



# Federal Register

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**Wednesday,  
March 23, 2005**

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## **Part IV**

# **Department of the Treasury**

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## **Fiscal Service**

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**31 CFR Parts 315, 316, et al.  
Regulations Governing Treasury  
Securities, New Treasury Direct System;  
Final Rule**

**DEPARTMENT OF THE TREASURY****Fiscal Service**

**31 CFR Parts 315, 316, 351, 353, 359, 360, and 363**

**Regulations Governing Treasury Securities, New Treasury Direct System**

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

**ACTION:** Final rule.

**SUMMARY:** New Treasury Direct (also referred to as TreasuryDirect) is an account-based, book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. This rule sets forth the terms and conditions for the conversion of definitive savings bonds of Series E, Series EE, and Series I to book-entry savings bonds in New Treasury Direct. Conversion offers the investor the convenience of a book-entry product, rather than having to provide safe storage for a paper product until final maturity or redemption. Conversion offers the government cost savings in the elimination of paper transactions such as reissues and the replacement of lost bonds. Conversion will further the underlying principle of New Treasury Direct, which is to enable investors to do business with Treasury online.

**DATES:** Effective: March 23, 2005.

**ADDRESSES:** You can download this final rule at the following Internet addresses: <http://www.publicdebt.treas.gov> or <http://www.gpoaccess.gov/ecfr>.

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**SUPPLEMENTARY INFORMATION:** New Treasury Direct is an account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. Currently, book-entry Series EE and Series I savings bonds and certificates of indebtedness are offered

for purchase through New Treasury Direct.

For many years, Treasury has also offered definitive (paper) savings bond products with maturities up to 40 years. Now investors may convert eligible definitive savings bonds to book-entry savings bonds to be held in their New Treasury Direct accounts. Currently, Series E, Series EE, and Series I savings bonds, registered in the names of individuals in denominations of \$25 or greater, are eligible for conversion. The owner of a definitive bond registered in the single owner or owner with beneficiary form of registration may convert the savings bond to a book-entry bond. Either co-owner of a definitive bond registered in the co-owner form of registration may convert the savings bond to a book-entry bond. Bonds purchased as gifts for others may also be converted.

Definitive savings bonds have some contractual terms and conditions that are different from those for bonds originally issued as book-entry products. One of these differences is in the forms of registration available for definitive and for book-entry bonds. There are differences between the terms and conditions of a definitive bond registered in the coowner form of registration and a book-entry bond registered in the primary owner with secondary owner form of registration. There are also differences between the terms and conditions of a Series E bond registered in the owner with beneficiary form of registration and all other series of savings bonds, including book-entry bonds, registered in the same form of registration.

When bonds of all series registered in the single owner form of registration, and Series EE or Series I bonds registered in the owner with beneficiary forms of registration, are converted, the bonds will follow the same terms and conditions as bonds originally issued as book-entry bonds, since the owner, by converting, has consented to the changes in the terms and conditions (e.g., one result is that the coowner form of registration will no longer be available for transactions conducted after conversion). The owner may use any online transaction available for book-entry bonds, including the ability to transfer a bond to the New Treasury Direct account of any third party. The converted bonds will be governed by subpart C of 31 CFR part 363.

Bonds of all series registered in the coowner form of registration and Series E bonds registered in the owner with beneficiary form of registration will retain the protections for the non-converting coowner and beneficiary

until such time as the non-converting coowner or beneficiary consents to a transaction that involves a change in registration. By consenting to such a transaction, the non-converting coowner or beneficiary is consenting to the bond being governed by the terms and conditions for a bond originally issued as a book-entry bond (see subpart C of 31 CFR part 363). The coowner and protected beneficiary registrations will no longer be available for those bonds.

The purchaser of a definitive savings bond purchased as a gift for another may convert the bond to a book-entry bond in New Treasury Direct. We will presume that a bond that is not registered in the name of the account owner converting the bond as the single owner, either coowner, or the owner with a beneficiary, is a gift bond. The presumed gift bond will be released to the New Treasury Direct account of the account owner converting the bond. Once the gift bond has been placed in the account, the only transaction that the account owner may perform is to deliver the bond to the New Treasury Direct account of the registered owner. The registered owner may also request our assistance to deliver the bond to his or her account.

We have made changes to several parts of Chapter 31. Generally, we have made changes to the offering circulars and governing regulations of Series E, Series EE, and Series I savings bonds to introduce the concept of conversion and add the appropriate references to applicable regulations.

**Procedural Requirements**

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, a regulatory assessment is not required.

Because this final rule relates to matters of public contract and procedures for United States securities, notice and public procedure and delayed effective date requirements are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

As no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) does not apply.

