
Department of the Treasury



Fiscal Service, Bureau of the Public Debt

**Part 330 - Regulations Governing Payment
Under Special Endorsement of United States
Savings Bonds and United States Savings
Notes (Freedom Shares)**

Department Circular No. 888

As of July 2011

Amended March 20, 2012

FOR FURTHER INFORMATION CONTACT: D. Michael Linder, Director, Division of Program Administration, Office of Retail Securities, Bureau of the Public Debt, at (304) 480-6319 or <mike.linder@bpd.treas.gov>.

Ann Fowler, Attorney-Adviser, Brian Metz, Attorney-Adviser, Dean Adams, Assistant Chief Counsel, Edward Gronseth, Deputy Chief Counsel, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480-8692 or <dean.adams@bpd.treas.gov>.

SUPPLEMENTARY INFORMATION: United States savings securities are non-marketable Treasury securities. Generally, definitive savings securities are redeemed by banks and other financial institutions that are authorized by Treasury as paying agents to redeem eligible savings securities for cash and process those securities in accordance with Treasury regulations and instructions.

Beginning October 1, 1988, Treasury permitted paying agents to transmit and receive settlement for redeemed definitive savings securities through the EZ CLEAR system, under which the securities are manually sorted and mailed to the appropriate Federal Reserve Bank or Branch. Service fees for redeemed definitive savings securities presented through EZ CLEAR are paid to the institution presenting the securities to a Federal Reserve Bank.

Effective April 11, 2012, financial institutions will begin to transition the submission of redeemed definitive savings securities from the EZ CLEAR process to an existing image-based securities process through the Federal Reserve. Use of this existing image-based securities process will enable paying agents to image redeemed definitive savings securities in the same manner as they do for checks and electronically transmit the images to a Federal Reserve Processing Site for payment. The Federal Reserve will provide specific details on the use of the image-based securities process while the Bureau of the Public Debt will provide other detailed instructions to paying agents via its Web site at www.treasurydirect.gov and other established means of communication such as FedFlash and FedFocus. The new procedures will enable financial institutions to eliminate the manual sorting of redeemed definitive savings securities and mailing them to a Federal Reserve Bank for clearing. This will simplify and modernize the processing of redeemed definitive savings securities for paying agents.

Treasury will be using a more streamlined, efficient, and cost-effective

method for redeeming and processing definitive savings securities through a Federal Reserve Processing Site to which the paying agent is instructed to transmit images of redeemed definitive savings securities for payment. The Federal Reserve Bank of Minneapolis will continue to provide fiscal services as the designated Treasury Retail Securities Site.

The new procedures eliminate exception processing for paying agents and greatly reduce their handling costs. Accordingly, Treasury is making the payment of paying agent fees discretionary, which will allow Treasury the flexibility to adjust paying agent fees and significantly reduce Treasury's program costs. Treasury anticipates that most agents will continue redeeming definitive savings securities as a service to their customers.

Procedural Requirements

Executive Order 12866. This rule is not a significant regulatory action pursuant to Executive Order 12866.

Administrative Procedure Act (APA). Because this rule relates to United States securities, which are contracts between Treasury and the owner of the security, this rule falls within the contract exception to the APA, 5 U.S.C. 553(a)(2). As a result, the notice, public comment, and delayed effective date provisions of the APA are inapplicable to this rule.

Regulatory Flexibility Act. The provisions of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, do not apply to this rule because, pursuant to 5 U.S.C. 553(a)(2), it is not required to be issued with notice and opportunity for public comment.

Paperwork Reduction Act (PRA). We ask for no collections of information in this final rule. Therefore, the Paperwork Reduction Act, 44 U.S.C. 3501 *et seq.*, does not apply.

Congressional Review Act (CRA). This rule is not a major rule pursuant to the CRA, 5 U.S.C. 801 *et seq.*, because it is a minor amendment that is expected to decrease costs for taxpayers; therefore, this rule is not expected to lead to any of the results listed in 5 U.S.C. 804(2). This rule will take effect April 11, 2012, after we submit a copy of it to Congress and the Comptroller General.

List of Subjects

31 CFR Part 321

Banks and banking, Federal Reserve System, Government Securities.

31 CFR Part 330

Banks and banking, Federal Reserve System, Government Securities.

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Parts 321 and 330

United States Savings Bonds and Notes; Payments

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

ACTION: Final rule.

SUMMARY: Treasury is changing the procedures for financial institutions to transmit and receive settlement for redeemed definitive (paper) savings securities (savings bonds and savings notes) from the EZ Clear system to an image-based securities process through the Federal Reserve. By changing the procedures, Treasury will reduce costs and provide for a more efficient method of processing savings securities through the Federal Reserve. Treasury is making discretionary the payment of fees to paying agents for the processing of redeemed definitive savings securities. Treasury will have the flexibility to adjust paying agent fees and significantly reduce program costs.

