have been altered or is mutilated or defaced in such a manner as to create doubt or arouse suspicion.

(h) If the security is registered in the name of a corporation, association, partnership, or other organization, or a guardian, administrator, trustee, or other fiduciary.

(i) If Treasury regulations require the submission of documentary evidence to support the redemption, as in the case of deceased registrants (except as provided in § 321.7(d) of this Part), incompetents, minors under legal guardianship, or the change of a registrant's name other than by marriage.

(j) If the presenter is a minor who, in the opinion of the agent, is not of sufficient competency and understanding to sign the request for payment and comprehend the nature of the act.

(k) If it is known to the agent that the presenter has been legally declared incompetent to manage his or her affairs.

(l) If partial redemption is requested.

§ 321.10 Responsibilities of paying agents.

(a) *Payment of securities.* A paying agent is required to redeem eligible securities during its regular business hours for any presenter, whether or not a customer, who can establish his or her identity as the owner or coowner named on the securities, in accordance with the provisions of this Part, and the Appendix thereto, and the Treasury

Identification Guide for Cashing United States Savings Bonds. An agent is encouraged, but is not required, to redeem eligible securities during its regular business hours for a surviving beneficiary who can provide acceptable evidence of the owner's death and establish his or her identity.

(b) *Restrictions.* A paying agent shall not advance money, make loans on, or discount the redemption value of securities, nor in any manner assist others to do so. An agent shall not pay a presenter the current value of a security and then defer presentation to the Treasury for the purpose of obtaining for its own profit an increased value.

Subpart D—Payment and Transmittal of Securities

§ 321.11 Payment.

(a) *Examination.* Before making a payment of a security, a paying agent shall examine the security to determine that it is eligible for redemption and is one the agent is authorized to pay under the provisions of this Part.

(b) *Identification and evidence of entitlement.* The agent shall determine that the presenter of the security is entitled to request payment, as provided in § 321.7 of this Part. Unless the presenter is a person whose identity is well-known to the agent or is an established customer, he or she should be asked to furnish satisfactory identification in accordance with the Treasury instructions and guidelines. At the time of payment, the agent should make a notation on the back of the security, or in its own records, specifying precisely what was relied on to establish the presenter's identity.

(c) *Evidence—Payment to a beneficiary.* The agent shall determine that the presenter of the security as beneficiary is entitled to request payment, as provided in § 321.7(d). In addition to establishing the presenter's identification, as required by paragraph (b) of this section, the agent shall require presentation of the owner's death certificate in accordance with this Part and the Appendix.

(d) *Execution of request.* (1) The agent shall require (i) that the request for payment on the back of each security be signed by the presenter in the presence of one of its officers or authorized employees, and (ii) that the presenter's address be furnished.

(2) If the agent is qualified under Circular No. 888, current revision, and elects to use the special endorsement procedure, the request for payment need not be signed. If the request has already been signed when the security is presented, it should be signed again.

(e) *Certification of request.* An agent is not required to complete the certification to the requests for payment on securities it redeems. An agent that transmits redeemed securities for settlement to a Federal Reserve Bank shall be understood by such submission to have represented and certified that the identity of the presenter, and his or her entitlement to request payment, have been established in accordance with this Part and the Appendix.

§ 321.12 Redemption value of securities.

The redemption value of each security is determined by the terms of its offering and the length of time it has been outstanding. The Bureau of the Public Debt issues tables of redemption values for Series A-E bonds, eligible Series EE bonds, and savings notes that should be used in redeeming securities.

§ 321.13 Cancellation of redeemed securities.

An agent shall cancel each redeemed security by imprinting the word "PAID" on its face and entering the amount and date of the actual payment and the agent's name, location, and four-digit code number assigned by the Federal Reserve Bank. The recordation of this data shall constitute a certification by the agent that the security was redeemed in accordance with the provisions of this Part, that the presenter's identity and entitlement to request payment were duly established, and that the proceeds were paid to the presenter or remitted to a Federal Reserve Bank in payment for Series HH bonds.

§ 321.14 Transmittal to and settlement by Federal Reserve Bank.

A paying agent shall forward securities, redeemed for cash and on redemption-exchange with the appropriate covering transmittal document, to the Federal Reserve Bank in accordance with the Bank's instructions. Upon receipt of the securities, the Bank will make immediate settlement with the presenting institution for the total amount paid, as reflected on the transmittal document. Settlement shall be subject to adjustment if discrepancies are subsequently discovered. The Bank will forward redeemed security data to the Bureau of the Public Debt for audit.

Subpart E—Losses Resulting from Erroneous Payments

§ 321.15 Liability for losses.