We ask for no new collections of information in this final rule. Therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

**List of Subjects**

*31 CFR Part 315*

Banks and banking, Government securities, Federal Reserve system.

**31 CFR Part 316**

Bonds, Government securities.

**31 CFR Part 351**

Bonds, Federal Reserve system, Government securities.

**31 CFR Part 353**

Banks and banking, Government securities, Federal Reserve system.

**31 CFR Part 359**

Bonds, Federal Reserve system, Government securities, Securities.

**31 CFR Part 360**

Bonds, Federal Reserve system, Government securities, Securities.

**31 CFR Part 363**

Bonds, Electronic funds transfer, Federal Reserve system, Government securities, Securities.

■ Accordingly, for the reasons set out in the preamble, 31 CFR Chapter II, Subchapter B, is amended as follows:

**PART 315—REGULATIONS GOVERNING U.S. SAVINGS BONDS, SERIES A, B, C, D, E, F, G, H, J, AND K, AND U.S. SAVINGS NOTES**

■ 1. The authority citation for part 315 continues to read as follows:

**Authority:** 31 U.S.C. 3105 and 5 U.S.C. 301.

■ 2. Amend § 315.0 by revising paragraph (a), to read as follows:

**§ 315.0 Applicability.**

\* \* \* \* \*

(a) Definitive (paper) United States Savings Bonds of Series E that have not been converted to book-entry savings bonds in New Treasury Direct, and Series H and United States Savings Notes, and

\* \* \* \* \*

■ 3. In § 315.2, redesignate paragraphs (b) through (p) as paragraphs (c) through (q) and add new paragraph (b), to read as follows:

**§ 315.2 Definitions.**

\* \* \* \* \*

(b) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

\* \* \* \* \*

■ 4. Add § 315.3 to read as follows:

**§ 315.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.**

Series E savings bonds that were originally issued as definitive bonds

may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is [www.treasurydirect.gov](http://www.treasurydirect.gov). Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

**PART 316—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES E**

■ 5. The authority citation for part 316 continues to read as follows:

**Authority:** 31 U.S.C. 3105 and 5 U.S.C. 301.

■ 6. Amend § 316.2 by revising the first sentence of paragraph (a) to read as follows:

**§ 316.2 Description of bonds.**

(a) *General.* Definitive (paper) Series E bonds bear a facsimile of the signature of the Secretary of the Treasury and of the Seal of the Department of the Treasury. \* \* \*

\* \* \* \* \*

■ 7. Revise § 316.3 to read as follows:

**§ 316.3 Governing regulations.**

(a) The regulations in 31 CFR part 315 apply to definitive Series E bonds that have not been converted to book-entry bonds.

(b) The regulations in 31 CFR part 363 apply to definitive Series E bonds that have been converted to book-entry bonds through New Treasury Direct.

**PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE**

■ 8. The authority citation for part 351 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 9. Amend § 351.1 by revising paragraphs (a) and (b) to read as follows:

**§ 351.1 What regulations govern Series EE savings bonds?**

(a) The regulations in 31 CFR part 353 apply to definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series EE savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series EE savings bonds that have been converted to book-entry bonds through New Treasury Direct.

\* \* \* \* \*

■ 10. Amend § 351.3 by adding the definition for “Converted bond” to read as follows:

**§ 351.3 What special terms do I need to know to understand this part?**

\* \* \* \* \*

*Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

\* \* \* \* \*

**PART 353—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES EE AND HH**

■ 11. The authority citation for part 353 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3125

■ 12. Amend § 353.0 by revising the first sentence of paragraph (a) and paragraph (c), to read as follows:

**§ 353.0 Applicability.**

(a) The regulations in this part govern definitive (paper) Series EE savings bonds that have not been converted to book-entry bonds through New Treasury Direct and definitive Series HH savings bonds. \* \* \*

\* \* \* \* \*

(c) The regulations in 31 CFR part 363 govern Series EE savings bonds that were originally issued as book-entry bonds in New Treasury Direct and Series EE savings bonds that were converted to book-entry bonds through New Treasury Direct.

■ 13. In § 353.2, redesignate paragraphs (b) through (l) as paragraphs (c) through (m) and add new paragraph (b), to read as follows:

**§ 353.2 Definitions.**

\* \* \* \* \*

(b) *Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

\* \* \* \* \*

■ 14. Add § 353.3 to read as follows:

**§ 353.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.**

Series EE savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is <http://www.treasurydirect.gov>.

Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

**PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I**

■ 15. The authority citation for part 359 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 16. Amend § 359.1 by revising paragraphs (a) and (b) to read as follows:

**§ 359.1 What regulations govern Series I savings bonds?**

(a) The regulations in 31 CFR part 360 apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

\* \* \* \* \*

■ 17. Amend § 359.3 by adding the definition of “Converted bond”, to read as follows:

**§ 359.3 What special terms do I need to know to understand this part?**

\* \* \* \* \*

*Converted bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

\* \* \* \* \*

**PART 360—REGULATIONS GOVERNING DEFINITIVE UNITED STATES SAVINGS BONDS, SERIES I**

■ 18. The authority citation for part 360 continues to read as follows:

**Authority:** 5 U.S.C. 301; 31 U.S.C. 3105 and 3125.

■ 19. Revise § 360.0 to read as follows:

**§ 360.0 Applicability.**

(a) The regulations in this part apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

■ 20. Amend § 360.2 by redesignating paragraphs (b) through (l) as paragraphs (c) through (m), and add new paragraph (b), to read as follows:

**§ 360.2 Definitions.**

\* \* \* \* \*

(b) *Converted savings bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

\* \* \* \* \*

■ 21. Add § 360.3 to read as follows:

**§ 360.3 Converting definitive savings bonds to book-entry bonds in New Treasury Direct.**

Series I savings bonds that were originally issued as definitive bonds may be converted to book-entry bonds through New Treasury Direct, an online system for holding Treasury securities. The Web address for New Treasury Direct is [www.treasurydirect.gov](http://www.treasurydirect.gov). Bond owners who wish to convert their definitive savings bonds should follow online instructions for conversion. Regulations governing converted bonds are found at 31 CFR part 363.

**PART 363—REGULATIONS GOVERNING SECURITIES HELD IN THE NEW TREASURY DIRECT SYSTEM**

■ 22. The authority citation for part 363 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3102, *et seq.*; 31 U.S.C. 3121, *et seq.*

■ 23. Revise § 363.3 to read as follows:

**§ 363.3 What Treasury securities may I hold in my New Treasury Direct account?**

You may hold the following securities in your New Treasury Direct account:

(a) Book-entry Series EE and Series I savings bonds;

(b) Certificates of indebtedness; and

(c) Series E, Series EE, and Series I savings bonds originally issued in definitive form that have been converted to book-entry bonds.

■ 24. Revise § 363.4 to read as follows:

**§ 363.4 How is New Treasury Direct different from the TreasuryDirect system?**

New Treasury Direct is an online (Internet accessible only) system that currently provides for the purchase and holding of book-entry savings bonds and certificates of indebtedness, and the holding of definitive savings bonds that have been converted to book-entry

bonds. There is a separate TreasuryDirect system (TreasuryDirect) available since 1986 for purchasing and holding only marketable Treasury securities as book-entry products. The TreasuryDirect system for marketable securities offers limited online services. The terms and conditions for the TreasuryDirect system for marketable securities are found at 31 CFR part 357.

■ 25. Amend § 363.6 by revising the definitions of “Beneficiary”, “Owner,” and “Single owner,” and adding the definitions of “Conversion account,” “Converted savings bond,” “Converting coowner,” “Coowner,” and “Non-converting coowner” to read as follows:

**§ 363.6 What special terms do I need to know to understand this part?**

\* \* \* \* \*

*Beneficiary* refers to the second individual named in the registration of a definitive savings bond, a converted definitive savings bond, or a book-entry security purchased through the New Treasury Direct system, registered, *e.g.*, “John Doe SSN 123-45-6789 POD (payable on death to) Joseph Doe SSN 987-65-4321.

\* \* \* \* \*

*Conversion account* means a linked account in New Treasury Direct that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

*Converted savings bond* means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

*Converting coowner* is the coowner who initiates and completes the transaction to convert a definitive savings bond to a book-entry bond through his or her New Treasury Direct account.

*Coowner* means either of the persons named in the registration of a definitive or a converted definitive savings bond, registered, *e.g.*, “John Doe SSN 123-45-6789 or Joseph Doe.”

\* \* \* \* \*

*Non-converting coowner* is the coowner who does not participate in the transaction to convert a definitive savings bond to a book-entry bond.

\* \* \* \* \*

*Owner* is either a single owner, the first person named in the registration of a security held in the owner with beneficiary form of registration, the primary owner of a security held in the primary owner with secondary owner

form of registration, or either coowner of a converted savings bond.

\* \* \* \* \*

*Single owner* means the individual named in the registration of a book-entry Treasury security or a converted savings bond without a beneficiary, secondary owner, or coowner.

\* \* \* \* \*

■ 26. Amend § 363.15 by revising paragraphs (a)(1), (a)(2), (a)(3), and (b)(3) to read as follows:

**§ 363.15 What is a New Treasury Direct account?**

\* \* \* \* \*

(a) \* \* \*

(1) Treasury securities purchased initially as book-entry securities that are your personal holdings, in sole owner, owner with beneficiary, and primary owner with secondary owner forms of registration;

(2) Gifts that have not yet been delivered; and

(3) Converted savings bonds that you have transferred from your conversion linked account.

