

court order, divorce decree, or property settlement agreement. You must certify online that the transfer is a gift or a specified exception.

* * * * *

■ 43. Remove the undesignated center heading "Registration", located prior to 363.65.

§§ 363.65–363.69 [Removed and reserved]

■ 44. Remove and reserve §§ 363.65, 363.66, 363.67, 363.68, and 363.69.

■ 45. Amend § 363.83 by revising the heading to read as follows:

§ 363.83 May an account owner transfer a book-entry savings bond to a minor?

* * * * *

■ 46. Remove the undesignated center heading "Deceased Owners," located prior to § 363.90.

§ 363.90 [Removed and reserved]

■ 47. Remove and reserve § 363.90.

■ 48. Amend § 363.95 by revising the heading and the introductory text to read as follows:

§ 363.95 How may I give a book-entry savings bond as a gift?

You may give a book-entry savings bond as a gift in two ways:

* * * * *

■ 49. Amend § 363.97 by revising the heading to read as follows:

§ 363.97 What do I need to know if I transfer a book-entry savings bond to another person as a gift?

* * * * *

■ 50. Remove the undesignated center heading "Transactions," located prior to § 363.105.

§§ 363.105–363.107 [Removed and reserved]

■ 51. Remove and reserve §§ 363.105, 363.106, and 363.107.

■ 52. Remove the undesignated center heading "Judicial and Administrative Proceedings," located prior to § 363.110.

§§ 363.110–363.119 [Removed and reserved]

■ 53. Remove and reserve §§ 363.110 through 363.119.

■ 54. Amend § 363.125 by revising the heading to read as follows:

§ 363.125 How is payment made on a book-entry savings bond?

* * * * *

■ 55. Remove § 363.146.

§§ 363.147–363.149 [Removed and reserved]

■ 56. Remove and reserve §§ 363.147–363.149.

§ 363.150 [Reserved]

■ 57. Redesignate § 363.150 as § 363.146 and reserve § 363.150.

§§ 363.151–363.152 [Removed and reserved]

■ 58. Remove and reserve §§ 363.151 and 363.152.

■ 59. Amend § 363.160 by revising paragraph (a)(4) to read as follows:

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

(a) * * *

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

* * * * *

■ 60. Amend § 363.165 by revising the heading and the first sentence of paragraph (b) to read as follows:

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

* * * * *

(b) *Savings bond that has reached final maturity.* A savings bond that has reached final maturity and is registered in the name of the Treasury Direct account owner as single owner, either coowner, or owner with beneficiary, will be converted to a book-entry bond and automatically redeemed. * * *

■ 61. Amend § 363.166 by:

■ a. Revising the heading and the first sentence of paragraph (b)(1); and
 ■ b. Revising the heading and first sentence of paragraph (b)(2), to read as follows:

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

* * * * *

(b) *Savings bond that has reached final maturity.* (1) *General.* A savings bond that has reached final maturity and is registered in the name of someone other than the account owner will be converted to a book-entry bond, released as a gift bond into the account owner's conversion linked account, and automatically redeemed. * * *

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

§§ 363.172–363.174 [Removed and reserved]

■ 62. Remove and reserve §§ 363.172, 363.173, and 363.174.

§ 363.175 [Removed and reserved]

■ 63. Remove and reserve §§ 363.175.

§ 363.177 [Removed and reserved]

■ 64. Remove and reserve §§ 363.177.

§ 363.178 [Removed and reserved]

■ 65. Remove and reserve §§ 363.178.

Dated: September 26, 2005.

Donald V. Hammond,

Fiscal Assistant Secretary.

[FR Doc. 05–19551 Filed 9–27–05; 12:41 pm]

BILLING CODE 4810–39–P

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Parts 356, 357, and 363

[Docket No. BPD–CC–05–2]

Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (Department of the Treasury Circular, Public Debt Series No. 1–93); Regulations Governing Book-Entry Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®; Regulations Governing Securities Held in TreasuryDirect®

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

ACTION: Final rule.