Under the governing statute, as amended (31 U.S.C. 3126(a)), an agent cannot be relieved of liability for a loss resulting from an erroneous payment

unless the Secretary of the Treasury can make a determination that the loss resulted from no fault or negligence on the agent's part.

§ 321.16 Report of erroneous payment.

If an agent discovers an erroneous payment of securities, it should immediately advise the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328, (304) 420-6402. If the circumstances of the payment warrant such action, the agent should also notify the nearest office of the United States Secret Service.

§ 321.17 Investigation of potential loss.

(a) *Notice to an agent.* When it determines that a loss has occurred, because of the erroneous payment of securities, the Bureau of the Public Debt will notify the agent in writing and identify the securities.

(b) *Investigative procedure.* The Bureau of the Public Debt may request the United States Secret Service to investigate potential losses. Upon request, the agent shall make available to the Bureau of the Public Debt, or its investigative agent, all records and information pertaining to the transaction in question, including the disposition of the redemption proceeds. If the proceeds were deposited in an account maintained by the agent, the information made available shall include the ultimate disposition of the redemption proceeds from the account.

§ 321.18 Determination of loss.

Upon completion of the investigation, and after consideration of the results, the Bureau of the Public Debt shall advise the agent through which the payment occurred:

(a) That no final loss to the United States has occurred, and, accordingly, that the agent is relieved from liability for the payment, or that no claim for reimbursement shall be made unless and until a loss has been sustained; or

(b) That while a final loss to the United States has occurred, the agent is not required to make reimbursement therefor, as the Secretary of the Treasury, or his designee, has determined that such loss resulted from no fault or negligence on the part of such agent; or

(c) That a final loss to the United States has occurred, and that, the Secretary of the Treasury, or his designee, has been unable to make an affirmative finding that such loss resulted from no fault or negligence on the part of such agent, reimbursement must be made promptly, except where

credit for the payment had not previously been extended.

§ 321.19 Certification of signatures.

The regulations in this subpart shall, to the extent appropriate, apply to losses resulting from payments made in reliance on certifications of signatures by an officer or designated employee of any financial institution authorized to certify requests for payment.

§ 321.20 Applicability of provisions.

The provisions of this subpart shall apply to securities redeemed by any Federal Reserve Bank, as fiscal agent, or any Treasury office authorized to redeem securities, as well as to paying agents.

§ 321.21 Replacement and recovery of losses.

If a final loss has resulted from the redemption of a security, and no reimbursement has been or will be made, the loss shall be subject to replacement out of the fund established by the Government Losses in Shipment Act, as amended.

Subpart F—Forwarding Items

§ 321.22 Forwarding securities not payable by an agent.

Any securities an agent is not authorized to pay under the provisions of this Part should be forwarded for redemption to the Fiscal Agency Department of a Federal Reserve Bank. The requests for payment on the securities should be properly certified. Any documentary evidence required to support the redemption should accompany the securities. If the securities are presented for redemption-exchange, they must also be accompanied by a completed and signed exchange subscription and any additional cash needed to complete the transaction. Unpaid securities so forwarded must not be commingled with redeemed securities transmitted for settlement.

Subpart G—Miscellaneous Provisions

§ 321.23 Paying agent fees and charges.

(a) *Fees.* Fees shall be paid as outlined in this section. A schedule setting out the fees, and the basis on which they are computed and paid, is separately published in the Federal Register. Current information is available from a Federal Reserve Bank.

(1) *Securities transmitted via fiscal agency system.* An agent will receive a fee for each security redeemed during a calendar quarter and transmitted to the Fiscal Agency Department of a Federal

Reserve Bank. Payment will be made to the agent by check or ACH.

(2) *Securities transmitted via EZ CLEAR.* A fee will be paid for each security redeemed during a calendar month and transmitted via EZ CLEAR to a Federal Reserve Bank in separately sorted cash letters. Payment will be made to the presenting institution by ACH. No fees will be paid for redeemed securities received by a Bank in mixed cash letters.

(b) *Charges to presenters.* A paying agent shall not make any charge whatever to persons entitled to request payment of securities, for redeeming them under the provisions of this Part.

§ 321.24 Claims on account of lost securities.

If a security redeemed by an agent is lost, stolen or destroyed while in its custody or in transit prior to settlement, the agent's claim for reimbursement of the missing security's redemption value on the original payment date will be considered, provided the security can be identified by serial number.

§ 321.25 Role of Federal Reserve Banks.

The Federal Reserve Banks, as fiscal agents of the United States, shall perform such services in connection with this Part as may be requested by the Secretary of the Treasury, or his designee. The Banks are authorized and directed to perform such duties, including the issuance of instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations.

§ 321.26 Preservation of rights.

Nothing contained in this Part shall limit or restrict any existing rights which holders of securities may have acquired under the offering circulars and the applicable regulations.