(b) \* \* \*

(3) *Conversion account* means a linked account in New Treasury Direct that contains only savings bonds that have been converted from definitive bonds to book-entry bonds.

■ 27. Revise § 363.24 to read as follows:

**§ 363.24 What transactions can I perform online through my New Treasury Direct account?**

The following transactions are by way of illustration only, and are not intended to limit transactions that may be added to the system:

(a) You can purchase, redeem, transfer, and change the registration of eligible securities held in your account;

(b) You can grant and revoke the right to view an eligible security to any other New Treasury Direct account owner;

(c) You can grant and revoke the right to redeem an eligible security on which you are the primary owner to the secondary owner, if the secondary owner is a New Treasury Direct account owner;

(d) You can view or redeem eligible securities through your New Treasury Direct account on which you are the secondary owner, if the primary owner has granted those rights to you;

(e) You can deliver gift securities to the New Treasury Direct account of another person;

(f) You can make changes to your account information, including ACH information, password changes, and account security information;

(g) You can view a history of purchases, transactions, changes to

account information, and pending transactions;

(h) You can schedule future transactions, and change or delete pending transactions;

(i) You can open and access any linked accounts using your primary account as a portal; and

(j) You can convert eligible definitive savings bonds to book-entry bonds.

■ 28. Revise § 363.36 to read as follows:

**§ 363.36 What securities can I purchase and hold in my New Treasury Direct account?**

(a) You can purchase and hold eligible Treasury securities in your account. Eligible securities are Series EE and Series I savings bonds and certificates of indebtedness.

(b) You can hold converted savings bonds in your account.

■ 29. Revise § 363.40 to read as follows:

**§ 363.40 How are payments of principal and interest made?**

(a) *Matured security.* We will purchase a certificate of indebtedness in your name using the proceeds of a matured security. The certificate of indebtedness will be placed in your account.

(b) *Savings bond that is redeemed prior to final maturity.* (1) *Payment.* When you redeem a savings bond and request payment of the proceeds, you must select a specific bank account at a United States depository financial institution for the receipt of your payment. This selected bank account may be the same one that you designated as your primary bank account in your New Treasury Direct account or it may be a different bank account. We will make the payment using the ACH method.

(2) *Purchase of a certificate of indebtedness.* You may elect to purchase a certificate of indebtedness in your name using your redemption proceeds.

■ 30. Revise § 363.50 to read as follows:

**§ 363.50 What Treasury securities does this subpart govern?**

This subpart governs:

(a) Series EE and Series I book-entry savings bonds that were originally issued as book-entry bonds through New Treasury Direct; and

(b) Converted savings bonds that are registered in:

(1) The single owner form of registration of any series,

(2) The owner with beneficiary form of registration of Series EE and Series I savings bonds,

(3) The owner with beneficiary form of registration of Series E savings bonds

in which the beneficiary has consented to a change in the registration of the bond after conversion, and

(4) The coowner form of registration of any series in which the non-converting coowner has consented to a change in the registration of the bond after conversion.

**§§ 363.175–363.177 [Redesignated as §§ 363.200–363.202]**

■ 31. Redesignate §§ 363.175–363.177 as §§ 363.200–363.202.

■ 32. Add subpart E to read as follows:

**Subpart E—Conversion of a Definitive Savings Bond**

Sec.

363.160 What subparts govern the conversion of definitive savings bonds?

363.161 What definitive savings bonds are eligible to be converted to book-entry bonds?

363.162 Who may convert a definitive savings bond?

363.163 How do I convert an eligible definitive savings bond?

363.164 Is a converted savings bond eligible to be converted back into a definitive bond?

363.165 What happens when I convert a savings bond that is registered in my name as the owner, either coowner, or the owner with a beneficiary?

363.166 What happens when I convert a savings bond that is not registered in my name as owner, either coowner, or owner with beneficiary (including a bond registered in the name of a minor)?

363.167 How will a converted savings bond be registered?

363.168 What rules regarding registration apply to a converted savings bond?

363.169 What transactions can I conduct in a converted savings bond on which I am registered as the single owner, either coowner, or the owner with a beneficiary?

363.170 What transactions can I conduct in a savings bond that I converted on which I am not registered as the owner, either coowner, or owner with beneficiary?

363.171 How do I redeem a converted savings bond?

363.172 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to a converted savings bond held in the account?

363.173 What are the rules for judicial and administrative actions involving a converted savings bond held in New Treasury Direct?