DATES: *Effective date:* April 11, 2012.

ADDRESSES: You can download this Final Rule at the following Internet addresses: <<http://www.publicdebt.treas.gov>>, <<http://www.gpo.gov>>, or <<http://www.regulations.gov>>.

Accordingly, for the reasons set out in the preamble, Treasury amends 31 CFR Chapter II, Subchapter B, as follows:

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

■ 1. Revise the authority citation for part 321 to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 321; 31 U.S.C. 3105, 3126.

■ 2. The heading for part 321 is revised to read as set forth above.

■ 3. Revise § 321.0 to read as follows:

§ 321.0 Purpose.

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

(a) Definitive 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 definitive Series E and Series 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).

■ 4. Amend § 321.1 by:

■ a. Removing the paragraph designations and arranging the definitions in alphabetical order;

■ b. Removing the definitions for “Central site,” “EZ Clear,” “Federal Reserve Bank or Branch,” “Mixed cash letter,” “Presenting institution,” and “Separately sorted cash letter,”; and

■ c. Adding the definitions of “Definitive security,” “Federal Reserve Operating Circular,” “Federal Reserve Processing Site,” and “Federal Reserve Treasury Retail Securities Site or TRS Site” to read as follows:

§ 321.1 Definitions.

* * * * *

Definitive security means a Treasury security held in paper form.

* * * * *

Federal Reserve Operating Circular means the operating circular referred to in § 321.27, issued by the Federal Reserve Banks, that provides instructions on the requirements for submitting definitive redeemed securities to a Federal Reserve Processing Site and sets forth the rights and obligations of paying agents with respect to such securities.

Federal Reserve Processing Site means a Federal Reserve Bank (including any

Branch or office thereof, as appropriate) referred to in § 321.26 to which the paying agent, or institution acting on its behalf, is instructed to transmit redeemed securities for payment pursuant to the Federal Reserve Operating Circular.

Federal Reserve Treasury Retail Securities Site or TRS Site means a Federal Reserve Bank (including any Branch or office thereof, as appropriate) referred to in § 321.26 that is authorized to qualify paying agents and provide other fiscal agency services consistent with this part.

* * * * *

■ 5. Amend § 321.2, by revising paragraph (a)(3) to read as follows:

§ 321.2 Eligible organizations.

(a) * * *

(3) Are under the supervision of a federal or state regulatory agency or equivalent authority; and

* * * * *

■ 6. Amend § 321.2 by revising paragraph (b) to read as follows:

§ 321.2 Eligible organizations.

* * * * *

(b) 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:

(1) Submit redeemed securities directly to a Federal Reserve Processing Site in accordance with the Federal Reserve Operating Circular; and

(2) Have the ability to receive payment of applicable fees by ACH, or arrange to obtain one or more of these services from another financial institution.

■ 7. In § 321.3:

■ a. Amend paragraph (a):

■ i. In the introductory text by adding the paragraph designation “(1)” before “An eligible” and revising the first sentence;

■ ii. By redesignating paragraphs (a)(1) and (2) as (a)(1)(i) and (ii), respectively; and

■ iii. By designating the undesignated paragraph as (a)(2) and revising it;

■ b. Amend paragraph (b) by revising the first two sentences; and

■ c. Revise paragraphs (c) and (d).

The revisions read as follows:

§ 321.3 Procedure for qualifying and serving as paying agent.

(a) *Execution of application-agreement.* (1) An eligible organization wishing to act as a paying agent shall obtain from, execute, and file an application-agreement with a TRS Site.

* * * * *

(2) For the purpose of these regulations, all eligible institutions shall make application to a TRS Site.

* * * * *

(b) *Qualification.* A TRS Site, as fiscal agent of the United States, is authorized to qualify any eligible organization that possesses adequate authority under its charter to act as paying agent. Upon approval of an application-agreement, a TRS Site will issue a certificate of qualification to the organization. * * *

(c) *Announcement of authority.* Upon receipt of a certificate of qualification from a TRS Site, 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.* A TRS Site will notify an organization in writing if its application-agreement to act as paying agent is not approved.

■ 8a. Amend § 321.5 by revising paragraphs (a) and (b) to read as follows:

§ 321.5 Termination of qualification.

(a) *By the Treasury.* The Secretary of the Treasury, or a designee, may authorize a TRS Site 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 TRS Site 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.

* * * * *

§ 321.7 [Amended]

■ 8b. In § 321.7(e), in the first sentence, remove the reference “§ 321.1(f)” and add in its place “§ 321.1”.

■ 9. Amend § 321.8 by revising paragraph (d) to read as follows:

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

* * * * *

(d) *Completion of transaction.* An agent shall transmit for settlement eligible 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 a TRS Site.

■ 10. Revise § 321.13 to read as follows:

§ 321.13 Cancellation of redeemed securities.