§ 321.27 Supplements, amendments, or revisions.

The Secretary of the Treasury may, at any time or from time to time, revise, supplement, amend or withdraw, in whole or in part, the provisions of this Part.

Appendix to Department of the Treasury Circular No. 750, Fourth Revision

Fiscal Service, Bureau of the Public Debt

Subpart A—General Information

1. *Purpose.* This Appendix is issued for the guidance of banks and other financial institutions qualified as paying agents of United States Savings Bonds and United States Savings Notes (Freedom Shares) under the provisions of 31 CFR Part 321 [Department of the Treasury Circular No. 750, Fourth Revision]. Its purpose is to provide information to supplement the regulations

contained in the Part and specific instructions for processing redemption and redemption-exchange transactions. The information and instructions are indexed to the sections and subsections of Part 321 which they explain or expand.

2. *Other pertinent publications.* In addition to Part 321, agents should be familiar with the provisions of the following publications:

(a) *Offering circulars.* Department of the Treasury Circulars, Public Debt Series Nos. 1-80 (Series EE bonds), 2-80 (Series HH bonds), and 3-67 (savings notes), and Department of the Treasury Circular No. 653 (Series E bonds).

(b) *Regulations.* Department of the Treasury Circular, Public Debt Series No. 3-80 (Series EE and HH bonds); Department of the Treasury Circulars Nos. 530 (all other series of securities) and 888 (special endorsements); Federal Tax Regulations (26 CFR 1.6049); Federal Claims Collection Standards (4 CFR Parts 101-105); Regulation J, Collection of Checks and Other Items and Wire Transfers of Funds (12 CFR Part 210); and operating circulars issued by Federal Reserve Banks relating to the collection of cash items and Federal payments by ACH.

Subpart B—Procedures for Qualification

3. *Qualification of branches.* [Sec. 321.3(b)] Qualification of an institution as a paying agent automatically qualifies only its domestic branches. A foreign branch of a qualified paying agent may redeem securities provided settlement is made through a qualified facility located in the United States.

4. *Paying agent code numbers.* [Secs. 321.3(b) and 321.13] The Federal Reserve Bank will assign a four-digit code number to each agent it qualifies. A separate number will be assigned to each branch authorized to remit redeemed securities directly to the Bank for its own account. At the paying agent's request, only one four-digit code number will be assigned for use by all of its branches. This four-digit number is used to identify the paying agent in the audit of redeemed securities transmitted through the fiscal agency system, in the adjustment of discrepancies, and in the computation and payment of fees for such securities. For redeemed securities transmitted via EZ CLEAR, the presenting institution's ABA number will be used in the adjustment of discrepancies and in the computation and payment of fees for securities transmitted in separately sorted cash letters.

5. *Requalification.* [Sec. 321.3(b)] If there has been a change in the corporate name of an agent, whether through merger, consolidation, sale of assets, or in any other manner, the agent may be asked by the Federal Reserve Bank to requalify to reflect the change. Ordinarily, requalification is not required unless (a) the change results in a corporation that, under State law, cannot retain the rights of the corporation that ceased to exist, or (b) in the case of a purchase of assets and assumption of liability, the purchaser corporation is not a qualified paying agent.

6. *Announcement of authority.* [Sec. 321.3(c)] On and after the effective date of its qualification, a paying agent may

appropriately announce or advertise its authority to redeem eligible securities for cash and in exchange for Series HH bonds. Such statements and notices should not, directly or indirectly, encourage the encashment of the securities. Two examples of acceptable statements for use in advertisements or displays are:

(a) "We are an authorized agent for payment of U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares)."

(b) "This (bank/savings and loan association/credit union, etc.) is authorized to pay U.S. Savings Bonds and U.S. Savings Notes (Freedom Shares) and process eligible Series E and EE bonds and savings notes in exchange for Series HH bonds."

Subpart C—Scope of Authority

7. Authorized cash payments. [Sec. 321.7]

(a) *General.* [Sec. 321.7(a)] The general authority of paying agents to redeem securities for cash extends to Series A, B, C, D, E, and EE bonds and savings notes presented by the owner, coowner, surviving beneficiary, or parent on behalf of a minor. The presenter must sign the requests for payment and establish his or her identity and, in the case of a beneficiary or parent, entitlement to request payment.

(b) *Securities submitted by mail.* [Sec. 321.7(a)] An agent may accept eligible securities submitted, for redemption by mail, from known customers. The agent should be satisfied that the customer is entitled to request payment and that he or she has signed the requests for payment. The agent should obtain written instructions to credit the redemption proceeds to the customer's account or to make some other disposition. For its protection, the agent should retain such instructions for as long as ten years in the event the transaction is later questioned.