363.174 What evidence is required to establish the validity of judicial proceedings involving a converted savings bond?

363.175 Will Public Debt pay a converted savings bond pursuant to a forfeiture proceeding?

363.176 May a converted savings bond be pledged or used as collateral?

363.177 Does Public Debt reserve the right to require that any transaction in a

converted savings bond be conducted in paper form?

363.178 Does Treasury reserve the right to suspend transactions in a converted savings bond?

363.179 Does Public Debt make any reservations as to the conversion of an eligible savings bond?

363.180–363.199 [Reserved]

**§ 363.160 What subparts govern the conversion of definitive savings bonds?**

(a) This subpart governs:

(1) The process of converting definitive savings bonds of all eligible series and types of registration to book-entry bonds in New Treasury Direct;

(2) Converted savings bonds of all series registered in the coowner form of registration, unless the non-converting coowner consents to a change in the registration of the bonds after conversion;

(3) Converted savings bonds of Series E registered in the owner with beneficiary form of registration, unless the beneficiary consents to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series that are held in the as a gift bond by the person who converted the bonds.

(b) Subpart C governs:

(1) Converted savings bonds of any series registered in the single owner form of registration;

(2) Converted Series EE and Series I savings bonds registered in the owner with beneficiary form of registration;

(3) Converted Series E savings bonds registered in the owner with beneficiary form of registration, where the beneficiary has consented to a change in the registration of the bonds after conversion; and

(4) Converted savings bonds of all series registered in the coowner form of registration, where the non-converting coowner has consented to a change in the registration of the bonds after conversion.

**§ 363.161 What definitive savings bonds are eligible to be converted to book-entry bonds?**

Series E, Series EE, and Series I savings bonds issued in denominations of \$25 or greater, in single owner, coowner, or owner with beneficiary forms of registration, are eligible for conversion to book-entry bonds in New Treasury Direct.

**§ 363.162 Who may convert a definitive savings bond?**

The owner of a New Treasury Direct primary account may convert a definitive savings bond.

(a) *Bond that is registered to the account owner.* The owner of a definitive savings bond registered in the

single owner form of registration, either coowner of a bond registered in the coowner form of registration, and the owner of a bond registered in the owner with beneficiary form of registration of all eligible series, may convert that definitive bond to a book-entry bond to be held in his or her New Treasury Direct account.

(b) *Bond that is registered to someone other than the account owner.* We will convert an eligible definitive savings bond submitted by someone other than the registered owner of the savings bond. See the special rules in section 363.166.

**§ 363.163 How do I convert an eligible definitive savings bond?**

We will provide online instructions for converting your definitive savings bond. You must surrender to us the definitive bond to be converted at the time of conversion.

**§ 363.164 Is a converted savings bond eligible to be converted back into a definitive bond?**

Once a definitive savings bond has been converted to a book-entry bond, it may not be converted back into a definitive bond.

**§ 363.165 What happens when I convert a savings bond that is registered in my name as the owner, either coowner, or the owner with a beneficiary?**

(a) *Unmatured savings bond.* When the conversion is approved, an unmatured savings bond that is registered in the name of the New Treasury Direct account owner as single owner, either coowner, or owner with beneficiary, will be released to the account owner's conversion linked account.

(b) *Matured savings bond.* A matured savings bond that is registered in the name of the New Treasury Direct account owner as single owner, either coowner, or owner with beneficiary, will be converted to a book-entry bond and automatically redeemed. The redemption proceeds will be used to purchase a certificate of indebtedness in the account owner's name in his or her primary account.

**§ 363.166 What happens when I convert a savings bond that is not registered in my name as owner, either coowner, or owner with beneficiary (including a bond registered in the name of a minor)?**

We will presume that a savings bond registered in the name of someone other than the New Treasury Direct account owner (including a bond registered in the name of a minor), was purchased by the account owner as a gift for the registered owner.

(a) *Unmatured savings bond.* (1) *General.* An unmatured savings bond registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond to the account owner's conversion linked account, and held until delivered to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of unmatured gift bond to registered owner.* The New Treasury Direct account owner may deliver the converted gift bond to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner, or, if the bond is registered in the coowner form of registration, to the account of either coowner. A bond registered in coowner or owner with beneficiary form of registration will retain the coowner or beneficiary form of registration upon delivery.

(b) *Matured savings bond.* (1) *General.* A matured savings bond registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond into the account owner's conversion linked account, and automatically redeemed. We will hold the redemption proceeds in the name of the registered owner of the definitive bond until the proceeds are delivered to the New Treasury Direct account (or minor linked account, if the registered owner is a minor) of the registered owner.