A paying 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 a TRS Site or nine-digit ABA code number. The recordation of this data shall constitute a certification by the agent that the security was redeemed in accordance with the provisions of this part, that the presenter's identity and entitlement to request payment were duly established, and that the proceeds were paid to the presenter or remitted to a TRS Site in payment for Series HH savings bonds.

- 11. Revise § 321.14 to read as follows:

§ 321.14 Transmittal to and settlement with a Federal Reserve Processing Site.

Except for eligible securities redeemed on exchange pursuant to § 321.8, a paying agent shall transmit for payment all redeemed securities to a Federal Reserve Processing Site in accordance with the Federal Reserve Operating Circular.

- 12. Revise § 321.16 to read as follows:

§ 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, as further described in the instructions and guidance issued pursuant to § 321.27.

- 13. Revise § 321.20 to read as follows:

§ 321.20 Applicability of provisions.

The provisions of this subpart shall apply to securities redeemed by or submitted to any Federal Reserve Processing Site, any TRS Site, or any Treasury office authorized to redeem securities, as well as to paying agents.

- 14. Revise § 321.22 to read as follows:

§ 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 a TRS Site. The requests for payment on the securities should be properly certified. Any documentary evidence required to support the transaction 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 additional cash needed to complete the transaction. Unpaid securities must be forwarded to a TRS Site in accordance with the rules in this part. The Bureau of the Public Debt provides agents with

instructions and guidance regarding forwarding items. These instructions identify the specific types of redemption cases that should be forwarded and the processing instructions that paying agents must follow. These instructions are available from a TRS Site or online at www.treasurydirect.gov.

- 15. Revise § 321.23 to read as follows:

§ 321.23 Paying agent fees and charges.

(a) *Fees.* Fees may 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 TRS Site or online at www.treasurydirect.gov.

(b) *Discontinuance, reduction, or delay in fees.* The Secretary may authorize, upon notice in the **Federal Register**, the discontinuance, reduction, or delay of fee payments.

(c) *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.

- 16. Revise § 321.25 to read as follows:

§ 321.25 Payment and retention of definitive securities.

The definitive security must be presented and surrendered to the paying agent in order to receive payment. An agent is prohibited from accepting an image, or other copy or reproduction of the definitive security, for redemption or processing. To ensure that all transactions processed by agents are properly validated, agents must establish and comply with a retention period for definitive securities that are truncated and converted to an electronic image. At a minimum, the agent must retain such securities for a period of thirty calendar days following the date that the agent submitted the electronic image of the paid security to a Federal Reserve Processing Site. Agents may establish longer retention periods for definitive securities at their discretion.

§§ 321.26 and 321.27 [Redesignated as §§ 321.28 and 321.29]

- 17. Redesignate §§ 321.26 and 321.27 as §§ 321.28 and 321.29, respectively.

- 18. Add a new § 321.26 to read as follows:

§ 321.26 Role of Federal Reserve Banks.

Federal Reserve Banks (including any Branch or office thereof, as appropriate) perform services as fiscal agents of the United States. These Federal Reserve Banks shall perform such services in connection with this part as may be requested by the Secretary of the

Treasury, or a designee. These Federal Reserve Banks are authorized and directed to perform such duties, including the issuance of supplemental instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations. The instructions and guidance issued pursuant to § 321.27 set forth each Federal Reserve Bank that has been designated as a Federal Reserve Processing Site or as a TRS Site by the Secretary of the Treasury, or a designee.

- 19. Add a new § 321.27 to read as follows:

§ 321.27 Instructions and guidance.

(a) The Bureau of the Public Debt will provide Federal Reserve Processing Sites, TRS Sites, and paying agents with instructions and guidance on how to process redemption transactions. This information is available online at the Bureau of the Public Debt's Web site at www.treasurydirect.gov, Federal Reserve Processing Sites, and TRS Sites. Paying agents must follow these instructions and guidance.

(b) The Federal Reserve Operating Circular sets forth additional rights and obligations of paying agents with respect to redemption transactions. Additional instructions and guidance are available online at the Federal Reserve Bank Services Web site at www.FRBservices.org.

(c) Paying agents are required to process redemptions in accordance with the terms and conditions cited in paragraphs (a) and (b) of this section. The Secretary of the Treasury, or a designee, reserves the right to hold an agent liable whose failure to follow these instructions results in an incorrect amount being paid for a redeemed security.