SUMMARY: TreasuryDirect is an account-based, book-entry, online system for purchasing, holding, and conducting transactions in Treasury securities. To date, the system has only been available for the purchase and holding of savings bonds and certificates of indebtedness. The Department of the Treasury (hereinafter referred to as "Treasury" or "We") is amending Regulations Governing Securities Held in TreasuryDirect to add marketable Treasury securities to the securities that may be purchased and held in TreasuryDirect and to provide the terms and conditions for marketable Treasury securities held in the system. We are amending Regulations Governing Book-Entry Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct to provide for the transfer of securities between Legacy Treasury Direct and TreasuryDirect. We are also amending the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds to make the changes necessary to

accommodate participation in Treasury marketable securities auctions for securities to be held in either the TreasuryDirect or the Legacy Treasury Direct® system. We are also eliminating the ability to bid competitively through Legacy Treasury Direct. These final amendments benefit individual investors by allowing them to purchase, hold and conduct transactions in marketable Treasury securities through the TreasuryDirect system.

DATES: Effective Date: September 30, 2005.

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

FOR FURTHER INFORMATION CONTACT:

Elisha Whipkey, Director, Division of Program Administration, Office of Securities Operations, Bureau of the Public Debt, at (304) 480-6319 or elisha.whipkey@bpd.treas.gov for information on the TreasuryDirect and Legacy Treasury Direct systems.

Chuck Andreatta, Associate Director, Government Securities Regulations Staff, Bureau of the Public Debt, at (202) 504-3632 or govsecreg@bpd.treas.gov for information on Treasury marketable securities auction rules (31 CFR part 356).

Susan Klimas, 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 susan.klimas@bpd.treas.gov for information on regulations governing TreasuryDirect and Legacy Treasury Direct (31 CFR parts 357 and 363).

SUPPLEMENTARY INFORMATION:

TreasuryDirect® is an account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities. Currently, book-entry Series EE and Series I savings bonds and certificates of indebtedness are offered for purchase. In addition, definitive savings bonds may be converted to book-entry savings bonds through TreasuryDirect and held in the system. We are issuing this amendment to 31 CFR parts 363, 357, and 356 to provide for the purchase and holding of marketable Treasury securities in TreasuryDirect.

31 CFR Part 363. We are amending 31 CFR part 363, Regulations Governing Securities Held in TreasuryDirect, to add marketable Treasury securities to the securities that may be held in the

TreasuryDirect system.¹ The previous subpart F is redesignated as subpart H, and a new subpart F has been added to address the unique terms and conditions for holding marketable Treasury securities in TreasuryDirect. The provisions in subpart B, which apply to all securities held in TreasuryDirect, will apply to marketable Treasury securities as well. Therefore, the current provisions in subpart B relating to rules of the system, registrations, administrative and judicial proceedings, and decedents' estates, that are applicable to all securities in TreasuryDirect, will apply to marketable Treasury securities.

A TreasuryDirect account owner can submit a noncompetitive bid for eligible marketable Treasury securities online through his or her account. Marketable Treasury securities that are eligible for purchase through a TreasuryDirect account are those that are available for purchase through the TreasuryDirect Web site. Any registration provided in subpart B for securities held in TreasuryDirect is available for marketable Treasury securities.

Upon the purchase of a marketable Treasury security, there will be a period of 45 calendar days after the issue date of the security, or the term of the security, whichever is less, during which the security may not be transferred. This holding period is to prevent a loss to Treasury in the event of a returned or unauthorized debit. In addition, and for a similar reason, we are amending subpart D, relating to certificates of indebtedness, to provide for a holding period of 5 business days after a debit entry for the purchase of a certificate of indebtedness. During this holding period the certificate of indebtedness may only be redeemed to purchase a new security and may not be redeemed for cash.

This final rule provides for the transfer of marketable Treasury securities among the commercial book-entry system, the Legacy Treasury Direct system, and the TreasuryDirect system. Online transfers available for marketable

¹ The governing regulations for the TreasuryDirect system, 31 CFR part 363, were originally published as a final rule October 17, 2002 (67 FR 64275). The regulations were subsequently amended May 8, 2003 (68 FR 24793); January 16, 2004 (69 FR 2506); August 16, 2004 (69 FR 50307); March 23, 2005 (70 FR 14940); and September 30, 2005. The TreasuryDirect system was first referred to as New Treasury Direct to distinguish it from an older system for holding book-entry Treasury bills, notes and bonds directly with Treasury, also known as TreasuryDirect. The regulations for the older system are found at 31 CFR part 357. The name of the newer system was changed in the most recent amendment to the TreasuryDirect regulations, and at the same time the name of the older system was changed to Legacy Treasury Direct.

