
Department of the Treasury



Fiscal Service, Bureau of the Public Debt

**Part 321 - Payments By Banks and Other Financial Institutions of
United States Savings Bonds and United States Savings Notes
(Freedom Shares)**

Department Circular No. 750

As of July 2007

- 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 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.

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.

Fiscal Service, Treasury

§ 321.1

APPENDIX TO PART 321—APPENDIX TO DEPARTMENT OF THE TREASURY CIRCULAR NO. 750, FOURTH REVISION

AUTHORITY: 2 U.S.C. 901; 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3126.

SOURCE: 53 FR 37511, Sept. 26, 1988, unless otherwise noted.

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, EE, and I, 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).

[53 FR 37511, Sept. 26, 1988, as amended at 63 FR 38042, July 14, 1998]

§ 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] B."

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

(d) *Central Site* refers to the Federal Reserve Bank of Cleveland, Pittsburgh Branch, EZ CLEAR Department.

(e) *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.

(f) *Federal Reserve Bank or Branch* refers to the Federal Reserve Bank to which the agent is instructed to trans-

mit redeemed securities; or to which the agent is instructed to forward securities for payment or other transactions, and includes parent Banks, Branches and Regional Check Processing Centers, as appropriate.

(g) *Legal Representative* or *representative* means the court-appointed (or otherwise qualified) person, regardless of title, who is legally authorized to act for the estate of a minor, incompetent, aged person, absentee, *et al.*, the court-appointed executor or administrator, regardless of title, who is legally authorized to act for a decedent's estate; and the trustee of a personal trust estate.

(h) *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.

(i) *Paying agent* or *agent* 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 establishing at military installations overseas, provided the offering of such redemption services has been authorized by the Department of the Treasury.

(j) *Presenter* means the individual requesting the redemption or redemption-exchange of securities.

(k) *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.

(l) *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.

§ 321.2

31 CFR Ch. II (7–1–07 Edition)

(m) *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.

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

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

(p) *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.

(q) *Taxpayer identifying number* means a social security account number or an employer identification number.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 59 FR 10536, Mar. 4, 1994; 63 FR 38042, July 14, 1998]

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)(1) An organization that desires to redeem securities must first qualify as a paying agent. An organization that has qualified and is serving as a paying agent must:

(i) MICR-encode data on securities accepted for payment,

(ii) Submit them directly to the Check Department of the appropriate Federal Reserve Bank or Branch or the Regional Check Processing Center, and

(iii) Receive payment of fees by ACH, or arrange to obtain one or more of these services from another financial institution.

(2) All presenting institutions, as defined in § 321.1, must qualify as savings bond paying agents and enroll in EZ CLEAR.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10536, Mar. 4, 1994]

§ 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 an application-agreement with the appropriate Federal Reserve Office referred to in § 321.25. The terms of each application-agreement shall include a reference to the following provisions to which paying agents are subject:

(1) The provisions prescribed by section 202 of Executive Order 11246, entitled “Equal Employment Opportunity”, as amended (42 U.S.C. 2000e note); and

(2) The provisions of the Privacy Act of 1974, as amended (5 U.S.C. 552a), and regulations issued pursuant thereto (31 CFR part 1, subpart C).

For the purpose of these regulations, eligible institutions in Puerto Rico and the Virgin Islands shall make application to the Federal Reserve Bank Branch in Buffalo, New York and eligible institutions in Guam shall make application to the Federal Reserve Bank of Kansas City.

(b) *Qualification.* Each Federal Reserve Bank referred to in § 321.25, as fiscal agent of the United States, is authorized to qualify any eligible organization, located in the Reserve Bank’s geographical area, as shown in § 321.25, which possesses adequate authority under its charter to act as paying agent. Upon approval of an application-

Fiscal Service, Treasury

§ 321.7

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 referred to in § 321.25, a financial institution may announce or advertise its authority to redeem eligible securities for cash and to process 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).

(d) *Adverse action.* An organization will be notified by the appropriate Federal Reserve Bank referred to in § 321.25, in writing, if its application-agreement to act as paying agent is not approved.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994; 63 FR 38042, July 14, 1998]

§ 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 referred to in § 321.25 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 referred to in § 321.25 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.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

Subpart C—Scope of Authority

§ 321.6 General.