* * * * *

- 20. Amend the appendix to part 321:

- a. Under "Subpart B" by:

- i. Revising paragraph 4; and

- ii. Revising the first sentence of paragraph 5

- b. Under "Subpart C," in paragraph 9, by revising the first sentence of paragraph (a);

- c. Under "Subpart D" by:

- i. Revising, under paragraph 13, paragraphs (a) and (b);

- ii. Revising, under paragraph 14, paragraphs (a), (b), and (d);

- iii. Revising paragraph 15;

- iv. Removing paragraphs 16 and 17; and

- v. Redesignating paragraph 18 as paragraph 16 and revising it;

- d. Under "Subpart E" by:

- i. Revising the Subpart E heading;

- ii. Redesignating paragraphs 19 through 22 as paragraphs 17 through 20, respectively; and
 - iii. Revising newly redesignated paragraph 17;
 - e. Under “Subpart F” by redesignating paragraph 23 and paragraph 21 and revising its heading, paragraphs (a) and (d), and revising the last sentence of paragraph (e);
 - f. Under “Subpart G” by:
 - i. Redesignating paragraphs 24 through 26 as paragraphs 22 through 24 respectively;
 - ii. Revising newly redesignated paragraphs 22 and 23;
 - iii. Adding new paragraph 25; and
 - iv. Redesignating paragraph 27 and paragraph 26 and revising it.
- The revisions and addition read as follows:

Appendix to Part 321—Appendix to Department of the Treasury Circular No. 750, Fourth Revision

Fiscal Service, Bureau of the Public Debt
* * * * *

Subpart B—Procedures for Qualification
* * * * *

4. *Paying agent code numbers.* [§§ 321.3(b) and 321.13] The TRS Site may assign a four-digit code number to each agent it qualifies. A separate number may be assigned to each branch of the paying agent authorized to redeem and submit redeemed securities for its own account at a TRS Site. At the paying agent’s request, only one four-digit code will be assigned for use by all of its branches.

5. *Requalification.* [§ 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 a TRS Site to requalify to reflect the change. * * *

Subpart C—Scope of Authority
* * * * *

9. * * *
(a) * * * Securities that an agent may not redeem because of the limitations in § 321.9 should be forwarded to a TRS Site for handling. * * *

Subpart D—Payment and Transmittal of Securities
* * * * *

13. * * *
(a) *Redemption value tables.* [§ 321.12] The Bureau of the Public Debt distributes redemption values in various formats and as parts of programs for personal computers, for: (1) Series E savings bonds, (2) Series EE savings bonds, (3) Series I savings bonds, and (4) savings notes. Additional tables or information may be requested from a TRS Site.

(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 a TRS Site.
* * * * *

14. * * *
(a) *Paying agent stamp.* [§ 321.13] Each redeemed security must be cancelled by the imprint of a payment stamp. The stamp may not exceed 1 1/8 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 a TRS Site (subject to abbreviation and arrangement by a TRS Site) or ABA code number.
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.* [§ 321.12] A paying agent may requisition stamps from a TRS Site or purchase its own stamps. Stamps not provided by a TRS Site must conform exactly in size to that prescribed or approved by a TRS Site. To insure legible impressions, stamps should be replaced when worn.
* * * * *

(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 the receipt of any additional cash. The exact date of redemption shall also be recorded on the exchange subscription to enable a TRS Site to establish the proper issue date for the Series HH savings bonds. An officer or 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.
* * * * *

15. *Transmittal of securities to a Federal Reserve Processing Site.* [§ 321.14] An agent shall transmit and settle a redeemed security in accordance with the rules and instructions set forth in the Federal Reserve Operating Circular.

16. *Record of securities paid.* [§§ 321.14 and 321.24] A record of the serial number, amount paid, and any other information necessary to complete the form for an “Application for Relief Due to the Loss, Theft, or Destruction of Paid United States Savings Bonds/Notes” (PD F 2517) must be retained by the agent for each definitive security sent to a Federal Reserve Processing Site. Copies or other records of the front and back of a paper savings bond must be kept confidential, and prints of the bond may be made only with the permission of the Bureau of the Public Debt or a TRS Site.

Subpart E—Losses Resulting from Erroneous Payments [§ 321.16]

17. *Report of erroneous payment.* Any erroneous payment that comes to the attention of an agent should be reported immediately to the Bureau of the Public Debt, Parkersburg, WV, as further described in the

instructions and guidance issued pursuant to § 321.27.
* * * * *

Subpart F—Forwarding Items

21. *Securities forwarded to a TRS Site for payment.* [§ 321.22]

(a) *General.* [§ 321.22] Securities presented for cash payment or redemption-exchange that an agent is not authorized to redeem shall be forwarded to a TRS Site, with all required supporting documentation and any necessary payment instructions.
* * * * *

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

(e) *Partial redemption.* [§§ 321.9(l) and 321.22] * * * The security shall be forwarded to a TRS Site.

Subpart G—Miscellaneous Provisions

22. *Fees and charges.* [§ 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 1.6049–4). Fees may be paid as set out in § 321.23.