Treasury securities are transfers between TreasuryDirect accounts, transfers to other book-entry systems, and transfers to our agent for sale on the open market (Sell Direct), in increments of \$1000. Any eligible marketable book-entry Treasury bill, note, or bond may be transferred into and held in a TreasuryDirect account.

Under the provisions of this amendment, an account owner may reinvest a matured security held in TreasuryDirect by directing that the redemption proceeds of the security be used to purchase a certificate of indebtedness, and then using the redemption proceeds of the certificate of indebtedness to purchase a new marketable Treasury security.

The process in TreasuryDirect for handling undeliverable payments of either principal or interest will benefit both investors and Treasury. Undeliverable proceeds will be used to purchase a certificate of indebtedness in the name of the account owner. The account owner can then directly access the certificate of indebtedness online through the account, rather than having to contact Treasury to make arrangements for delivery of the payment.

A four-business day closed book period will be in effect prior to the date a marketable security payment is made. This means that certain transactions made during the closed book period will be delayed until after the closed book period is completed and the payment is made.

31 CFR Part 357. We are amending 31 CFR part 357, Regulations Governing Book-Entry Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct, to provide that marketable Treasury securities may be transferred between Legacy Treasury Direct and TreasuryDirect.

31 CFR Part 356. 31 CFR part 356, also referred to as the Uniform Offering Circular (UOC), sets out the terms and conditions for the sale and issuance to the public of marketable Treasury bills, notes, and bonds. The UOC, in conjunction with offering announcements, represents a comprehensive statement of those terms and conditions.²

This amendment makes changes to the UOC to allow bidders to bid for marketable Treasury securities to be issued in either the TreasuryDirect or

² The Uniform Offering Circular was published as a final rule on January 5, 1993 (58 FR 411). The circular, as amended, is codified at 31 CFR part 356. A final rule converting the UOC to plain language and making certain other minor changes was published in the *Federal Register* on July 28, 2004 (69 FR 45202).

Legacy Treasury Direct direct-holding systems. The amendment accommodates the differences between the systems, such as the methods of payment. The amendment makes one substantive change, described below, which is that competitive bidding will no longer be allowed for securities to be held in Legacy Treasury Direct.

Competitive bidding will not be allowed for securities to be held in either the new TreasuryDirect system or in Legacy Treasury Direct. Although competitive bidding has been allowed since Legacy Treasury Direct was first implemented in 1986, our experience has been that the volume of such bids has been so low that it does not justify continuing to provide the service. Accordingly, § 356.12 has been amended to stipulate that it will not be a feature of either system going forward.

Procedural Requirements

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

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

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

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

List of Subjects

31 CFR Part 356

Bonds, Federal Reserve System, Government securities, Securities.

31 CFR Part 357

Banks, Banking, Bonds, Electronic funds transfers, Government securities, Reporting and recordkeeping requirements.

31 CFR Part 363

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

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

PART 356—SALE AND ISSUE OF MARKETABLE BOOK-ENTRY TREASURY BILLS, NOTES AND BONDS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 1-93)

■ 1. The authority citation for part 356 continues to read as follows:

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

■ 2. Amend part 356 by revising "TreasuryDirect" or "Legacy Treasury Direct" to read "TreasuryDirect®" or "Legacy Treasury Direct®" the first time they appear in each section or section heading in the part.

■ 3. Section 356.2 is amended by revising the definitions of "Autocharge agreement," "Book-entry security," Security and "TreasuryDirect," and by adding in alphabetical order the definitions of "Certificate of indebtedness" and "Legacy Treasury Direct" to read as follows:

§ 356.2 What definitions do I need to know to understand this part?

* * * * *

Autocharge agreement means an agreement in a format acceptable to Treasury between a submitter or clearing corporation and a depository institution that authorizes us to:

(1) Deliver awarded securities to:

(i) The book-entry securities account of a designated depository institution in the commercial book-entry system, or

(ii) An account in Legacy Treasury Direct, and

(2) Charge a funds account of a designated depository institution for the settlement amount of the securities.