(c) *Interest reporting.* [Sec. 321.7(e)] Pursuant to 26 CFR 1.6049-4, an agent is required to report interest income in the amount of \$10 or more paid as part of the redemption value of securities. Reports to payees should be made on Form 1099-INT or an IRS-approved substitute; reports to the Internal Revenue Service should be made in accordance with that agency's instructions. A separate report may be made for each transaction in which interest in the amount of \$10 or more is paid, or all interest payments, made during a calendar year, may be aggregated and reported annually should the total amount be \$10 or more.

8. Redemption-exchange of Series E and EE savings bonds and savings notes. [Sec. 321.8]

(a) *General.* [Sec. 321.8 (a) and (b)] The general authority of paying agents to redeem securities in exchange for Series HH bonds extends only to eligible Series E and EE savings bonds and savings notes presented with a completed Form PD 3253, "Exchange Subscription for United States Savings Bonds of Series HH." Securities eligible for exchange are: (1) Series EE bonds presented no earlier than six months from their issue dates; and (2) Series E bonds and savings notes presented no later than one year from the month in which they reached final maturity. The current redemption value of securities presented in one transaction must

be at least \$500. The presenter must establish his or her identity and entitlement to request the exchange and sign the exchange subscription and the requests for payment on the securities.

(b) *Securities in the name of a minor.* [Sec. 321.8(b)] If an exchange subscription is submitted on behalf of a minor who is too young to comprehend the nature of the transaction, the form must be completed to request that the Series HH bonds be registered either in the minor's name alone or in exactly the same form as the securities presented for exchange. Agents are instructed to discourage exchange transactions involving minors who are too young to conduct them on their own.

(c) *Interest reporting.* [Sec. 321.8(c)] Pursuant to 26 CFR 1.6049-4, an agent is required to report interest income in the amount of \$10 or more included in any cash refunded in a redemption-exchange transaction. Reports to payees should be made on Form 1099-INT or an IRS-approved substitute; reports to the Internal Revenue Service should be made in accordance with that agency's instructions. A separate report may be made for each redemption-exchange transaction in which interest in the amount of \$10 or more is refunded, or all interest paid in both cash transactions and redemption-exchanges during a calendar year may be aggregated and reported annually should the total amount be \$10 or more.

9. Specific limitations on payment authority. [Sec. 321.9]

(a) *Allowable exceptions.* [Sec. 321.9] Securities which an agent may not redeem because of the limitations in § 321.9 should be forwarded to the Fiscal Agency Department of a Federal Reserve Bank for handling. However, if an agent is willing to assume full responsibility, it may make payment of an eligible security which bears a minor irregularity, such as a misspelled name, a transposition of letters, etc., because of its knowledge of the facts, or because it wishes to rely on the integrity of the presenter.

(b) *Taxpayer identifying number of presenter.* [Sec. 321.9(f)] An agent shall refuse payment of any security if the social security number of the presenter does not appear in the inscription and he or she is unwilling to furnish the number. A parent who requests payment on behalf of a minor in accordance with § 321.7(c) of this Part must provide the minor's social security number.

(c) *Payments to minors.* [Sec. 321.9(j)] A minor may not request payment of securities if he or she is not of sufficient competency and understanding to comprehend the nature of the act. Because of individual differences in comprehension, the Treasury has not established any rule as to the exact age at which a minor should be able to redeem securities. An agent may interview a minor to ascertain his or her ability to understand the transaction.

10. Responsibilities of paying agents. [Sec. 321.10]

(a) *Requirements for redeeming securities.* [Sec. 321.10(a)] A paying agent shall redeem eligible securities during its regular business hours for a presenter who establishes his or her identity as the owner or coowner of the securities, in accordance with this Part.

While a paying agent is not required to redeem securities in exchange for Series HH bonds for any presenter, or for cash upon the request of a surviving beneficiary, it is encouraged to do so, provided the presenter can establish his or her identity and provide acceptable proof of the owner's death, in accordance with this Circular. An agent is not required to redeem securities during Saturday and evening hours if it is open during such periods primarily as a service for its depositors.

(b) *Restrictions.* [Sec. 321.10(b)] Violation of the regulatory prohibitions on making charges for redeeming securities; on advancing money on, making loans on, or discounting the redemption value of securities; and on deferring presentation of redeemed securities to obtain a larger credit, will be cause for disqualification and recovery of the redemption proceeds and profits realized therefrom.

Subpart D—Payment and Transmittal of Securities

11. Identification of presenter. [Sec. 321.11(b)]

(a) *Identification guide.* [Sec. 321.11(b)] The Treasury Department has issued an identification guide, Form PD 3900, to assist paying agents in redeeming securities. Careful compliance with the instructions contained therein will enable agents to accommodate reasonable redemption requests and protect themselves from losses. Reliance on newly opened customer accounts as identification, or paying more than \$1,000 in a single transaction based on documentary evidence alone, should be particularly avoided.