23. *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 16 of this Appendix regarding the maintenance of records of redeemed securities.] The agent should resubmit a facsimile of the security to obtain settlement in accordance with established procedures. Questions concerning the established procedures should be referred to a TRS Site.
* * * * *

25. *Payment and retention of definitive securities.* [§ 321.25] The definitive security must be presented to the agent in order to receive payment. An agent is prohibited from accepting an image, or other copy or reproduction of the definitive security, for redemption or processing. To ensure that all transactions processed by agents are properly validated, agents must establish and comply with a retention period for definitive securities that are truncated and converted to an electronic image. At a minimum, the agent must retain such definitive securities for a period of thirty calendar days following the date that the agent submitted the electronic image of the paid security to a Federal Reserve Processing Site. Agents may establish longer retention periods for definitive securities at their discretion.

(a) Example: if the agent paid the presenter of a security on May 7, 2012, and submitted the security’s electronic image to a Federal Reserve Processing Site on May 11, 2012, then the retention requirements would obligate the agent to retain the definitive security, at a minimum, until June 10, 2012.

(b) During the specified retention period, agents must store the securities under

suitably secured conditions that safeguard customer information. Specifically, the securities must be stored in a secured location with physical, procedural, and systemic controls in place to ensure that access to the securities is restricted to authorized personnel and that the securities are protected from loss, theft, destruction, and unauthorized or inadvertent viewing.

(c) At the end of the retention period, agents must destroy the securities in a manner that safeguards customer information. Specifically, securities must be destroyed by burning, mulching, pulping, pulverizing, or shredding beyond recognition and reconstruction.

26. *Additional information.* [§ 321.26] 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 a TRS Site.

PART 330—REGULATIONS GOVERNING PAYMENT UNDER SPECIAL ENDORSEMENT OF DEFINITIVE UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)

■ 21. The authority citation for part 330 continues to read as follows:

Authority: 5 U.S.C. 301; 31 U.S.C. 3105.

■ 22. Revise § 330.0 to read as follows:

§ 330.0 Purpose.

The regulations in this part establish a procedure under which qualified paying agents may specially endorse definitive United States Savings Bonds of certain series and United States Savings Notes (Freedom Shares), and either redeem the securities so endorsed, or forward them to a TRS Site for redemption, with or without the owner's signature to the request for payment.

■ 23. Amend § 330.1 by:

■ a. Removing the paragraph designations and arranging the definitions in alphabetical order;

■ b. Removing the definition for "Federal Reserve Bank or Bank";

■ c. Adding the definitions of "Definitive security," "Federal Reserve Processing Site," and "Federal Reserve Treasury Retail Securities Site or TRS Site"; and

■ d. Revising the definitions of "Savings bond(s) or bond(s)," "Security or securities," and "Special endorsement".

The additions and revisions read as follows:

§ 330.1 Definition of terms.

* * * * *

Definitive security means a Treasury security held in paper form.

* * * * *

Federal Reserve Processing Site means a Federal Reserve Bank (including any

Branch or office thereof, as appropriate) referred to in 31 CFR part 321, to which the paying agent, or institution acting on its behalf, is instructed to transmit redeemed securities for payment pursuant to the Federal Reserve Operating Circular.

Federal Reserve Treasury Retail Securities Site or TRS Site means a Federal Reserve Bank (including any Branch or office thereof, as appropriate) referred to in 31 CFR part 321, that is authorized to qualify paying agents, provide customer service, and provide other fiscal agency services under the provisions of this part. See § 330.9.

* * * * *

Savings bond(s) or bond(s) means a definitive United States Savings Bond of Series A, B, C, D, E, EE, or I.

* * * * *

Security or securities means a savings bond or savings note, as defined in paragraphs (h) and (i) of this section.

Special endorsement means a procedure under which a security is redeemed by an agent, qualified under the provisions of this part, for cash or on redemption-exchange (or forwarded for redemption to a TRS Site), utilizing a special stamp placed on the security in lieu of a request for payment signed by the owner.

■ 24. Amend § 330.3 by revising the first sentence of the endorsement in paragraph (a) and revising paragraph (b) to read as follows:

§ 330.3 Special endorsement of securities.

(a) * * *

Request by owner and validity of transaction guaranteed in accordance with Treasury Department Circular No. 888, as revised. (Name, location and paying agent code number assigned by a TRS Site.)

* * * * *

(b) *Endorsement stamps.*

Endorsement stamps may be obtained from a TRS Site or, with its approval, purchased by the agent. Requests for stamps to be furnished or approved by a TRS Site must be made in writing by an officer of the paying agent. Stamps procured by an agent may not exceed a space bounded by 1¾ inches vertically and 3 inches horizontally. They must follow exactly the wording prescribed. They may also include space for the transaction date and the initials or signature of the officer or employee authorized to approve the transaction.

* * * * *

■ 25. Revise § 330.4 to read as follows:

§ 330.4 Guaranty given to the United States.

By the act of paying or submitting to any Federal Reserve Processing Site, any TRS Site, or any Treasury office authorized to redeem securities, a security on which it has affixed the special endorsement, a paying agent shall be deemed to have:

(a) Unconditionally guaranteed to the United States the validity of the transaction, including the identification of the owner and the disposition of the proceeds or the new bonds, as the case may be, in accordance with the presenter's instruction;

(b) Assumed complete and unconditional liability to the United States for any loss which may be incurred by the United States as a result of the transaction; and

(c) Unconditionally agreed to make prompt reimbursement for the amount of any loss, upon request of the Department of the Treasury.