(2) *Delivery of matured, redeemed bond proceeds to registered owner.* If the gift bond has matured and has been automatically redeemed, then the New Treasury Direct account owner may direct that the held redemption proceeds be delivered to the New Treasury Direct account of the registered owner (or minor linked account, if the registered owner is a minor), where we will use the proceeds to purchase a certificate of indebtedness in the name of the registered owner. If the bond is registered in the coowner form of registration, the account owner may direct that the held redemption proceeds be delivered to the account of either coowner, where we will use the proceeds to purchase a certificate of indebtedness in the name of the coowner to whose account the bond was delivered.

**§ 363.167 How will a converted savings bond be registered?**

The registration of the converted bond will be the same as on the definitive bond, provided that it was registered properly in an authorized form of registration. We will change a definitive

savings bond that was not registered in an authorized form of registration to the closest authorized form of registration. For example, a definitive savings bond erroneously registered "John Doe and Jane Doe" will be changed to "John Doe or Jane Doe." We are not liable to any person for any such decision as to the closest form of authorized registration.

**§ 363.168 What rules regarding registration apply to a converted savings bond?**

(a) *Savings bond of any series registered in the single owner form of registration.* By converting a definitive bond of any eligible series registered in the single owner form of registration to book-entry in New Treasury Direct, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(b) *Savings bond of Series EE or Series I registered in the owner with beneficiary form of registration.* By converting a definitive bond of Series EE or Series I registered in an owner with beneficiary form of registration to a book-entry bond in New Treasury Direct, the owner has consented to the bond being governed by the rules regarding registration contained in subpart C of this part.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The registration of a converted savings bond of Series E registered in the owner with beneficiary form of registration may be changed upon the request of the owner and the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account.

(d) *Savings bond of any series registered in the coowner form of registration.* The registration of a converted savings bond of any eligible series registered in the coowner form of registration may be changed upon the request of one coowner and the consent of the other coowner. The transaction will not be conducted through the registered owner's New Treasury Direct account.

**§ 363.169 What transactions can I conduct in a converted savings bond on which I am registered as the single owner, either coowner, or the owner with a beneficiary?**

(a) *Savings bond of any series registered in the single owner form of registration.* By converting a definitive savings bond to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in New Treasury Direct. The bond will be subject to the provisions of subpart C of this part. Any

transaction available for a book-entry bond originally issued in the New Treasury Direct system is available for a converted bond registered in single owner form of registration.

(b) *Savings bond of Series EE and Series I registered in the owner with beneficiary form of registration.* By converting a definitive savings bond to a book-entry bond, you have consented to the bond being treated as if it were originally issued as a book-entry bond in New Treasury Direct. The bond will be subject to the provisions of subpart C of this part. Any transaction available for a book-entry bond purchased in the New Treasury Direct system is available for a converted bond of Series EE and Series I registered in the owner with beneficiary form of registration.

(c) *Savings bond of Series E registered in the owner with beneficiary form of registration.* The owner of a converted Series E bond registered in the owner with beneficiary form of registration may make the following transactions:

(1) *Provide view rights to the beneficiary.* The owner may provide the beneficiary with the right to view the bond in the beneficiary's New Treasury Direct account. Once the right to view the bond is provided to the beneficiary, the owner may not revoke that right.

(2) *Transfer without change in registration.* The owner may transfer the bond without a change of registration to another account in the name of the owner.

(3) *Remove the beneficiary from the registration.* The owner may remove the beneficiary's name from the registration with the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be changed to the single owner form of registration. Once the transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(4) *Transfer to the beneficiary or a third party with a change in registration.* The owner may remove his or her name from the registration and transfer the bond to the account of the beneficiary or a third party, with the consent of the beneficiary. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury

Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(d) *Savings bond of any series registered in the coowner form of registration.* The converting coowner of a converted bond registered in the coowner form of registration may make the following transactions:

(1) *Provide view or transact rights to non-converting coowner.* The converting coowner may provide the non-converting coowner with the rights to view the bond or to view and redeem the bond through the non-converting coowner's New Treasury Direct account. Once either of these rights is provided to the non-converting coowner, the converting coowner may not revoke the right.

(2) *Transfer without change in registration.* The converting coowner may transfer the bond without a change in registration to another account in the name of the converting coowner. The bond may be transferred without the consent of the non-converting coowner, and will retain the coowner registration.

