

**§ 224.5**

In witness whereof the said company, pursuant to proper authority of its board of directors or other governing body, has caused these presents to be subscribed by its \_\_\_\_\_ president and its corporate seal to be affixed hereto this \_\_\_\_ day of \_\_\_\_\_, AD. 19—

[CORPORATE SEAL] \_\_\_\_\_  
President,

State of \_\_\_\_\_  
County of \_\_\_\_\_, ss:

On this \_\_\_\_ day of \_\_\_\_\_, AD. 19—, before me appeared \_\_\_\_\_, president of the \_\_\_\_\_ Company, with whom I am personally acquainted, who being duly sworn, says that he is \_\_\_\_\_ president of the \_\_\_\_\_ Company; that he knows the corporate seal of the company; that the seal affixed to the foregoing instrument is such corporate seal; that it was affixed by order of the board of directors or other governing body of said company, and that he signed said instrument as \_\_\_\_\_ president of said company by like authority.

[NOTARIAL SEAL]

[Dept. Cir. Ltr. 4, Nov. 15, 1930, as amended at 49 FR 14340, Apr. 11, 1984]

**§ 224.5 Process agents; termination of authority.**

Whenever the authority of a process agent is terminated by reason of revocation, disability, removal from the district, or any other cause, it shall be the duty of the company to immediately make a new appointment.

[40 FR 51194, Nov. 4, 1975. Redesignated at 61 FR 26840, May 29, 1996]

**§ 224.6 United States district courts; location of divisional offices.**

A list of the divisional offices of the court in each judicial district where powers of attorney should be filed may be obtained from the Surety Bond Branch, Financial Management Service, Department of the Treasury, 3700 East-West Highway, Room 6F04, Hyattsville, MD 20782.

[61 FR 26840, May 29, 1996]

**PART 225—ACCEPTANCE OF BONDS SECURED BY GOVERNMENT OBLIGATIONS IN LIEU OF BONDS WITH SURETIES**

- Sec.
- 225.1 Scope.
- 225.2 Definitions.

**31 CFR Ch. II (7–1–02 Edition)**

- 225.3 Pledge of Government obligations in lieu of a bond with surety or sureties.
- 225.4 Pledge of book-entry Government obligations.
- 225.5 Pledge of definitive Government obligations.
- 225.6 Payment of interest.
- 225.7 Custodian duties and responsibilities.
- 225.8 Bond official duties and responsibilities.
- 225.9 Return of Government obligations to obligor.
- 225.10 Other agency practices and authorities.
- 225.11 Courts.

AUTHORITY: 12 U.S.C. 391; 31 U.S.C. 321, 9301 and 9303.

SOURCE: 64 FR 4763, Jan. 29, 1999, unless otherwise noted.

**§ 225.1 Scope.**

The regulation in this part applies to Government agencies accepting bonds secured by Government obligations in lieu of bonds with sureties. The Financial Management Service (FMS) is the representative of the Secretary of the Treasury (Secretary) in all matters concerning this part unless otherwise specified. The Commissioner of the FMS may issue procedural instructions implementing this regulation.

**§ 225.2 Definitions.**

For purposes of this part:

*Agency* means a department, agency, or instrumentality of the United States Government.

*Authenticate instructions* means to verify that the instructions received are from a bond official.

*Bearer* means that ownership of a Government obligation is not recorded. Title to such an obligation passes by delivery without endorsement and without notice. A bearer obligation is payable on its face to the holder at either maturity or call.

*Bond* means an executed written instrument, which guarantees the fulfillment of an obligation to the United States and sets forth the terms, conditions, and stipulations of the obligation.

*Bond official* means an agency official having authority under Federal law or regulation to approve a bond with surety or sureties and to approve a bond secured by Government obligations.

## Fiscal Service, Treasury

## § 225.3

*Book-entry* means that the issuance and maintenance of a Government obligation is represented by an accounting entry or electronic record and not by a certificate.