Securities are issued only in registered form (subject to 31 CFR 359.11), 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 Series I bonds are contained in Department of the Treasury Circular, Public Debt Series No. 2-98 (31 CFR part 360); and, those governing all other series of U.S. savings securities are contained in Department of the Treasury Circular No. 530, current revision (31 CFR part 315).

[63 FR 38042, July 14, 1998]

§ 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, EE, and I, and savings notes, presented for cash redemption. Except as provided in paragraphs (b) through (d), and (f) 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

§321.7

31 CFR Ch. II (7-1-07 Edition)

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) *Payment to a legal representative designated on a security by name and title.* An agent may redeem a security registered in the name and title of a legal representative as defined in §321.1(f), if the legal representative is known to the agent, or can establish identity in accordance with Treasury instructions and guidelines. The request for payment on the back of each security must be signed by the legal

representative designated by name and title in the registration on the front of the security, or by a person authorized or empowered to act for a corporate legal representative so designated. The full title of the legal representative should be shown adjacent to each signature and, in the case of a corporate legal representative, the full corporate name, as well as the title, *i.e.*, vice president, trust officer, *etc.*, should be shown. Examples:

Henry C. Smith, conservator of the estate of John R. White, an adult, pursuant to Sec. 633.572 of the Iowa Code.

Tenth National Bank by Arnold A. Ames, Vice President, guardian of the estate of Barry B. Bryan, a minor.

(f) *Payment to a legal representative of a decedent’s estate not designated on a security.* An agent may redeem a security bearing the names of deceased persons in the registration, if the legal representative of the estate of the last deceased registrant:

- (1) Presents the security;
- (2) Signs the request for payment on the back of the security, showing the representative’s full title adjacent to the signature; and
- (3) Presents acceptable evidence of the legal representative’s appointment and of the dates of death of all persons named in the security’s registration, in accordance with this part and the appendix.

In the case of a corporate legal representative, the full corporate name, as well as the title, must be shown. Examples:

John H. Smith and Charles N. Jones, co-executors of the will of Robert J. Smith, deceased.

Tenth National Bank by John F. Green, Trust Officer, executor of the will of George N. Brown, deceased.

(g) *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. (See Item 26 of the appendix to this part for information concerning

Fiscal Service, Treasury

§ 321.9

the education feature of Series EE savings bonds issued on or after January 1, 1990, and of Series I savings bonds.)

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35395, Aug. 29, 1990; 63 FR 38042, July 14, 1998]

§ 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 bearing issue dates of January 1, 2003, or earlier, presented no earlier than six months from their issue dates;

(2) Series EE bonds bearing issue dates of February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and

(3) 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, the legal representative (excluding a representative of a decedent's estate), the surviving coowner or beneficiary, or the principal coowner (as defined in § 352.7(e)(2) in 31 CFR part 352 (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. A presenter who is a legal representative should show the full title adjacent to each signature and, in the case of a corporate legal representative, should show the full corporate name, as well as the title. If the name of the presenter has been changed by marriage, or if the presenter is named as bene-

ficiary or legal representative on the securities, the agent may process the transaction in accordance with the provisions of § 321.7 (b), (d), or (e) of this part. If the agent is authorized and elects to use the special endorsement procedure, set out in 31 CFR part 330 (Circular No. 888, current revision), 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 transmit for settlement via EZ CLEAR securities redeemed on exchange and, at the same time, forward the exchange application (PD F 3253) and any additional cash needed to complete the transaction, to the Fiscal Agency Department of the servicing Federal Reserve Bank referred to in § 321.25. Securities redeemed on exchange may be commingled with cash redemptions in mixed or separately sorted cash letters."

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]

§ 321.9 Specific limitations on payment authority.

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

(a)(1) If it is a Series EE bond or a Series I bond issued on January 1, 2003, or earlier, presented for payment prior to six months from its issue date; or

(2) If it is a Series EE bond or a Series I bond issued on February 1, 2003, or thereafter, presented for payment prior to 12 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.