* * * * *

Book-entry security means a security that is issued and maintained as an accounting entry or electronic record in either the commercial book-entry system or in one of Treasury's two direct-hold systems—TreasuryDirect or Legacy Treasury Direct. (See § 356.4.)

* * * * *

Certificate of indebtedness means a one-day non-interest-bearing security that may be held in TreasuryDirect and that automatically matures and is rolled over each day until its owner requests that it be redeemed.

* * * * *

Legacy Treasury Direct means a non-Internet-based book-entry system maintained by Treasury for purchasing and holding marketable Treasury securities directly with Treasury. (See 31 CFR part 357.)

* * * * *

Security means a Treasury bill, note, or bond, each as described in this part.

Security also means any other obligation we issue that is subject to this part according to its auction announcement. Security includes an interest or principal component under the STRIPS program, as well as a certificate of indebtedness in an investor's TreasuryDirect account.

* * * * *

TreasuryDirect means the book-entry, online system maintained by Treasury for purchasing and holding marketable Treasury securities, nonmarketable savings bonds, and certificates of indebtedness directly with Treasury. (See 31 CFR part 363.)

* * * * *

■ 4. Section 356.4 is amended by revising the introductory text and paragraph (b), and by adding a new paragraph (c) to read as follows:

§ 356.4 What are the book-entry systems in which auctioned Treasury securities may be issued?

There are three book-entry securities systems—the commercial book-entry system, TreasuryDirect, and Legacy Treasury Direct—into which we issue marketable Treasury securities. We maintain and transfer securities in these three book-entry systems at their par amount. Par amounts of Treasury inflation-protected securities do not include adjustments for inflation. Securities may be transferred from one system to the other. See Department of the Treasury Circular, Public Debt Series No. 2-86, as amended (31 CFR part 357) and 31 CFR part 363.

* * * * *

(b) *TreasuryDirect*. In this system, account holders maintain accounts in a book-entry, online system directly on the records of the Bureau of the Public Debt, Department of the Treasury. Bids for securities to be held in TreasuryDirect are submitted through the Internet.

(c) *Legacy Treasury Direct*. In this system, we maintain the book-entry securities of account holders directly on the records of the Bureau of the Public Debt, Department of the Treasury. Bids for securities to be held in Legacy Treasury Direct are generally submitted directly to us, although such bids may also be forwarded to us by a depository institution or dealer.

■ 5. Section 356.5 is amended by revising the introductory text to read as follows:

§ 356.5 What types of securities does the Treasury auction?

We offer securities under this part exclusively in book-entry form and as direct obligations of the United States

issued under Chapter 31 of Title 31 of the United States Code. The securities are subject to the terms and conditions in this part, the regulations in 31 CFR part 363 (for securities held in TreasuryDirect), the regulations in 31 CFR part 357 (for securities held in the commercial book-entry system and Legacy Treasury Direct), and the auction announcements. When we issue additional securities with the same CUSIP number as outstanding securities, we consider them to be the same securities as the outstanding securities.

* * * * *

■ 6. Section 356.11 is amended by revising the first sentence of paragraph (a)(1), by revising paragraph (c), and by adding a new paragraph (d) to read as follows:

§ 356.11 How are bids submitted in an auction?

(a) *General.* (1) All bids must be submitted using an approved method, which depends on whether you are requesting us to issue the awarded securities in the commercial book-entry system, in TreasuryDirect, or in Legacy Treasury Direct (See § 356.4). * * *

* * * * *

(c) *TreasuryDirect.* You must submit your bids through your established book-entry, online TreasuryDirect account. You may reinvest the proceeds of maturing securities held in TreasuryDirect by directing that the proceeds be used to purchase a certificate of indebtedness in your TreasuryDirect account and by using the proceeds of your certificate of indebtedness to pay for the securities.

(d) *Legacy Treasury Direct.* (1) If you are a submitter and the awarded securities are to be issued in Legacy Treasury Direct, you may submit bids by using one of our approved methods, e.g., computer, automated telephone service, or paper forms. You may also reinvest the proceeds of maturing securities into new securities through the same methods.

(2) If you are submitting bids by paper form, you must use forms authorized by the Bureau of the Public Debt and provide the requested information. We have the option of accepting or rejecting bids on any other form. You are responsible for ensuring that we receive bids in paper form on time. A noncompetitive bid is on time if:

- (i) We receive it on or before the issue date, and
- (ii) The envelope it arrived in bears evidence, such as a U.S. Postal Service cancellation, that it was mailed prior to the auction date.