*Custodian* means a Federal Reserve Bank or an entity within the United States designated by such Federal Reserve Bank under terms and conditions prescribed by such Federal Reserve Bank, a depository specifically designated by the Secretary of the Treasury for purposes of this part, or such other entities as the Secretary of the Treasury may designate for purposes of this part.

*Definitive* means that a Government obligation is issued in engraved or printed form.

*Depository* includes, but is not limited to:

(1) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(2) Any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(3) Any savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) or any bank which is eligible to make application to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(4) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752) or any credit union which is eligible to make application to become an insured credit union under section 201 of such Act (12 U.S.C. 1781);

(5) Any savings association as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) which is an insured depository institution (as defined in such Act) (12 U.S.C. 1811 *et seq.*) or is eligible to apply to become an insured depository institution under the Federal Deposit Insurance Act (12 U.S.C. 1811 *et seq.*); and

(6) Any agency or branch of a foreign bank as defined in section 1(b) of the

International Banking Act, as amended (12 U.S.C. 3101).

*Federal Reserve* means a Federal Reserve Bank and its branches.

*Government obligation* means a public debt obligation of the United States Government and an obligation whose principal and interest is unconditionally guaranteed by the United States Government.

*Obligor* includes, but is not limited to, an individual, a trust, an estate, a partnership, a corporation, and a sole proprietor.

*Officer authorized to certify assignment* means the individual identified as a certifying individual at part 306, subpart F of this title.

*Person* means an individual, a trust, an estate, a partnership, and a corporation.

*Pledge* means a transfer of security interest in a Government obligation to a bond official's agency as collateral in lieu of a bond with a surety or sureties.

*Procedural instructions* means the Treasury Financial Manual, as amended, published by the Financial Management Service.

*Registered* means that ownership of a definitive Government obligation is listed in the issuer's records, and that the obligation is payable at maturity or call to the person in whose name the obligation is inscribed or to that person's assignee.

*Secretary* means the Secretary of the Treasury.

### **§ 225.3 Pledge of Government obligations in lieu of a bond with surety or sureties.**

(a) *General.* An obligor required by Federal law or regulation to furnish a bond with surety or sureties may give in lieu thereof to a bond official any security acceptable under 31 U.S.C. 9301, as amended. The Secretary will designate classes of Government obligations acceptable under this part.

(b) *Bond.* The bond, at a minimum, shall irrevocably authorize the bond official to collect, sell, assign, or transfer such Government obligations and any interest retained therefrom in the event of the obligor's default in performing any of the terms, conditions, or stipulations of such bond. Unless otherwise provided by law, the bond

## § 225.4

shall authorize the bond official to apply the proceeds from the sale, assignment, or transfer of such Government obligations, in whole or in part, to satisfy any costs incurred by the United States related to the default, and to apply any excess proceeds to satisfy any other claim of the United States against the obligor. The bond shall not include any obligations on custodians which are inconsistent with, or in addition to, the obligations in this part. The bond will provide that the bond official may retain any interest accruing upon any Government obligations, or direct that such interest be retained by the custodian.

(c) *Amount of Government obligations.* The obligor shall pledge to the bond official Government obligations valued as required by 31 U.S.C. 9303, as amended.

(d) *Avoiding frequent substitutions.* To avoid the frequent substitution of Government obligations, the bond official may reject Government obligations which mature, or are redeemable, within one year from the date they are pledged to the bond official.

(e) *Acceptable Government obligations.* Types and valuations of acceptable collateral security are addressed in 31 CFR part 380. For a current list of acceptable classes of securities and instruments described in 31 CFR part 380 and their valuations, see the Bureau of the Public Debt's web site at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov).

[64 FR 4763, Jan. 29, 1999, as amended at 65 FR 55430, Sept. 13, 2000]

## § 225.4 Pledge of book-entry Government obligations.

(a) *General.* Except as otherwise provided by the Secretary in procedural instructions, an obligor, or a depositary acting as agent or sub-agent for the obligor, or the bond official, shall arrange a pledge pursuant to the prior agreement and approval of the bond official, of book-entry Government obligations. The Government obligations must be transferred to an account for the benefit of the bond official. The custodian holding the Government obligations is not required to establish that the agreement and approval of the bond official has been obtained prior to such a transfer.