§ 321.10

(e) If the presenter does not sign his or her name in ink as it is inscribed on the security (except as provided in § 321.7 (b) or (c) of this part, or appears in evidence of appointment (see § 321.7(f)), and show a home or business address.

(f) If the taxpayer identifying number of the presenter, or the estate represented by the presenter, is not known to the agent and the presenter 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 in its own right.

(i) If Treasury regulations require the submission of documentary evidence to support the redemption, except as provided in § 321.7 (d) or (f) of this part, as in the case of 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.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 63 FR 38042, July 14, 1998; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]

§ 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 co-owner named on the securities, in accordance with the provisions of this part, and the appendix to this part, and the

31 CFR Ch. II (7-1-07 Edition)

Treasury Identification Guide for Cash-ing 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, a legal representative designated in the registration of securities presented, or a legal representative of the last deceased registrant's estate who can provide acceptable evidence (see § 321.7 (d) or (f)) and establish identity in accordance with this part.

(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.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990]

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) *Evidence—Payment to a legal representative of the last deceased registrant's estate.* The agent shall determine whether the legal representative is entitled to request payment, as provided in § 321.7(f). In addition to establishing the presenter's identification, as required by paragraph (b) of this section, the agent shall require evidence of appointment as well as evidence of the dates of death of all persons named in the registrations of the securities presented. Evidence of the representative's appointment must be either a court certificate or a copy of the letters of appointment, certified to be true and correct under seal of the court or clerk of court. If the original appointment was made more than one year prior to the presentation of the securities it must also bear the court clerk's statement that the appointment is in full force and effect. This statement must be under seal of the court or clerk of court and dated within six months of the presentation. Such evidence of appointment must pertain to the estate of the last deceased registrant designated on the securities. A copy of a death certificate, certified under seal of the State or local registrar, is the only acceptable evidence of the date of death.

(e) *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. Fiduciaries must sign as provided in § 321.7 (e) and (f).

(2) If the agent is qualified under 31 CFR part 330 (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.

(f) *Certification of request.* An agent is not required to complete the certification to the requests for payment on

securities it redeems. When an agent transmits redeemed securities for settlement, as indicated in § 321.14 of this part, such agent 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 hereto.

[53 FR 37511, Sept. 26, 1988, as amended at 55 FR 35396, Aug. 29, 1990; 59 FR 10537, Mar. 4, 1994]

§ 321.12 Redemption value of securities.

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

[63 FR 38042, July 14, 1998]

§ 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 appropriate 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 an appropriate Federal Reserve Bank in payment for Series HH bonds.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

§ 321.14 Transmittal to and settlement by Federal Reserve Bank.

In accordance with Federal Reserve Bank instructions, a paying agent shall transmit with an EZ CLEAR cash letter securities redeemed for cash and on redemption-exchange, either directly or through a correspondent institution,

§ 321.15

to the Check Department of the appropriate Bank or Branch, or to a Regional Check Processing Center (RCPC). Upon receipt of the securities, the Bank, Branch, or RCPC will arrange for immediate settlement with the presenting institution. Such settlement shall be made by a credit to the presenting institution's Reserve or other clearing account in the total amount paid, as reflected on the cash letter, and shall be subject to adjustment via a charge or credit to that account if any discrepancy is subsequently discovered.

[59 FR 10537, Mar. 4, 1994]

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, WV 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

31 CFR Ch. II (7-1-07 Edition)

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 referred to in § 321.25, as fiscal agent, or any Treasury office authorized to redeem securities, as well as to paying agents.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

§ 321.21 Replacement and recovery of losses.

(a) If a final loss results from the redemption of a security, and the paying agent redeeming the security is not relieved of liability for such loss under 31 U.S.C. 3126(a), the Bureau of the Public Debt will demand that the paying agent promptly reimburse the United States in the amount of the final loss and will take such other action as may be necessary to collect such amount as set out in the procedure described in Paragraph 21 of the appendix to this part.

(b) 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.

[61 FR 37197, July 16, 1996]

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 referred to in § 321.25. 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.

[53 FR 37511, Sept. 26, 1988, as amended at 59 FR 10537, Mar. 4, 1994]

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 referred to in § 321.25.

(1) *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.