(3) If you are submitting a bid by computer or automated telephone service you must be an established Legacy Treasury Direct account holder with a Taxpayer Identification Number.

(4) In contingency situations, such as a power outage, we may accept bids by other means, provided, that in all cases the bids are submitted prior to the relevant bidding deadline by an established Legacy Treasury Direct account holder.

■ 7. Section 356.12 is amended by revising paragraphs (b)(1) and (c)(3) to read as follows:

§ 356.12 What are the different types of bids and do they have specific requirements or restrictions?

* * * * *

(b) *Noncompetitive bids.* (1) *Maximum bid.* You may not bid noncompetitively for more than \$5 million. The maximum bid limitation does not apply if you are bidding solely through either a TreasuryDirect or a Legacy Treasury Direct reinvestment request. A request for reinvestment of securities maturing in either TreasuryDirect or Legacy Treasury Direct is a noncompetitive bid.

* * * * *

(c) * * * (3) *Additional restrictions.* You may not bid competitively in an auction in which you are bidding noncompetitively. You may not bid competitively for securities to be bought through either TreasuryDirect or Legacy Treasury Direct.

■ 8. Section 356.17 is amended by redesignating paragraphs (b) and (c) as paragraphs (c) and (d), respectively, adding new paragraph (b) and revising newly redesignated paragraphs (c) and (d) to read as follows:

§ 356.17 How and when do I pay for securities awarded in an auction?

* * * * *

(b) *TreasuryDirect.* You must pay for your awarded securities by a debit entry to a deposit account that you are authorized to debit or by using the redemption proceeds of your certificate of indebtedness held in your TreasuryDirect account. Payment by debit entry occurs on the settlement date for the actual settlement amount due. (See § 356.25.)

(c) *Legacy Treasury Direct.* Unless you make other provisions, you must pay by debit entry to a deposit account that you are authorized to debit or submit payment with your bids. Payment by debit entry occurs on the settlement date for the actual settlement amount due. (See § 356.25.) If you are paying with a check or with maturing

securities, you must pay separately for any premium, accrued interest, or inflation adjustment as soon as you receive your Payment Due Notice.

(1) *Bidding and payment by computer or by telephone.* If you are bidding by computer or by telephone, you must pay for any securities awarded to you by debit entry to a deposit account. If a depository institution or dealer is submitting your bids for securities to be held in Legacy Treasury Direct, payment may be either by debit entry to a deposit account or by allowing us to charge the Federal Reserve Bank funds account of a depository institution.

(2) *Bidding and payment by paper form.* If you are mailing bids to us on a paper form, you may either enclose your payment with the form or pay for any securities awarded to you by debit entry to a deposit account. For bills, you may pay by depository institution (cashier's or teller's) check, certified check, or currently dated Treasury or fiscal agency check made payable to you. For notes or bonds, in addition to the payment options for bills, you may also pay by personal check. If you submit a personal check, make it payable to Legacy Treasury Direct and mail it with the bid to the Federal Reserve Bank handling your account. In your payment amount you must include the par amount and any announced accrued interest and/or inflation adjustment.

(3) *Payment by maturing securities.* You may use maturing securities held in Legacy Treasury Direct as payment for reinvestments into new securities that we are offering, as long as we receive the appropriate transaction request on time.

(d) *Commercial book-entry system.* Unless you make other provisions, payment of the settlement amount must be by charge to the funds account of a depository institution at a Federal Reserve Bank.

■ 9. Section 356.22 is amended by revising paragraph (a) to read as follows:

§ 356.22 Does the Treasury have any limitations on auction awards?

(a) *Awards to noncompetitive bidders.* The maximum award to any noncompetitive bidder is \$5 million. This limit does not apply to bidders bidding solely through TreasuryDirect or Legacy Treasury Direct reinvestment requests.

* * * * *

■ 10. Section 356.25 is amended by revising paragraphs (a) and (b), redesignating paragraph (c) as paragraph (d), adding a new paragraph (c), and revising newly redesignated paragraph (d) to read as follows:

§ 356.25 How does the settlement process work?