## 31 CFR Ch. II (7–1–02 Edition)

(b) *Receipt.* Upon the transfer of Government obligations to an account for the benefit of the bond official, the custodian will promptly issue a receipt or an activity statement, or both, to the bond official and to the obligor or a depositary acting as agent or sub-agent for the obligor.

(c) *Effect of the transfer.* Book-entry Government obligations credited to an account for the benefit of the bond official shall have the effect as provided in part 357 of this title, or in other applicable regulations.

## § 225.5 Pledge of definitive Government obligations.

(a) *Type and assignment.* Definitive Government obligations may be in bearer or registered form, and shall be owned by the obligor.

(1) *Bearer Government obligations.* The obligor shall pledge bearer Government obligations to the bond official with all unmatured interest coupons attached.

(2) *Registered Government obligations; assignment.* The obligor shall pledge registered Government obligations in the obligor's name to the bond official by assignment in accordance with subpart F of part 306 of this title and other codified procedures for issuers that apply to assignment of the registered Government obligations, except that, when so authorized under such procedures, all assignments shall be made in blank.

(b) *Delivery to bond official; receipt.* All deliveries of definitive Government obligations from the obligor to the bond official under this part shall be made at the risk and expense of the obligor. Upon receipt of definitive Government obligations, the bond official will issue the obligor a receipt.

(c) *Risk of loss; safekeeping.* All definitive Government obligations held by the bond official will be held at the risk of the bond official. The bond official will keep safe all definitive Government obligations and may place them with a custodian.

(d) *Delivery to custodian; receipt.* If the bond official is in receipt of definitive Government obligations, and then places those obligations with a custodian, the expense and risk of loss in delivery will rest with the bond official.

Upon the placement of definitive Government obligations with a custodian, the custodian will issue the bond official a receipt. All definitive Government obligations held by the custodian will be held at the risk of the custodian.

(e) *Conversion to book-entry.* (1) Treasury bonds, notes, certificates of indebtedness, or bills deposited with a Federal Reserve Bank under this part may be converted into book-entry Treasury obligations in accordance with part 306 of this title, and the pertinent provisions of that part shall apply to such Treasury obligations.

(2) When converting definitive Government obligations to book-entry form, a Federal Reserve Bank will act pursuant to, and in accordance with, book-entry procedures for issuers that apply to the definitive Government obligations pledged to the bond official's agency, including those set forth in part 306 of this title.

#### § 225.6 Payment of interest.

(a) *General.* Except as otherwise provided in this section and § 225.7(b), interest accruing upon Government obligations pledged to a bond official's agency in accordance with this part will be remitted to the obligor or a depository acting as agent or sub-agent for the obligor.

(b) *Default.* If the bond official determines that the obligor has defaulted, the bond official will retain any interest accruing upon Government obligations pledged to the bond official's agency or direct the custodian, in accordance with this part, to retain such interest. Unless otherwise provided by law, such interest will be available to satisfy any costs incurred by the United States related to the default, and any excess proceeds will be available to satisfy any other claim of the United States against the obligor.

#### § 225.7 Custodian duties and responsibilities.

(a) *General.* A custodian shall authenticate instructions received from a bond official and shall act in accordance with such authenticated instructions. The custodian assumes no liability and is without liability of any kind for acting in accordance with such au-

thenticated instructions, except for the custodian's failure to exercise ordinary care. By providing a bond secured by Government obligations in lieu of a bond with surety or sureties, an obligor agrees not to hold either the custodian or the Secretary liable or responsible for the actions or inactions of a bond official or for carrying out a bond official's authenticated instructions.

(b) *Interest.* Absent authenticated instructions from the bond official to retain interest, interest received by the custodian on Government obligations pledged to the bond official's agency in accordance with this part will be remitted in the regular course of business to the obligor or to a depository acting as agent or sub-agent for the obligor.