■ 26. Amend § 330.6, by revising paragraph (c) to read as follows:

§ 330.6 Securities eligible for special endorsement.

* * * * *

(c) *Securities owned by nonresident aliens.* As securities owned by a nonresident alien individual, or a nonresident foreign corporation, partnership, or association, may be subject to the nonresident alien withholding tax, bonds and notes held or received by an agent for the account of such owners must be forwarded to a TRS Site for redemption, even though the agent may specially endorse the securities.

■ 27. Amend § 330.7 by removing the last two sentences of the section and adding a new last sentence to read as follows:

§ 330.7 Payment or redemption-exchange by agent.

* * * Securities so paid should be combined with other securities paid under that Circular and presented for settlement in accordance with 31 CFR part 321.

■ 28. Revise § 330.8 to read as follows:

§ 330.8 Payment or redemption-exchange by a TRS Site.

Specially endorsed securities that an agent is not authorized to redeem for cash or on exchange should be forwarded to a TRS Site in accordance with the instructions set forth in 31 CFR part 321. The transmittals must be accompanied by appropriate instructions governing the transaction and the disposition of the redemption proceeds. The securities must be kept

separate from other securities the agent has paid and must be submitted in accordance with instructions issued by the Bureau of the Public Debt and/or its fiscal agents.

■ 29. Revise § 330.9 to read as follows:

§ 330.9 Fiscal agents.

Federal Reserve Banks (including any Branch or office thereof, as appropriate) perform services as fiscal agents of the United States. These Federal Reserve Banks shall perform such services in connection with this part as may be requested by the Secretary of the Treasury, or a designee. These Federal Reserve Banks are authorized and directed to perform such duties, including the issuance of supplemental instructions and forms, as may be necessary to fulfill the purposes and requirements of these regulations. The instructions and guidance issued pursuant to § 321.27 set forth each Federal Reserve Bank that has been designated as a Federal Reserve Processing Site or as a TRS Site by the Secretary of the Treasury, or a designee.

Richard L. Gregg,

Fiscal Assistant Secretary.

[FR Doc. 2012-6351 Filed 3-19-12; 8:45 am]

BILLING CODE 4810-39-P

Department of the Treasury



Fiscal Service, Bureau of the Public Debt

**Part 330 - Regulations Governing Payment
Under Special Endorsement of United States
Savings Bonds and United States Savings
Notes (Freedom Shares)**

Department Circular No. 888

As of July 2011

**PART 330—REGULATIONS GOV-
ERNING PAYMENT UNDER SPE-
CIAL ENDORSEMENT OF UNITED
STATES SAVINGS BONDS AND
UNITED STATES SAVINGS NOTES
(FREEDOM SHARES)**

Sec.

- 330.0 Purpose.
- 330.1 Definition of terms.
- 330.2 Qualification for use of special endorsement.
- 330.3 Special endorsement of securities.
- 330.4 Guaranty given to the United States.
- 330.5 Evidence of owner's or beneficiary's authorization to affix special endorsement.
- 330.6 Securities eligible for special endorsement.
- 330.7 Payment or redemption—exchange by agent.
- 330.8 Payment or redemption—exchange by Federal Reserve Bank.
- 330.9 Fiscal agents.
- 330.10 Modifications of other circulars.
- 330.11 Supplements, amendments, or revisions.

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 3105.

SOURCE: 53 FR 37519, Sept. 26, 1988, unless otherwise noted.

§ 330.0 Purpose.

The regulations in this part establish a procedure under which qualified paying agents may specially endorse United States Savings Bonds of certain series and United States Savings Notes (Freedom Shares), and either redeem the securities so endorsed, or forward them to a Federal Reserve Bank for redemption, with or without the owner's signature to the requests for payment.

§ 330.1 Definition of terms.

As used in this part:

(a) *Federal Reserve Bank or Bank* refers to the Federal Reserve Bank providing savings bond services to the district in which a paying agent is located. See § 330.9.

(b) *Owner(s)* means the person(s) named as registered owner or coowners on a bond or note, or as the designated beneficiary who has succeeded to ownership of the bond or note upon the death of the owner. For the purposes of special endorsement, but not payment, by a qualified agent, the term may also

§ 330.2

include fiduciaries, corporations, partnerships, associations, and other entities named on a security, where such registration is authorized.

(c) *Paying agent(s)* or *agent(s)* refers to an eligible financial institution qualified under the provisions of this part to specially endorse securities and qualified, under the provisions of Department of the Treasury Circular No. 750, current revision (31 CFR part 321), to redeem eligible savings bonds and notes. The term includes the branches of a qualified agent that redeem bonds and notes and are themselves directly accountable for such redemptions.