* * * * *

(a) Payment by debit entry to a deposit account. If you are paying by debit entry to a deposit account as provided for in § 356.17 (b) and (c), we will charge the settlement amount to the specified account on the issue date.

(b) Payment by authorized charge to a funds account. Where the submitter's method of payment is an authorized charge to the funds account of a depository institution as provided for in § 356.17 (c)(1) and (d), we will charge the settlement amount to the specified funds account on the issue date.

(c) Payment through a certificate of indebtedness. If you are paying with the redemption proceeds of your certificate of indebtedness as provided for in § 356.17(b), we will redeem the certificate of indebtedness for the settlement amount of the security and apply the proceeds on the issue date.

(d) Payment with bids. If you paid the par amount with your bids as provided for in § 356.17 (c)(2), you may have to pay an additional amount, or we may have to pay an amount to you, as follows:

(1) When we owe an amount to you. If the amount you paid is more than the settlement amount, we will refund the balance to you after the auction. This will generally occur if you submit payment with your bids. A typical example would be an auction where the price is a discount from par and there is no accrued interest.

(2) When you must remit an additional amount. If the settlement amount is more than the amount you paid, we will notify you of the additional amount due. You may owe us such an additional amount if the auction calculations result in a premium or if accrued interest or an inflation adjustment is due. If your securities are to be held in TreasuryDirect, we will collect this amount through the same payment method that you previously authorized for the transaction. If your securities are to be held in Legacy Treasury Direct, you will be responsible for remitting this additional amount immediately.

■ 11. Section 356.30 is amended by redesignating current paragraph (c)(2) as paragraph (c)(3) and by adding a new paragraph (c)(2) and revising newly redesignated paragraph (c)(3) to read as follows:

§ 356.30 When does the Treasury pay principal and interest on securities?

* * * * *

(c) * * *

(2) TreasuryDirect. We discharge our payment obligations when we make payment to a depository institution for credit to the account specified by the owner of the security, when we make payment for a certificate of indebtedness to be issued and held in the owner's account, or when we make payment according to the instructions of the security's owner or the owner's legal representative.

(3) Legacy Treasury Direct. We discharge our payment obligations when we make payment to a depository institution for credit to the account specified by the owner of the security, or when we make payment according to the instructions of the security's owner or the owner's legal representative.

PART 357—REGULATIONS GOVERNING BOOK-ENTRY TREASURY BONDS, NOTES AND BILLS HELD IN LEGACY TREASURY DIRECT®

■ 12. The authority citation for part 357 continues to read as follows:

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

■ 13. Amend part 357 by revising "TreasuryDirect" or "Legacy Treasury Direct" to read "TreasuryDirect®" or "Legacy Treasury Direct®" the first time they appear in each section or section heading in the part.

■ 14. Amend 357.0 by revising paragraph (a) to read as follows:

§ 357.0 Book-entry systems.

(a) Treasury securities. Treasury securities are maintained in one of the following book-entry systems:

(1) Commercial book-entry system. The commercial book-entry system is the book-entry system in which Treasury securities are held in a tiered system through securities intermediaries such as financial institutions or brokerage firms. A Treasury security is maintained in the commercial book-entry system if it is credited by a Federal Reserve Bank to a Participant's Securities Account. The regulations governing the commercial book-entry system are found at subpart B of this part, and are referred to as Treasury/ Reserve Automated Debt Entry System (TRADES).

(2) Legacy Treasury Direct. The Legacy Treasury Direct system is a non-Internet-based book-entry system maintained by Treasury for purchasing and holding marketable Treasury securities as book-entry products. A Treasury security is maintained in Legacy Treasury Direct if it is credited to a Legacy Treasury Direct account as

described in § 357.20 of this part. Treasury securities are held directly by the Department of the Treasury in accounts maintained in the investor's name. A Legacy Treasury Direct account may be accessed through a designated Federal Reserve Bank or the Bureau of the Public Debt. See subpart C of this part for rules pertaining to Legacy Treasury Direct.

(3) TreasuryDirect. TreasuryDirect is a book-entry, online system maintained by the Department of the Treasury for purchasing and holding eligible marketable Treasury securities, United States Savings Bonds, and certificates of indebtedness in electronic form as a computer record on the books of Treasury. The regulations governing TreasuryDirect are found at 31 CFR part 363.