(c) *Principal.* Absent authenticated instructions from the bond official to retain the proceeds of matured Government obligations, a custodian will release to the obligor proceeds from matured Government obligations only if the obligor has deposited Government obligations acceptable under 31 U.S.C. 9301, as amended, in substitution for those which have matured.

(d) *Liquidation of Government obligations.* A custodian will collect, sell, assign, or transfer Government obligations, including any interest therefrom, only in accordance with a bond official's authenticated instructions.

(e) *Application of proceeds of liquidated Government obligations.* A custodian will apply the proceeds from the collection, sale, assignment, or transfer of Government obligations only in accordance with a bond official's authenticated instructions.

#### § 225.8 Bond official duties and responsibilities.

The bond official's duties and responsibilities are as follows:

(a) Approving the bond secured by Government obligations after determining its sufficiency;

(b) Verifying ownership of any registered definitive Government obligations given, and ensuring that those Government obligations are properly assigned;

(c) Approving establishment of a book-entry account for the benefit of the bond official;

## § 225.9

(d) Providing the custodian, when appropriate, with clear and concise instructions;

(e) Taking all reasonable and appropriate steps to ensure that all procedures or transactions conform with the provisions of this part; and

(f) Notifying the Secretary of the Treasury, or his designee, upon an obligor's default, and, unless otherwise provided by law, applying any part of the proceeds in excess of the amount required to assure payment of any costs incurred by the United States related to the default to satisfy any claim of the United States against the obligor.

### § 225.9 Return of Government obligations to obligor.

(a) *General.* Except as provided in paragraph (b) of this section or as otherwise provided in this part, the bond official will return the Government obligations, and any interest retained therefrom, to the obligor, without written application from the obligor, when the bond official determines that the Government obligations are no longer required under the terms of the bond.

(b) *Miller Act payment bonds.* The bond official will not return Government obligations to an obligor who has furnished to the bond official a payment bond if:

(1) A person, who supplied the obligor with labor or materials and whom the obligor has not paid, files with the United States Government the application and affidavit provided for in the Miller Act (Act), as amended (40 U.S.C. 270a-270d), and the time provided in the Act for the person to commence suit against the obligor on the payment bond has not expired; or

(2) A person commences a suit against the obligor within the time provided for in the Act, in which case the bond official will hold the Government obligations subject to the order of the court having jurisdiction of the suit; or

(3) The bond official has actual knowledge of a claim against the obligor on the basis of the payment bond, in which case the bond official may return the Government obligations to

## 31 CFR Ch. II (7-1-02 Edition)

the obligor when the bond official deems it appropriate.

(c) *Claim of the United States unaffected.* Nothing in this section shall affect or impair the priority of any claim of the United States against Government obligations, or any right or remedy granted by the Miller Act or by this part to the United States in the event of an obligor's default on any term, condition, or stipulation of a bond.

(d) *Return of definitive Government obligations; risk of loss.* Definitive Government obligations to be returned to the obligor will be forwarded at the obligor's risk and expense, either by the bond official, or by a custodian upon receipt of a bond official's authenticated instructions.

### § 225.10 Other agency practices and authorities.

(a) *Agency practices.* Nothing in this part shall be construed as modifying the existing practices or duties of agencies in handling bonds, except to the extent made necessary under the terms of this part by reason of the acceptance of bonds secured by Government obligations.

(b) *Agency authorities.* Nothing contained in this part shall affect the authority of agencies to receive Government obligations for security in cases authorized by other provisions of law.

### § 225.11 Courts.

Nothing contained in this part shall affect the authority of a court over a Government obligation given as security in a civil action.

## PART 226—RECOGNITION OF INSURANCE COVERING TREASURY TAX AND LOAN DEPOSITARIES

Sec.	
226.1	Scope.
226.2	General.
226.3	Application—termination.
226.4	Adequacy of security—how computed.
226.5	Examinations.
226.6	Financial reports.
226.7	Effective date.

AUTHORITY: Secs. 2 and 3, Pub. L. 95-147, 91 Stat. 1227 (31 U.S.C. 1038).

SOURCE: 43 FR 18972, May 2, 1978, unless otherwise noted.