(b) *Record of identification practice and evidence presented.* [Sec. 321.11 (b) and (c)] At the time of payment, the agent should make a notation on the back of the security or in its own records specifying precisely what was relied on to establish the presenter's identity. The identification should be adequate to identify the payee under the circumstances of the transaction. If an agent redeems a security upon the request of a surviving beneficiary, it is recommended that, for the agent's protection, a notation be made of the evidence presented to establish the payee's entitlement; this might include the document or case number on the owner's death certificate, the date of death, and the name and location of the issuing authority. The notations should be sufficient to permit an evaluation of the evidence of identity and entitlement at a later date. Otherwise, the agent runs the risk that no evidence can be developed to show that it acted without fault or negligence; in which case it could not be relieved of liability should a loss occur.

(c) *Request for payment.* [Sec. 321.11(d)]

(a) *Signature.* [Sec. 321.11(d)] Except where an agent qualified under Part 330 (Circular No. 888) elects to use the special endorsement procedure, each security redeemed by the agent must bear the signature of the presenter. The name must be signed exactly as it is inscribed on the security, unless the provisions of Part 330 and this Appendix provide for an exception, such as in cases involving a change of name by

marriage or a request by a parent on behalf of a minor. An agent may incur a liability if the request for payment is not properly signed.

(b) *Address.* [Sec. 321.11(d)] The presenter must enter a current home or business address in the space provided on the back of the security. If a single transaction includes a group of securities, the address must be shown on at least one security of each of the following types: (1) Paper securities issued prior to October 1957; (2) punch card or machine readable paper securities issued prior to January 1989; and (3) machine readable paper securities issued subsequent to December 1988.

13. *Redemption value of securities.* [Sec. 321.12]

(a) *Redemption value tables.* [Sec. 321.12] The Bureau of the Public Debt distributes tables of redemption values for:

(1) Series E bonds, (2) Series EE bonds, and (3) savings notes. Additional tables may be requested from the Federal Reserve Bank. The public may purchase redemption tables from the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

(b) *Use of tables.* [Sec. 321.12] A separate monthly table is provided for each of the three types of securities (E bonds, EE bonds, and notes). Care should be exercised to use the correct table for the security presented and for the month in which it is redeemed. Incorrect payments can lead to costly and time-consuming adjustments for the agent, Department of the Treasury, and the Federal Reserve Bank.

(c) *Cash redemption.* [Sec. 321.12] The correct redemption value of securities redeemed by an agent should be paid to the presenter in currency or, upon request, by check payable to the presenter or by credit to his or her account.

(d) *Redemption-exchange.* [Sec. 321.12] The redemption values of securities presented for exchange for Series HH bonds shall be those payable in the month the agent accepts a correctly completed and signed exchange subscription, Form PD 3253. The total redemption value of securities presented for exchange in any one transaction must be at least \$500. If the redemption value is \$500 or an even multiple thereof, Series HH bonds must be requested in that exact amount. If the redemption value exceeds \$500, but is not an even multiple of that amount, the presenter may (1) add cash to increase the amount of the subscription to the next higher \$500 multiple, or (2) reduce the amount of the subscription to the next lower \$500 multiple. The maximum amount which may be added to or refunded in an exchange transaction is \$499.99. For example, if the total redemption value of the securities is \$4,253.33, the presenter may request no less than \$4,000 and no more than \$4,500 in Series HH bonds. In the first instance, the agent will pay the presenter \$253.33; in the second, it will collect \$246.67 when it accepts the exchange subscription.

14. *Cancellation of redeemed securities.* [Sec. 321.13]

(a) *Paying agent stamp.* [Sec. 321.13] Each redeemed security must be cancelled by the imprint of a payment stamp. The stamp may

not exceed 1 1/2 inches in any dimension and must include the following information in the arrangement shown:

Paid \$_____ (for recording amount paid).

Name, location, and four-digit paying agent code number assigned by the Federal Reserve Bank (subject to abbreviation and arrangement by the Bank).

Date _____ (for recording actual date of payment).

By _____ (for use by agent in recording initials, or signature, codes, symbols, etc., of the officer or employee who approved or made the payment).

(b) *Procurement of stamps.* [Sec. 321.12] A paying agent may requisition stamps from the Fiscal Agency Department of a Federal Reserve Bank or purchase its own stamps. Stamps not provided by the Federal Reserve Bank must conform exactly in size and design to that prescribed or approved by the Bank. To insure legible impressions, stamps should be replaced when worn.