(2) To comply with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (2 U.S.C. 901, *et seq.*), or the legislative resolution resulting therefrom, the Secretary may authorize, upon notice in the FEDERAL REGISTER, the discontinuance, reduction or delay of fee payments. Fee payments so affected may subsequently be paid in accordance with the schedule of fees as hereafter published, subject to the availability of funds therefor, and to the extent permitted by law. Fee payments for servicing occurring after notice of the resumption of such payments has been published in the FEDERAL REGISTER will be made in accordance with the schedule of fees published in such notice.

(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.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 39960, Oct. 1, 1990; 59 FR 10537, Mar. 4, 1994]

§ 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

31 CFR Ch. II (7–1–07 Edition)

§ 321.25 Role of Federal Reserve Banks.

(a) The Federal Reserve Banks referred to below, 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.

(b) The following Federal Reserve Offices have been designated to provide savings bond services:

Servicing office	Reserve districts served	Geographic area served
Federal Reserve Bank, Buffalo Branch, P.O. Box 961, Buffalo, NY 14240.	New York, Boston	CT, MA, ME, NH, NJ (northern half), NY (City & State), RI, VT, Puerto Rico and Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, P.O. Box 867, Pittsburgh, PA 15230.	Cleveland, Philadelphia.	DE, KY (eastern half), NJ (southern half), OH, PA, WV (northern panhandle).
Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA 23261.	Richmond, Atlanta	AL, DC, FL, LA (southern half), MD, MS (southern half), NC, SC, TN (eastern half), VA, WV (except northern panhandle).
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis MN 55401.	Minneapolis, Chicago.	IA, IL (northern half), IN (northern half), MI, MN, MT, ND, SD, WI.
Federal Reserve Bank of Kansas City, 925 Grand Avenue, Kansas City, MO 64198.	Dallas, San Francisco, Kansas City, St. Louis.	AK, AR, AZ, CA, CO, HI, ID, IL (southern half), IN (southern half), KS, KY (western half), LA (northern half), MO, MS (northern half), NE, NM, NV, OK, OR, TN (western half), TX, WA, WY, UT and GU.

[59 FR 10537, Mar. 4, 1994, as amended at 63 FR 38042, July 14, 1998]

§ 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 PART 321—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 (31 CFR part 351, Series EE bonds), 2–80 (31 CFR part 352, Series HH bonds), 1–98 (31 CFR part 359, Series I bonds), and 3–67 (31 CFR part 342, savings notes), and Department of the Treasury Circulars Nos. 653 (31 CFR part 316, Series E bonds) and 905 (31 CFR part 339, Series H bonds).

(b) *Regulations.* Department of the Treasury Circular, Public Debt Series No. 3–80 (Series EE and HH bonds); Department of the Treasury Circular, Public Debt Series 2–98 (Series I bonds); Department of the Treasury Circulars Nos. 530 (all other series of savings 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.* [§§ 321.3(b) and 321.13] The appropriate 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 redeem and submit redeemed securities for its own account to a Federal Reserve Bank or Branch or to a Regional Check Processing Center. At the paying agent's request, only one four-digit code will be assigned for use by all of its branches. 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 appropriate Federal Reserve Bank referred to in § 321.25 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.* [§ 321.7(a)] The general authority of paying agents to redeem savings securities for cash extends to Series A, B, C, D, E, EE, and I bonds and savings notes presented by the owner, coowner, surviving ben-

eficiary, parent on behalf of a minor, legal representative designated in the registrations of savings securities presented, or legal representative of the last deceased registrant's estate. The presenter must sign the requests for payment and establish his or her identity and, in the case of a beneficiary, parent or legal representative of the last deceased registrant's estate, 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 issued January 1, 2003, or earlier, presented no earlier than six months from their issue dates; (2) Series EE bonds issued February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and (3) 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 referred to in §321.25 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 taxpayer identifying number of the presenter, or the estate represented by the presenter, is not known to the agent and the presenter 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.* [§321.10(a)] A paying agent shall redeem eligible savings securities during its regular business hours for a presenter who establishes his or her identity as the owner or co-