(3) *Remove a coowner from the registration.* The converting coowner (or the non-converting coowner, if the bond has been previously transferred to the account of the non-converting coowner) may remove the other coowner from the registration. The consent of the other coowner is required. The bond must reside in the account of the coowner who is requesting the transaction. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond's registration will be changed to the single owner form of registration. Once this transaction is completed, the bond will be treated as a bond originally issued as a book-entry bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

(4) *Transfer to non-converting coowner or a third party with a change in registration.* The converting coowner may remove his or her name from the registration and transfer the bond to either the account of the non-converting coowner or to the account of a third party. The consent of the non-converting coowner is required. The transaction will not be conducted through the registered owner's New Treasury Direct account. The bond will be transferred in the single owner form of registration. Once the transfer is completed, the bond will be treated as a bond originally issued as a book-entry

bond in New Treasury Direct, and will be subject to subpart C of this part. The owner may then perform any transaction available for book-entry bonds purchased in the New Treasury Direct system.

**§ 363.170 What transactions can I conduct in a savings bond that I converted on which I am not registered as the owner, either coowner, or owner with beneficiary?**

The only transaction that you may conduct on a savings bond that you converted on which you are not registered as the owner, either coowner, or owner with beneficiary is to deliver the converted bond to the New Treasury Direct account of the registered owner.

**§ 363.171 How do I redeem a converted savings bond?**

(a) *Before final maturity.* (1) *Savings bond of any series registered either in the single owner or owner with beneficiary form of registration.* You may redeem your converted savings bond any time prior to final maturity after the minimum holding period through your New Treasury Direct account.

(2) *Savings bond of any series registered in the coowner form of registration.* The converting coowner may redeem the converted savings bond at any time prior to final maturity after the minimum holding period through his or her New Treasury Direct account. The non-converting coowner may redeem the converted savings bond at any time prior to final maturity after the minimum holding period provided that he or she has been granted transaction rights in the converted bond by the converting coowner.

(b) *Upon final maturity.* (1) *Savings bond of any series registered in the single owner, owner with beneficiary, or coowner forms of registration.* If you have not previously redeemed or transferred your converted savings bond, it will be automatically redeemed for you at final maturity.

(2) The redemption proceeds will be automatically used to purchase a certificate of indebtedness registered in your name and held in your New Treasury Direct account.

**§ 363.172 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to a converted savings bond held in the account?**

(a) *Estate is being administered.* (1) We will require appropriate proof of appointment for the legal representative of the estate. Letters of appointment must be dated within six months of submission, unless the appointment was made within one year before submission.

(2) The legal representative of the estate may request the payment of a converted savings bond, if the converted savings bond is eligible for redemption, to the estate or to the person(s) entitled, or may request transfer of the converted savings bond to the New Treasury Direct account(s) of the person(s) entitled, if the converted savings bond is eligible for transfer.

(3) The legal representative of the estate may not purchase a bond on behalf of the estate.

(4) If payment is requested, we will require ACH instructions.

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of a converted savings bond, if the converted savings bond is eligible for redemption, or may distribute the converted savings bond by transferring it to the New Treasury Direct account of the person(s) entitled, if the converted savings bond is eligible for transfer. If payment is requested, we will require ACH instructions. We will require a certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of a converted savings bond, if the converted savings bond is eligible for redemption, or may distribute the converted savings bond by transferring it to the New Treasury Direct account(s) of the person(s) entitled, if the converted savings bond is eligible for transfer. We will require appropriate evidence. If payment is requested, we will require ACH instructions.

(d) *Survivors' order of precedence for payment or transfer.* If there has been no administration, no administration is contemplated, no summary or small estate procedures have been used, and the total redemption value of the Treasury securities that are the property of the decedent's estate is \$100,000 or less, then the converted savings bond or redemption proceeds may be distributed to the persons named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendants of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the

decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class.

(3) There is no surviving spouse and there is a surviving child or descendants of deceased children: to the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: to the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: to the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: to other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: to persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: to the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person has not been reimbursed. Transfers are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments according to paragraph (d) of this section, we will make the payments by the ACH method to either a person individually, or individually and on behalf of all other persons entitled. We will require ACH instructions for payment. A person who receives a converted savings bond or payment of security proceeds individually and on behalf of others agrees to make



distribution or payment to the other persons entitled by the law of the decedent's domicile. The provisions of this section are for our convenience and do not determine ownership of a converted savings bond or its proceeds. We may rely on information provided by the person who requests payment or transfer, and are not liable for any action taken in reliance on the information furnished.

**§ 363.173 What are the rules for judicial and administrative actions involving a converted savings bond held in New Treasury Direct?**

(a) *Notice of adverse claim or pending judicial proceedings.* We are not subject to and will not accept a notice of an adverse claim or notice of pending judicial proceedings involving a converted savings bond held in New Treasury Direct.

(b) *Competing claims to a converted savings bond.* Treasury, Public Debt, and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a converted savings bond held in New Treasury Direct.

(c) *Divorce decree.* We will recognize a divorce decree that either disposes of a converted savings bond held in New Treasury Direct or ratifies a property settlement agreement disposing of the converted savings bond of either of the parties. If the divorce decree does not set out the terms of the property settlement agreement, we will require a certified copy of the agreement.