(c) *Imprinting payment stamp and recording payment date.* [Sec. 321.13] After determining that a security is eligible for payment, the agent should carefully imprint the payment stamp on its face in the open space immediately to the left of, and as close as possible to, the issue date and issuing agent validating data. It is important not to overprint any data on the security, particularly the serial number, since the security will subsequently be microfilmed. No other stamps shall be placed on the face of the security. Care should be taken to record legibly the correct amount, the exact date of redemption, and the signature, initials, or other identification of the agent's employee who approved or made the payment. A dark-colored ink must be used, and care should be taken not to smear the stamp impression or the writing.

(d) *Redemption-exchange.* [Sec. 321.13] Securities presented for redemption-exchange shall be stamped "PAID" in the same manner as securities redeemed for cash, but only when all elements of the transaction have been completed, including receipt of any additional cash. The exact date of redemption shall also be recorded on the exchange subscription to enable the Federal Reserve Bank to establish the proper issue date for the Series HH bonds. An officer or other authorized employee of the agent shall also sign the exchange subscription, in his or her official capacity, and furnish other requested information that identifies the paying agent.

(e) *MICR-encoding of payment information.* [Sec. 321.13] An agent that transmits and obtains settlement for redeemed securities via EZ CLEAR shall MICR-encode the redemption value in the "Amount" field on the face of each security or arrange to have this service performed by another financial institution. If the agent transmits securities in mixed cash letters, it must also MICR-encode the routing/transit number assigned to the Bureau of Public Debt's savings bonds activity in the "R/T" field on the face of all pre-October 1957 paper securities and those punch card securities on which it does not already appear. The Bureau's routing/transit number is 000090007. An agent must not MICR-encode data in the

"On-Us" field for any reason. Care should be taken in repairing MICR-encoded items so as not to obliterate any data in surrounding MICR fields or elsewhere on the face of the security.

15. *Transmittal of securities to Federal Reserve Bank.* [Sec. 321.14] An agent may transmit and receive settlement for redeemed securities (a) through the Fiscal Agency Department of a Federal Reserve Bank or Branch or (b) via EZ CLEAR to the Check Department of a Federal Reserve Bank, Branch or Regional Check Processing Center. Securities to be processed via EZ CLEAR may be transmitted in separately sorted or mixed cash letters to a Federal Reserve Bank either directly or via a parent office or correspondent institution. An agent shall transmit redeemed securities under cover of the appropriate transmittal document. Securities redeemed in exchange for Series HH bonds must be transmitted for settlement at the same time that the exchange subscription is separately forwarded to the Bank's Fiscal Agency Department.

16. *Transmittal of securities to Federal Reserve Bank via fiscal agency system.* [Sec. 321.14]

(a) *Form to be used.* [Sec. 321.14] A standard transmittal letter, Form PD 2639, must be used to submit redeemed securities to the Fiscal Agency Department of a Federal Reserve Bank. The Bank will supply the forms to each agent authorized to remit directly for its own account. The forms will be preprinted to show the agent's name, location and four-digit code number, and, if so prearranged, the name and address of a correspondent member bank through which settlement is to be made. To insure proper settlement and correct fee payments, it is essential that each agent use only the forms that contain its name and agent code.

(b) *Batching redeemed securities.* [Sec. 321.14] A separate Form PD 2639 must be prepared to cover each of the following:

(1) Any combination of Series A, B, C, and D bonds and Series E bonds issued prior to October 1957 on paper stock redeemed in the same month for cash;

(2) Any combination of Series E and EE bonds and savings notes issued on punch card or machine readable paper stock redeemed in the same month for cash;

(3) Series E bonds issued prior to October 1957 on paper stock redeemed in the same month in exchange for Series HH bonds; and

(4) Any combination of Series E and EE bonds and savings notes issued on punch card or machine readable paper stock redeemed in the same month in exchange for Series HH bonds. Even if pre-October 1957 bonds issued on paper stock and punch card/machine readable paper bonds are received together in a single redemption or redemption-exchange transaction, they must be batched separately. Failure to separate and batch the securities in the above manner or to properly identify the transaction as a "Redemption" or "Exchange" on Form PD 2639 may result in an incorrect calculation of fees due the agent.

(c) *Transmittal of securities.* [Sec. 321.14] Each Form PD 2639 shall be completed and transmitted with the related securities to the

Fiscal Agency Department of a Federal Reserve Bank in accordance with the Bank's instructions.

(d) *Timing of transmittals.* [Sec. 321.14] Redeemed securities and related Forms PD 2639 may be sent to the Federal Reserve Bank each day or less frequently. However, all redeemed securities on hand on the last business day of a month must be forwarded no later than the next business day. Securities redeemed in different months should never be combined in the same batch.