owner of the securities, in accordance with this part and this appendix. While a paying agent is not required to redeem eligible Series E and EE savings bonds and savings notes in exchange for Series HH bonds for any presenter, or Series E, EE, or I bonds or savings notes for cash upon the request of a surviving beneficiary or legal representative, it is encouraged to do so, provided the presenter can establish his/her identity and provide acceptable evidence to accordance with this part and this appendix (See §321.7 (d) and (f)). An agent is not required to redeem savings 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) through (d)] 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 or a legal representative of the last deceased registrant's estate, it should also make a notation of the evidence presented to establish the payee's entitlement; this might include the document or case number on the death certificate(s) and/or evidence of the legal representative's appointment, the date(s) of death, and the names and locations of the issuing authorities. The notations should be sufficient to permit a determination 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.

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

(a) *Signature.* [Sec. 321.11(e)] Except where an agent qualified under 31 CFR 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 31 CFR part 330 and this appendix provide for an exception, such as in cases involving a change of name by marriage, a request by a parent on behalf of a minor, or a legal representative of the last deceased registrant's estate. An agent may be held liable if the request for payment is not properly signed. Legal representatives must sign as provided in §321.7 (e) and (f).

(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.* [§321.12] The Bureau of the Public Debt distributes redemption values in various formats and as part of programs for personal computers, for: (1) Series E bonds, (2) Series EE bonds, (3) Series I bonds, and (4) savings notes. Additional tables or information may be requested from the appropriate Federal Reserve Bank referred to in §321.25.

(b) *Use of tables.* [§321.12] Care should be exercised to correctly determine the current redemption value of the security presented 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 appropriate Federal Reserve Bank referred to in §321.25.

(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.* [§321.12] The redemption values of eligible Series E and EE savings bonds and savings notes presented for exchange (Series I savings bonds are not eligible for exchange) for Series HH bonds shall be those payable in the month the agent accepts a correctly completed and signed exchange subscription, Public Debt Form 3253. The total redemption value of se-

curities 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 add cash to increase the amount of the subscription to the next higher \$500 multiple, or 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 1½ 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 appropriate Federal Reserve Bank referred to in §321.25 (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 the appropriate Federal Reserve Bank referred to in §321.25 or purchase its own stamps. Stamps not provided by the appropriate Federal Reserve Bank referred to in §321.25 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.* [§321.13] Eligible Series E and EE savings bonds and savings notes 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 appropriate Federal Reserve Bank referred to in §321.25 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.* [§321.13] An agent 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 the Public Debt's savings bond 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. 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.* [§321.14] An agent shall transmit and receive settlement for redeemed securities via EZ CLEAR, *i.e.*, the Check Department of a Federal Reserve Bank or Branch or the Regional Check Processing Center. Redeemed securities may be transmitted in separately sorted or mixed cash letters to the Check Department of a Federal Reserve Bank or Branch, or to a Regional Check Processing Center, either directly, or via a parent office or correspondent institution. An agent shall transmit redeemed securities under cover of the appropriate transmittal document. Eligible Series E and EE savings bonds and savings notes redeemed in exchange for Series HH bonds must be transmitted for settlement via EZ CLEAR at the same time as the exchange application (Public Debt Form 3253) and any additional cash needed to complete the transaction are forwarded to the Fiscal Agency Department of the servicing Federal Reserve Bank referred to in §321.25. Eligible Series E and EE savings bonds and savings notes redeemed on exchange may be commingled with cash re-

demptions in mixed or separately sorted cash letters.

16. *Transmittal of securities to Federal Reserve Bank via fiscal agency system.* [§321.14] The Fiscal Agency Department of a Federal Reserve Bank or Branch will not accept for settlement securities an agent has redeemed.

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.* [§321.14] Series A, B, C, D, E, EE, and I bonds and savings notes redeemed for cash or eligible Series E and EE bonds and savings notes redeemed on exchange may be commingled in mixed cash letters containing commercial checks and other items or 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* [§321.14] The Bureau of the Public Debt will audit all redemption data received from the Central

Site as promptly as possible. Each presenting institution will, in due course, be notified by the Bank of any adjustments required. The Bank will adjust via a charge or credit to the presenting institution's Reserve or clearing account any amounts previously credited to that account.

