

## Fiscal Service, Treasury

## § 344.1

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APPENDIX A TO PART 344—EARLY REDEMPTION MARKET CHARGE FORMULAS AND EXAMPLES FOR SUBSCRIPTIONS FROM DECEMBER 28, 1976, THROUGH OCTOBER 27, 1996

APPENDIX B TO PART 344—FORMULA FOR DETERMINING REDEMPTION VALUE FOR SECURITIES SUBSCRIBED FOR AND EARLY-REDEEMED ON OR AFTER OCTOBER 28, 1996

AUTHORITY: 26 U.S.C. 141 note; 31 U.S.C. 3102, 3103, 3104, and 3121.

SOURCE: 65 FR 55405, Sept. 13, 2000, unless otherwise noted.

### Subpart A—General Information

SOURCE: 70 FR 37911, June 30, 2005, unless otherwise noted.

#### § 344.0 What does this part cover?

(a) *What is the purpose of the SLGS securities offering?* The Secretary of the Treasury (the Secretary) offers for sale non-marketable State and Local Government Series (SLGS) securities to provide issuers of tax-exempt securities with investments from any eligible source of funds (as defined in § 344.1).

(b) *What types of SLGS securities are governed by this part?* This part governs the following SLGS securities:

(1) *Time Deposit securities*—may be issued as:

- (i) Certificates of indebtedness;
- (ii) Notes; or
- (iii) Bonds.

(2) *Demand Deposit securities*—may be issued as certificates of indebtedness.

(3) *Special Zero Interest securities*. Special Zero Interest securities, which were discontinued on October 28, 1996, were issued as:

- (i) Certificates of indebtedness; or
- (ii) Notes.

(c) *In what denominations are SLGS securities issued?* SLGS securities are issued in the following denominations:

(1) *Time Deposit securities*—a minimum amount of \$1,000, or in any larger whole dollar amount; and

(2) *Demand Deposit securities*—a minimum amount of \$1,000, or in any larger amount, in any increment.

(d) *How long is the offering in effect?* The offering continues until terminated by the Secretary.

#### § 344.1 What special terms do I need to know to understand this part?

As appropriate, the definitions of terms used in this part are those found in the relevant portions of the Internal Revenue Code and the Income Tax Regulations.

*BPD's Web site* refers to <http://www.slgs.gov>.

*Business day(s)* means Federal business day(s).

*Current Treasury borrowing rate* means the prevailing market rate, as determined by Treasury, for a Treasury security with the specified period to maturity. In the case where SLGS rates are needed for maturities currently not issued by Treasury, at our discretion, suitable proxies for Treasury securities and/or a rate setting methodology, as determined by the Secretary, may be used to derive a current Treasury borrowing rate. At any time that the Secretary establishes such proxies or a rate-setting method or determines that the methodology should be revised, we will make an announcement.

*Day(s)* means calendar day(s).

*Eligible source of funds* means:

(1) Any amounts that constitute gross proceeds of a tax-exempt bond

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issue or are reasonably expected to become gross proceeds of a tax-exempt bond issue;

(2) Any amounts that formerly were gross proceeds of a tax-exempt bond issue, but no longer are treated as gross proceeds of such issue as a result of the operation of the universal cap on the maximum amount treated as gross proceeds under 26 CFR 1.148-6(b)(2);

(3) Amounts held or to be held together with gross proceeds of one or more tax-exempt bond issues in a refunding escrow, defeasance escrow, parity debt service reserve fund, or commingled fund (as defined in 26 CFR 1.148-1(b));

(4) Proceeds of a taxable bond issue that refunds a tax-exempt bond issue or is refunded by a tax-exempt bond issue; or

(5) Any other amounts that are subject to yield limitations under the rules applicable to tax-exempt bonds under the Internal Revenue Code.

*Issuer* refers to the Government body or other entity that issues state or local government bonds described in section 103 of the Internal Revenue Code.

*SLGS rate* means the current Treasury borrowing rate, less one basis point, as released daily by Treasury in a SLGS rate table.

*SLGS rate table* means a compilation of SLGS rates available for a given day.

*“We,” “us,” or “the Secretary”* refers to the Secretary and the Secretary’s delegates at the Department of the Treasury (Treasury), Bureau of the Public Debt (BPD). The term also extends to any fiscal or financial agent acting on behalf of the United States when designated to act by the Secretary or the Secretary’s delegates.

*Yield* on an investment means “yield” as computed under 26 CFR 1.148-5.

*You or your* refers to a SLGS program user or a potential SLGS program user.

### § 344.2 What general provisions apply to SLGS securities?

(a) *What other regulations apply to SLGS securities?* SLGS securities are subject to:

(1) The electronic transactions and funds transfers provisions for United States securities, part 370 of this subchapter, “Electronic Transactions and Funds Transfers Related to U.S. Securities”; and

(2) The appendix to subpart E to part 306 of this subchapter, for rules regarding computation of interest.

(b) *Where are SLGS securities held?* SLGS securities are issued in book-entry form on the books of BPD.

(c) *Besides BPD, do any other entities administer SLGS securities?* The Secretary may designate selected Federal Reserve Banks and Branches, as fiscal agents of the United States, to perform services relating to SLGS securities.

(d) *Can SLGS securities be transferred?* No. SLGS securities issued as any one type, i.e., Time Deposit, Demand Deposit, or Special Zero Interest, cannot be transferred for other securities of that type or any other type. Transfer of securities by sale, exchange, assignment, pledge, or otherwise is not permitted.

(e) *What certifications must the issuer or its agent provide?*—(1) *Agent Certification.* When a commercial bank or other agent submits a subscription, or performs any other transaction, on behalf of the issuer, it must certify that it is acting under the issuer’s specific authorization. Ordinarily, evidence of such authority is not required.

(2) *Yield Certifications.*—(i) *Purchase of SLGS Securities.* Upon submitting a subscription for a SLGS security, a subscriber must certify that:

(A) *Marketable Securities to SLGS Securities.* If the issuer is purchasing a SLGS security with any amount received from the sale or redemption (at the option of the holder) before maturity of any marketable security, the yield on such SLGS security does not exceed the yield at which such marketable security was sold or redeemed; and

(B) *Time Deposit Securities to SLGS Securities.* If the issuer is purchasing a SLGS security with any amount received from the redemption before maturity of a Time Deposit security (other than a zero interest Time Deposit security), the yield on the SLGS