(d) *Final court order.* We will recognize a final order entered by a court that affects ownership rights in a converted savings bond held in New Treasury Direct only to the extent that the order is consistent with the provisions of this part. The owner of the converted savings bond must be a party to the proceedings.

(e) *Levy to satisfy money judgment.* We will honor a payment request submitted by a person appointed by a court and having authority under an order of a court to dispose of a converted savings bond held in New Treasury Direct pursuant to a money judgment against the owner of the converted savings bond, as owner is defined in section 363.6 of this part. We will only make payment to the extent of the money judgment; we will not transfer the bond.

(f) *IRS administrative levy.* We will honor an IRS administrative levy under section 6331 of the Internal Revenue Code with respect to the owner, as owner is defined in section 363.6 of this part.

(g) *Trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer.* We will honor a payment request submitted by a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer, if the original court order is against the owner, as owner is defined in section 363.6 of this part; we will not transfer the bond.

(h) *Court order that attempts to defeat or impair survivorship rights.* We will not recognize a judicial determination that attempts to defeat or impair the survivorship rights of a beneficiary, secondary owner, coowner, or the registered owner(s) of an undelivered gift that is a converted savings bond held in New Treasury Direct.

**§ 363.174 What evidence is required to establish the validity of judicial proceedings involving a converted savings bond?**

(a) We will require certified copies of the final judgment, decree, or court order, and any necessary supplementary proceedings.

(b) A payment request by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of appointment and qualification.

(c) A payment request by a receiver in equity or a similar court officer (other than a receiver of an insolvent's estate) must be supported by a copy of an order that authorizes the receiver or similar court officer to dispose of the converted savings bond.

**§ 363.175 Will Public Debt pay a converted savings bond pursuant to a forfeiture proceeding?**

(a) *General.* We will honor a judicial or administrative forfeiture order submitted by a federal agency. We will rely exclusively upon the information provided by the forfeiting agency and will not make any independent evaluation of the validity of the forfeiture order, the request for payment, or the authority of the individual signing the payment request. The amount to be paid is limited to the redemption value of the converted savings bond as of the date of forfeiture.

(b) *Definition of special terms relating to forfeitures.*

*Contact point* means the individual designated by the Federal investigative agency, United States Attorney's Office, or forfeiting agency, to receive referrals from Public Debt.

*Forfeiting agency* means the Federal law enforcement agency responsible for the forfeiture.

*Forfeiture* means the process by which property may be forfeited by a Federal agency. Administrative

forfeiture is forfeiture by a Federal agency without judicial proceedings; judicial forfeiture is a forfeiture through either a civil or criminal proceeding in a United States District Court resulting in a final judgment and order of forfeiture.

(c) *Procedures for a forfeiting agency to request forfeiture of Treasury securities.* A forfeiting agency must request forfeiture. An individual authorized by the forfeiting agency must sign the transaction request. The request must be mailed to the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV 26106-1328.

(d) *Public Debt procedures upon receipt of forfeiture request.* Upon receipt and review of the transaction request, we will make payment to the forfeiture fund specified. We will record the forfeiture, the forfeiture fund into which the proceeds were paid, the contact point, and any related information.

(e) *Inquiries from previous owner.* All inquiries or claims from the previous owner will be referred to the contact point of the forfeiting agency. We will tell the person who inquired that we referred his or her inquiry to the contact point. We will not investigate the inquiry. We will defer to the forfeiting agency's determination of the appropriate course of action, including settlement where appropriate. Any settlement will be paid from the forfeiture fund into which the proceeds were deposited.

**§ 363.176 May a converted savings bond be pledged or used as collateral?**

A converted savings bond may not be pledged or used as collateral for the performance of an obligation.

**§ 363.177 Does Public Debt reserve the right to require that any transaction in a converted savings bond be conducted in paper form?**

We reserve the right to require any transaction to be conducted in paper form. Signatures on paper transactions must be certified or guaranteed as provided in § 363.43.

**§ 363.178 Does Treasury reserve the right to suspend transactions in a converted savings bond?**

We reserve the right to suspend transactions in a converted savings bond held in New Treasury Direct if we deem it to be in the best interests of the United States.

**§ 363.179 Does Public Debt make any reservations as to the conversion of an eligible savings bond?**

We may reject any application for conversion or refuse to convert a savings

bond in any case or class of cases, if we  
deem the action to be in the public

interest. Our action in any such respect  
is final.

**§§ 363.180–363.199 [Reserved]**

Dated: January 15, 2005.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

[FR Doc. 05–5621 Filed 3–22–05; 8:45 am]

**BILLING CODE 4810–39–P**