(d) *Redemption* and *payment* are used interchangeably for payment of a bond or note in accordance with the terms of its offering and the regulations governing it, and include *redemption-exchange*.

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

(f) *Savings bond(s)* or *bond(s)* means a United States Savings Bond of Series A, B, C, D, E, EE, or I.

(g) *Savings notes(s)* or *notes(s)* means a United States Savings Note (Freedom Share).

(h) *Security* or *securities* means a savings bond or note, as defined in paragraphs (f) and (g) of this section.

(i) *Special endorsement* means a procedure under which a security is redeemed by an agent, qualified under the provisions of this part, for cash or on redemption-exchange (or forwarded for redemption to a designated Federal Reserve Bank, where appropriate), utilizing a special stamp placed on the security in lieu of a request for payment signed by the owner.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10538, 10539, Mar. 4, 1994; 63 FR 38044, July 14, 1998]

§ 330.2 Qualification for use of special endorsement.

(a) *Application for authority*. Any financial institution qualified as a paying agent of savings bonds and notes under the provisions of Department of the Treasury Circular No. 750, current revision, may establish its eligibility

31 CFR Ch. II (7-1-11 Edition)

to employ the special endorsement procedure by executing and submitting the appropriate application-agreement form to the designated Federal Reserve Bank. In executing the form, the agent certifies that, by duly executed resolution of its governing board or committee, it has been authorized to apply for the privilege of paying and processing securities in accordance with the provisions and conditions of this part (Circular No. 888, including all supplements, amendments, and revisions, and any related instructions). If the application is approved, the designated Federal Reserve Bank will issue a certificate of qualification.

(b) *Agents previously qualified*. Paying agents qualified under previous revisions of this part are authorized to continue to act without requalification. They shall, however, be subject to the terms and conditions of the previously executed application and these regulations in the same manner and to the same extent as though they had requalified hereunder.

(c) *Termination of qualification*. The Secretary of the Treasury reserves the right to withdraw the special endorsement authority from any paying agent at any time. Such authority will also be terminated at any time at the request of the paying agent. In either event, formal notice of the termination shall be given to the agent in writing by the designated Federal Reserve Bank.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.3 Special endorsement of securities.

(a) *Form of endorsement*. Each security processed under the provisions of this part shall bear the following endorsement:

Request by owner and validity of transaction guaranteed in accordance with T.D. Circular No. 888, as revised. (Name, location, and paying agent code number assigned by designated Federal Reserve Bank.)

This endorsement must be legibly impressed in black or other dark-colored ink on the back of the security in the space provided for the owner to request payment.

Fiscal Service, Treasury

§ 330.5

(b) *Endorsement stamps.* Endorsement stamps may be obtained from the designated Federal Reserve Bank or, with its approval, purchased by the agent. Requests for stamps to be furnished or approved by the Bank must be made in writing by an officer of the paying agent. Stamps procured by an agent may not exceed a space bounded by 1¾ inches vertically and 3 inches horizontally. They must follow exactly the wording prescribed. They may also include space for the transaction date and the initials or signature of the officer or employee authorized to approve the transaction.

(c) *Securities registered in coownership or beneficiary form.* In the case of securities registered in coownership or beneficiary form, the agent shall indicate which person, whose name is inscribed thereon, requested payment or exchange by encircling in black or other dark-colored ink the name of that person (or both coowners, if the request is joint) in the inscription on the face of the securities.

(d) *Restrictions.* Under no circumstances shall the special endorsement procedure be used to give effect to a transfer, hypothecation or pledge of a security, or to permit payment to any person other than the owner, co-owner, or, where appropriate, beneficiary. Violation of these provisions will be cause for withdrawal of an agent's authority to process securities under the special endorsement procedure, and may involve additional penalties if the circumstances warrant such action.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.4 Guaranty given to the United States.

By the act of paying or presenting to a designated Federal Reserve Bank, for payment or exchange, a security on which it has affixed the special endorsement, a payment agent shall be deemed to have:

(a) Unconditionally guaranteed to the United States the validity of the transaction, including the identification of the owner and the disposition of the proceeds or the new bonds, as the case may be, in accordance with the presenter's instruction;

(b) Assumed complete and unconditional liability to the United States for any loss which may be incurred by the United States as a result of the transaction; and

(c) Unconditionally agreed to make prompt reimbursement for the amount of any loss, upon request of the Department of the Treasury.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994]

§ 330.5 Evidence of owner's or beneficiary's authorization to affix special endorsement.

(a) *Form of authorization.* The Treasury does not prescribe the form or type of instructions an agent must obtain from each owner, co-owner or beneficiary in order to use the special endorsement procedure. In the case of eligible Series E and EE savings bonds and savings notes presented for a redemption-exchange, the owner, co-owner or beneficiary authorized to request the exchange (as specified in Circular No. 750, § 321.8(b)), must sign the exchange subscription even though the eligible Series E and EE savings bonds and savings notes are specially endorsed.