(e) *Settlement for and audit of paid securities.* [Sec. 321.14]

(1) *Settlement.* [Sec. 321.14] The Federal Reserve Bank will make immediate settlement for the total redemption value of the redeemed securities in each batch, as recorded on Form PD 2639. The batch will then be sent to the Bureau of the Public Debt for audit. Settlement may be made by check or by credit to the reserve or clearing account of the agent or a designated correspondent financial institution. The amount will be subject to adjustment if discrepancies are discovered after settlement has been made with the agent.

(2) *Audit and adjustment.* [Sec. 321.14] The Bureau of the Public Debt will audit all redeemed securities and related Forms PD 2639 as promptly as possible. It will, in due course, notify each agent, through the Federal Reserve Bank, of any adjustments required. The Bank will adjust any amounts previously credited to the agent. If an agent discovers an error before the audit is completed, it should notify the Bank immediately.

17. *Transmittal of securities to Federal Reserve Bank via EZ CLEAR.* [Sec. 321.14]

(a) *Form to be used.* [Sec. 321.14] The presenting institution shall transmit all redeemed securities to the Check Department of a Federal Reserve Bank or Branch or Regional Check Processing Center in accordance with the Bank's instructions. Except as otherwise provided in the Bank's instructions and operating circulars, cash letters may be comprised of one or more bundles of separately sorted redeemed securities (separately sorted cash letter) or one or more bundles of mixed items (mixed cash letter). The cash letter shall show the name, address, and ABA number of the presenting institution, the date of presentation, the total number of pieces transmitted, the value of each of the bundles in the cash letter, and the total value of the cash letter.

(b) *Composition of cash letters.* [Sec. 321.14] Series A, B, C, D, E, and EE bonds and savings notes redeemed for cash or on exchange may be commingled in (1) mixed cash letters containing commercial checks and other items or (2) separately sorted cash letters containing only redeemed securities. Each cash letter shall also contain a listing prepared in accordance with the Federal Reserve Bank's instructions.

(c) *Transmittal of securities.* [Sec. 321.14] Cash letters containing redeemed securities shall be transmitted to a Federal Reserve Bank in accordance with the Bank's circulars and instructions.

(d) *Timing of transmittals.* [Sec. 321.14] Cash letters containing redeemed securities should be transmitted according to the same

schedule used for other commercial check collection system items.

(e) *Settlement for the audit of paid securities.*

(1) *Settlement.* [Sec. 321.14] The Federal Reserve Bank will make immediate settlement for the total value of redeemed securities as shown on each cash letter. Settlement will be made by a credit to the reserve or clearing account of the agent or designated correspondent institution. Data concerning redeemed security transmittals will be sent to the Bureau of the Public Debt for audit. The amount will be subject to adjustment if discrepancies are discovered after settlement has been made.

(2) *Audit and adjustment.* [Sec. 321.14] The Bureau of the Public Debt will audit all redemption data received from the Federal Reserve Bank as promptly as possible. Each presenting institution will, in due course, be notified by the Bank of any adjustments required. The Bank will adjust any amounts previously credited to the agent or designated correspondent institution. If a presenting institution discovers an error before the audit is completed, it should notify the Bank immediately.

18. *Record of securities paid.* [Secs. 321.14 and 321.24] A record of the serial number of an amount paid for each security must be retained by the agent so that settlement can be made if the security is lost in transit. For that purpose, agents are authorized to microfilm the face and back of each security they redeem. Such film records shall be kept confidential and prints therefrom may be made only with the permission of the Bureau of the Public Debt or a Federal Reserve Bank.

Subpart E—Losses Resulting from Erroneous Payments

19. *Report of erroneous payment.* [Sec. 321.16] Any erroneous payment that comes to the attention of an agent should be reported immediately to the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328. The nearest office of the Secret Service should also be notified if the agent believes that a security presented for redemption may be counterfeit or stolen, or if the circumstances of the presentation are suspicious in any other respect.

20. *Notice to agent.* [Sec. 321.17(a)] The paying agent will be notified if an erroneous payment has occurred. The notice will generally be in writing from the Bureau of the Public Debt. If an investigation is to be made, the notice will enable the agent to notify its bonding company, assemble pertinent information concerning the transaction for presentation during the investigation, and take any other action it deems appropriate to protect its interest.

21. *Determination of liability.* [Sec. 321.18] Upon completion of the investigation, the Bureau of the Public Debt will examine the information it has developed for the purpose of determining whether or not an agent may be relieved of liability for any loss that may have resulted. If it cannot be relieved of liability, the agent will be asked to reimburse the Treasury promptly. Any amount not paid within 30 days will be subject to the assessment of late charges and other administrative actions under the provisions

of the Federal Claims Collection Standards (4 CFR Parts 101-105). Reconsideration of a determination of liability will be made in any case where an agent so requests and presents additional evidence and information regarding the transaction.