* * * * *

■ 15. Amend § 357.2 by revising the definitions of "Book-entry security" and "Original issue," in alphabetical order, to read as follows:

§ 357.2 Definitions.

* * * * *

Book-entry security means a Treasury security maintained as a computer record in the commercial book-entry system, Legacy Treasury Direct, or TreasuryDirect.

* * * * *

Original issue means Treasury's offering of a marketable Treasury security to the public and its issuance in book-entry form to be maintained in the commercial book-entry system, Legacy Treasury Direct, or TreasuryDirect.

* * * * *

■ 16. Amend § 357.22 by revising the second sentence in paragraph (a), the fourth sentence in paragraph (a), the first sentence of paragraph (a)(1), and paragraph (a)(3) to read as follows:

§ 357.22 Transfers.

(a) General. * * * A security may be transferred among accounts in Legacy Treasury Direct, the commercial book-entry system, and TreasuryDirect. * * * The Department may delay transfer of a newly purchased security from a Legacy Treasury Direct account to an account in commercial book entry or TreasuryDirect for a period not to exceed (30) calendar days from the date of issue.

(1) Identification of securities to be transferred. The owner must identify the securities to be transferred, in the manner required by the transaction request. * * *

* * * * *

(3) When transfer effective.

(i) *Transfer within Legacy Treasury Direct or to Legacy Treasury Direct from the commercial book-entry system or TreasuryDirect.* A transfer of a security within Legacy Treasury Direct, or to Legacy Treasury Direct from another book-entry system, is effective when an appropriate entry is made in the name of the transferee on the Legacy Treasury Direct records.

(ii) *Transfer from Legacy Treasury Direct to the commercial book-entry system.* A transfer of a security from Legacy Treasury Direct to the commercial book-entry system is effective as provided in Subpart B. If a transfer cannot be completed, and the security is sent back to Legacy Treasury Direct, the Department will redeposit the security in the original account.

(iii) *Transfer from Legacy Treasury Direct to TreasuryDirect.* A transfer of a security from Legacy Treasury Direct to TreasuryDirect is effective as provided in 31 CFR part 363. If the transfer cannot be completed, the Department will redeposit the security in the original account.

* * * * *

PART 363—REGULATIONS GOVERNING SECURITIES HELD IN TREASURYDIRECT

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

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

■ 18. Amend part 363 by revising “TreasuryDirect” or “Legacy Treasury Direct” to read “TreasuryDirect®” or “Legacy Treasury Direct®” the first time they appear in each section or section heading in the part.

§ 363.3 [Removed and reserved]

■ 19. Remove and reserve § 363.3.
 ■ 20. Revise § 363.4 to read as follows:

§ 363.4 How is TreasuryDirect different from the Legacy Treasury Direct system and the commercial book-entry system?

(a) *TreasuryDirect.* TreasuryDirect is a book-entry, online system maintained by Treasury for purchasing, holding and conducting permitted transactions in eligible Treasury securities in electronic form as a computer record on the books of Treasury. TreasuryDirect currently provides for the purchase and holding of eligible book-entry savings bonds, certificates of indebtedness, and eligible marketable Treasury securities.

(b) *Legacy Treasury Direct.* The Legacy Treasury Direct system is a non-Internet-based book-entry system maintained by Treasury for purchasing, holding, and conducting permitted

transactions in eligible marketable Treasury securities as book-entry products. The terms and conditions for the Legacy Treasury Direct system are found at 31 CFR part 357, subpart C.

(c) *Commercial book-entry system.* The commercial book-entry system is the book-entry system in which Treasury securities are held in a tiered system through securities intermediaries such as financial institutions or brokerage firms. The regulations governing the commercial book-entry system are found at 31 CFR part 357, subpart B, and may be referred to in that part as Treasury/Reserve Automated Debt Entry System (TRADES).

■ 21. Amend § 363.5 by redesignating paragraphs (a) and (b) as paragraphs (b) and (c), adding paragraph (a), and revising the newly redesignated paragraph (c), to read as follows:

§ 363.5 How do I contact Public Debt?

(a) You may use the “Contact Us” feature within TreasuryDirect to communicate information to us over a secure Internet connection.