(b) *Securities in coownership or beneficiary form.* Securities registered in coownership or beneficiary form should be accepted for special endorsement only for immediate payment or exchange. Acceptance of bonds and notes for processing at some future date should be avoided as authority to utilize such endorsement generally expires upon the death of the owner or coowner on whose behalf securities were to be paid. Requests for payment of securities present by the surviving beneficiary must be supported by a certificate of death for the owner named thereon, as required by Circular No. 750, part 321 and the appendix to that part.

(c) *Record of authorization.* Agents should maintain such records as may be necessary to establish the receipt of, and compliance with, instructions supporting the special endorsement. If the agent elects to make notations on the backs of the securities to serve as a record, the Bureau of the Public Debt will undertake to produce, on request, photocopies of such securities at any

§ 330.6

time up to ten years after the redemption date. However, the Bureau does not not assume responsibility for the adequacy of such notations, for the legibility of any photocopy, or for failure to produce a photocopy from its records.

[53 FR 37519, Sept. 26, 1988, as amended at 63 FR 38044, July 14, 1998]

§ 330.6 Securities eligible for special endorsement.

(a) *General authority.* A qualified agent is authorized to affix the special endorsement to:

(1) Savings bonds of Series A, B, C, D, E, EE, and I and savings notes to be redeemed for cash; and

(2) Eligible savings bonds of Series E and EE and savings notes to be redeemed in exchange for Series HH bonds under the provisions of Circular No. 2-80 (31 CFR part 352).

(b) *Securities which may not be specially endorsed.* The special endorsement procedure may not be used in any case in which payment or exchange:

(1) Is requested by a parent on behalf of a minor child named on the security, or

(2) Requires documentary evidence, under regulations contained in Circulars Nos. 530 and 3-80 (31 CFR parts 315 and 353, respectively), except as indicated in § 330.5.

(c) *Securities owned by nonresident aliens.* As securities owned by a nonresident alien individual, or a nonresident foreign corporation, partnership, or association, may be subject to the nonresident alien withholding tax, bonds and notes held or received by an agent for the account of such owners must be forwarded to the designated Federal Reserve Bank for redemption, even though the agent may specially endorse the securities.

[53 FR 37519, Sept. 26, 1988, as amended at 59 FR 10539, Mar. 4, 1994; 63 FR 38044, July 14, 1998]

§ 330.7 Payment or redemption—exchange by agent.

Specially endorsed securities may be paid in cash or, if they are eligible Se-

31 CFR Ch. II (7-1-11 Edition)

ries E and EE savings bonds or savings notes, redeemed in exchange for Series HH bonds pursuant to the authority and subject, in all other respects, to the provisions of Circular No. 750, current revision (31 CFR part 321), its appendix, and any other instructions issued under its authority. Each specially endorsed bond or note paid by an agent must have the agent's payment stamp imprinted on its face and show the date and amount paid. Securities so paid should be combined with other securities paid under that Circular and presented for settlement through EZ CLEAR. Securities redeemed by an agent in an exchange must be presented for settlement through EZ CLEAR separately from, but at the same times as, an exchange subscription and any remittance are forwarded to the Fiscal Agency Department of the appropriate Federal Reserve Bank.

[63 FR 38044, July 14, 1998]

§ 330.8 Payment or redemption—exchange by Federal Reserve Bank.

Specially endorsed securities which an agent is not authorized to redeem for cash or on exchange should be forwarded to the Fiscal Agency Department of the designated Federal Reserve Bank. The transmittals must be accompanied by appropriate instructions governing the transaction and the disposition of the redemption proceeds or new bonds, as the case may be. The securities must be kept separate from others the agent has paid and must be submitted in accordance with instructions issued by the Bank.

[63 FR 38044, July 14, 1998]

§ 330.9 Fiscal agents.

(a) The Federal Reserve Banks referred to below, as fiscal agents of the United States, are authorized to perform such services as may be requested by the Secretary of the Treasury, or his or her delegate, in connection with this part.

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

Fiscal Service, Treasury

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 10539, Mar. 4, 1994, as amended at 63 FR 38044, July 14, 1998]

§ 330.10 Modifications of other circulars.

The provisions of this part shall be considered as amending and supplementing: Department of the Treasury Circulars Nos. 530, 653, and 750 (31 CFR parts 315, 316, and 321, respectively), and Department of the Treasury Circulars, Public Debt Series Nos. 1-80, 2-80, 3-80, 3-67, 1-98, and 2-98 (31 CFR parts 351, 352, 353, 342, 359, and 360 respectively), and any revisions thereof or amendments or supplements thereto, and those Circulars are hereby modified to the extent necessary to accord with the provisions of this part.

[63 FR 38044, July 14, 1998]

§ 330.11 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.