(3) *Requests for Adjustments.* Depositors who discover errors in their EZ CLEAR cash letters subsequent to deposit should allow sixty (60) calendar days from the date of their EZ CLEAR cash letter before requesting adjustments for the cash letter. This will allow sufficient time for the Treasury to classify the savings bonds, forward adjustments to the Central Site and for the Central Site to research and function adjustments to the depositor.

(4) *Separately Sorting Depositors* should submit adjustment requests directly to the Central Site Adjustments Department in correspondence. However, all requests for adjustments due to incorrect cash letter crediting should be directed to the servicing Federal Reserve Bank.

(5) *Mixed Depositors* should submit adjustment requests to their servicing Federal Reserve Bank.

18. *Record of securities paid.* [§§ 321.14 and 321.24] A record of the serial number and the amount paid for each redeemed security must be retained by the agent for one year so that settlement can be made if the security is lost in transit, and so that the agent can process any subsequent adjustment as described in paragraph 17(e)(2) above. 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 an appropriate 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, WV 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 and Sec. 321.21]

(a) Upon completing the investigation, the Bureau of the Public Debt will examine the available information and determine whether a paying agent may be relieved of liability for any loss that may have resulted. If the paying agent cannot be relieved of liability, demand will be made upon the paying agent to reimburse the Treasury promptly. Any amount not paid within 30 days following the mailing of the first demand letter is subject to the following charges.

(1) Interest shall accrue from the date the first demand letter is mailed to the date reimbursement is made. The rate of interest to be used will be the current value of funds rate published annually or quarterly in the FEDERAL REGISTER and in effect during the entire period in which the remittance is late.

(2) Administrative costs shall be assessed as set out in the first demand letter, if reimbursement is not made within 30 days of the date the first demand letter is mailed.

(3) Penalty charges shall be assessed, in accordance with 31 U.S.C. 3717(e), if reimbursement is not made within 120 days of the date the first demand letter is mailed. The penalty charge will accrue and be calculated from 30 days after the date the first demand letter is mailed to the date of reimbursement.

(b) When a paying agent fails, within 120 days of the date the first demand letter is mailed, to make such reimbursement or to submit new evidence sufficient for Public Debt to change the determination of liability, by virtue of the paying agent's acceptance of settlement via credits to a Reserve, correspondent, or clearing account with a Federal Reserve Bank or Branch, the agent is deemed to have authorized the Federal Reserve Bank to debit the amount due from that account designated or utilized by the agent at the Federal Reserve Bank or Branch. An institution, designated by a paying agent to receive settlement on its behalf, in authorizing such paying agent to utilize its Reserve, correspondent, or clearing account on the books at the Federal Reserve Bank shall similarly be deemed to authorize such debits from that account.

(c) Reconsideration of a determination of liability will be made in any case when a paying 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 the appropriate Federal Reserve Bank referred to in §321.25, 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 appropriate Federal Reserve Bank referred to in §321.25.

(e) *Partial redemption.* [§§ 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 or I bond, or a \$500 Series H or HH bond may be made by the appropriate Federal Reserve Bank referred to in §321.25. 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 or guaranteed. 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).

Fees will be paid 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 Federal Reserve 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, PA 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* [§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]. The presenting institution should resubmit a photocopy of the security to obtain settlement in accordance with established procedures. Questions concerning the established procedures should be referred to the servicing Federal Reserve Bank.

26. *Education savings bond program.* [Sec. 321.7(g)]

(a) Section 6009 of the Technical Corrections and Miscellaneous Revenue Act of 1988, Public Law 100-647 (see 26 U.S.C. 135), permits taxpayers to exclude all, or a portion, of the interest earned on Series EE savings bonds bearing issue dates on or after January 1, 1990, and on Series I savings bonds from their income under certain conditions. This legislation did not create new savings bond redemption and interest reporting requirements for savings bond paying agents. However, if a bond owner indicates that he or she intends to seek the special tax treatment offered under this program, the paying agent is encouraged to provide assistance by:

(1) Suggesting that he or she read IRS Form 8815 (particularly, the instructions on the form) as well as relevant portions of IRS Publication 17, "Your Federal Income Tax", and Publication 550, "Investment Income and Expenses," for detailed information; and

(2) Suggesting that the presenter make a record of eligible bonds redeemed either by using IRS Optional Form 8818, or otherwise.