22. *Relief for lack of timely notice.* [Sec. 321.18] A paying agent will be relieved of liability to the United States for any loss resulting from the erroneous payment of securities where the Secretary of the Treasury, or his designee, determines that written notice of either liability or potential liability has not been given to the agent within ten years of the date of the erroneous payment.

Subpart F—Forwarding Items

23. *Securities forwarded to Federal Reserve Bank for payment.* [Sec. 321.22]

(a) *General.* [Sec. 321.22] Securities presented for cash payment or redemption-exchange, that an agent is not authorized to redeem, shall be forwarded to the Fiscal Agency Department of a Federal Reserve Bank, with all required supporting documentation and any necessary payment instructions.

(b) *Signature to and certification of request for payment.* [Sec. 321.22] An agent qualified under Part 330 (Circular No. 888) may elect to specially endorse securities for presenters in lieu of requiring completion of the requests for payment. Unless this procedure is used, the presenter must sign the request on each security and the signature must be certified. Before completing the certification, the agent should establish the identity of the presenter. The Treasury's identification guidelines should be followed in view of the potential liability that attaches to such certification.

(c) *Address and Taxpayer identifying number.* [Sec. 321.22] In every case, a current address shall be furnished. The presenter's taxpayer identifying number (social security number or employer identification number) shall be provided if it is not included in the inscription.

(d) *Redemption-exchange.* [Sec. 321.22] For redemption-exchange transactions submitted as forwarding items, the issue date of the Series HH bonds will be the first day of the month in which a correctly completed and signed exchange subscription and full payment are received by the Federal Reserve Bank.

(e) *Partial redemption.* [Sec. 321.9(1) and 321.22] partial redemption of a security other than a \$25 Series E bond or savings note, a \$50 Series EE bond, or a \$500 Series H or HH bond may be made by a Federal Reserve Bank. The amount paid must be equal to the redemption value of one or more authorized denominations on the date of the transaction. If a security is received by an agent for partial redemption, the words "to the extent of \$ (face amount) and reissue of the remainder" should be added to the first sentence of the request for payment. The request should then be completed in the regular manner and the signature of the presenter certified. The security shall be forwarded to the Fiscal Agency Department of a Federal Reserve Bank.

Subpart G—Miscellaneous Provisions

24. *Fees and charges.* [Sec 321.23] Service fees are not intended to compensate paying agents for the reporting of interest paid as part of the redemption value of securities as required by Federal Tax Regulations (26 CFR 1.0649-4).

(a) *Fiscal agency system transmittals.* [Sec 321.23] Fee will be paid by Treasury for securities an agent redeems for cash or on exchange during each calendar quarter. Such fees will be paid to the agent by check or ACH. Inquiries should be directed to the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328.

(b) *EZ CLEAR transmittals.* [Sec 321.23] Fees will be paid by the Federal Reserve Bank to the presenting institution for securities redeemed during each calendar month that are submitted in separately sorted cash letters; such fee payments will be made

only by ACH. No fees will be paid for securities received by the Bank in mixed cash letters. The Bank will charge the presenting institution for processing redeemed securities received in mixed cash letters. Inquiries regarding separately sorted cash letters should be directed to the Pittsburgh Branch, Federal Reserve Bank of Cleveland, P.O. Box 867, Pittsburgh, Pennsylvania 15230-0867. Inquiries regarding mixed cash letters should be directed to the Federal Reserve Bank or Branch or Regional Check Processing Center where the cash letters were directed.

25. *Claims on account of lost securities.* [Sec 321.24] If a security redeemed by an agent is lost, stolen, or destroyed while in the custody of the agent, or in transit prior to settlement or audit, relief will be considered, provided the security can be identified by serial number. (See paragraph 18 of this Appendix regarding the maintenance of records of redeemed securities). Claims for

securities submitted through the fiscal agency system should be submitted to the Fiscal Agency Department of a Federal Reserve Bank on Form PD 2517 with a photocopy of the security, if available. The agent will be advised when the claim has been adjudicated. If a redeemed security presented via EZ CLEAR is lost prior to settlement, the presenting institution should resubmit a photocopy of the security to obtain settlement in accordance with the Bank's instructions.

26. *Additional information.* [Sec 321.25] Requests for additional advice, clarification of the payment regulations or this Appendix, and other matters relating to the actions of a financial institution as paying agent should generally be made to the Federal Reserve Bank.

[FR Doc. 88-21984 Filed 9-22-88; 12:43 pm]
BILLING CODE 4810-10-00