(b) Bond owners seeking to benefit from the special tax exclusion, available through the savings bond education feature, should be aware of the following basic rules:

(1) Only interest earned on Series EE bonds bearing issue dates on or after January 1,

Fiscal Service, Treasury

1990, is eligible for the exclusion of interest income, where the proceeds from the redemption of the bonds are used to pay qualified post-secondary education expenses. Interest received on bonds bearing issue dates prior to January 1, 1990, is not eligible.

(2)(i) The bonds must be registered in the name of a taxpayer as sole owner, or in the name of the taxpayer as co-owner, with the taxpayer's spouse as the other co-owner. Bonds registered in the name of the taxpayer's child, as owner or co-owner, will not qualify for the exclusion. A taxpayer may purchase bonds registered in beneficiary form, i.e., "A payable on death to B", naming any individual, including a child, as beneficiary.

(ii) The bonds must be registered in the name of a taxpayer who has attained the age of 24 years at the time of issue. Generally, a taxpayer must be 24 years of age on or before the first day of the month in which the taxpayer purchases the bond, because savings bonds bear the issue date of the first day of the month in which purchased.

(3) The bond must be redeemed by the owner or co-owner. It may not be transferred to the educational institution.

(4) If the entire amount of the proceeds of the eligible bonds is less than, or equal to, the qualified post-secondary educational expenses incurred by the owner, his or her spouse, or his or her dependent, all interest received is excludable, subject to the limitations in paragraph (b)(7) of this section. If the amount of the proceeds exceeds such qualified expenses, the excludable portion of the interest will be reduced by a pro rata amount.

(5) Qualified educational expenses are limited to tuition and fees required for the enrollment of, or attendance by, the taxpayer, or the taxpayer's spouse or dependent, at an eligible educational institution. These expenses are calculated net of scholarships, fellowships, employer-provided educational assistance, and other tuition reduction amounts, and must be incurred during the tax year of the redemption of the bonds for which the interest exclusion is claimed.

(6) Eligible educational institutions include those defined in sections 1201(a) and 481(a)(1) (C) and (D) of the Higher Education Act of 1965, as in effect on October 21, 1988, excluding proprietary institutions. Such eligible institutions include post-secondary institutions, and vocational schools that meet the standards for participation in Federal financial aid programs, excluding proprietary institutions. Additional guidance concerning eligible institutions should be obtained from the Department of Education.

(7)(i) Interest exclusion benefits are based on the modified adjusted gross income of the taxpayer. For taxpayers filing a joint Federal income tax return, the exclusion is gradually decreased for modified adjusted

gross income between \$60,000 and \$90,000. Married taxpayers filing jointly who have modified adjusted gross incomes above \$90,000 are ineligible for the exclusion. For single taxpayers and heads of households, the exclusion is gradually decreased for such incomes between \$40,000 and \$55,000. Single taxpayers with such incomes above \$55,000 are ineligible for the exclusion. After 1990, these income limits will be adjusted for inflation.

(ii) Married taxpayers must file a joint return in order to qualify for the exclusion. Married taxpayers filing separate returns will not qualify for the exclusion, regardless of their modified adjusted gross incomes.

(8) The taxpayer is responsible for maintaining adequate records of bond redemption transactions to support claims for the exclusion, in accordance with applicable rules and regulations of the Internal Revenue Service.

(9) The Internal Revenue Service should be consulted for advice concerning the eligibility and tax treatment of bonds for the income exclusion under the educational savings bond program.

27. *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 appropriate Federal Reserve Bank referred to in §321.25.

[53 FR 37511, Sept. 26, 1988; 53 FR 39581, Oct. 7, 1988, as amended at 55 FR 35397, Aug. 29, 1990; 59 FR 10538, Mar. 4, 1994; 61 FR 37197, July 16, 1996; 63 FR 38042, 38043, July 14, 1998; 68 FR 2666, Jan. 17, 2003; 68 FR 7427, Feb. 14, 2003]