* * * * *

(c) Letters should be addressed to: Bureau of the Public Debt, TreasuryDirect, P.O. Box 5312, Parkersburg, WV 26106–5312.

■ 22. Amend § 363.6 by removing the definition of “Depository financial institution,” adding the definitions of “Commercial book-entry system,” “Financial institution,” “Legacy Treasury Direct system,” “Marketable Treasury security,” “Sell Direct,” and “Tender” in alphabetical order and revising the definition of “Certificate of Indebtedness” and “Transfer,” to read as follows:

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

* * * * *

Certificate of Indebtedness is a one-day non-interest-bearing security held within your primary or linked account, including a minor account for which you are the custodian, that automatically matures and is rolled over each day until you request that it be redeemed.

Commercial book-entry system refers to the book-entry system in which you hold your Treasury securities in a tiered system through securities intermediaries such as financial institutions or brokerage firms. (See § 363.4.)

* * * * *

Financial institution, or depository financial institution, means an entity described in 12 U.S.C. 461 (b)(1)(A)(i)–(vi).

* * * * *

Legacy Treasury Direct system is a non-Internet-based book-entry system maintained by Treasury since 1986 for purchasing and holding marketable Treasury securities directly with Treasury as book-entry products. (See § 363.4.)

* * * * *

Marketable Treasury security refers to a Treasury bill, note, or bond that is negotiable and transferable, that is, may be bought and sold in the secondary market.

* * * * *

Sell Direct® is a service in which Treasury, through our agent, will sell your marketable Treasury security held in TreasuryDirect or Legacy Treasury Direct on the open market for a fee.

* * * * *

Tender means an offer, or bid, to purchase a marketable Treasury security.

* * * * *

Transfer is a transaction to move a security, or a portion of a security, from one account to another within TreasuryDirect, or to move a marketable Treasury security to or from a TreasuryDirect account and an account in Legacy Treasury Direct or the commercial book-entry system.

* * * * *

■ 23. Amend § 363.10 by revising the heading, paragraph (a)(2), and the last sentence of paragraph (b)(1) to read as follows:

§ 363.10 What is a TreasuryDirect account?

* * * * *

(a) * * *
 (2) Gifts of savings bonds that have not yet been delivered;

* * * * *

(b) * * *
 (1) * * * You may also buy and deliver gift savings bonds from your custom account.

* * * * *

■ 24. Amend § 363.21 by revising the heading, and paragraphs (a), (b), (c), (d), and (e) to read as follows:

§ 363.21 What transactions can I perform online through my TreasuryDirect account?

* * * * *

(a) You can purchase, transfer, and change the registration of an eligible Treasury security, including a transfer of a marketable security for a Sell Direct transaction;

(b) You can redeem a savings bond;

(c) You can deliver a gift savings bond to the account of the recipient;

(d) You can grant and revoke the right to view an eligible security to a

secondary owner or beneficiary named on the security, if the secondary owner or beneficiary is a TreasuryDirect account owner;

(e) You, as the primary owner, can grant certain transaction rights to the secondary owner, and you can also revoke those rights. The secondary owner can exercise those rights, provided they have not been revoked, if the secondary owner is a TreasuryDirect account owner;

* * * * *

■ 25. Amend § 363.22 by revising paragraph (c) to read as follows:

§ 363.22 Who has the right to conduct online transactions in book-entry securities?

* * * * *

(c) *Primary owner with secondary owner form of registration.* (1) The primary owner can conduct any permitted transaction in a security held in the primary owner's TreasuryDirect account. (See § 363.20(e)).

(2) If the primary owner has given the secondary owner the right to conduct transactions in a security, and has not revoked that right, then the secondary owner can conduct transactions in the security. Transactions that may be conducted by the secondary owner include transferring a marketable security, including a transfer for a Sell Direct transaction, redeeming a savings bond, and changing the destination of interest and redemption payments for marketable securities.

* * * * *

■ 26. Amend § 363.26 by revising paragraph (a) and adding paragraph (c), to read as follows:

§ 363.26 What is a transfer?

(a) A transfer is a transaction to:

(1) Move a Treasury security, or a portion of a Treasury security, from one account to another within TreasuryDirect ;

(2) Move a marketable Treasury security to or from a TreasuryDirect account and an account in Legacy Treasury Direct or the commercial book-entry system.

* * * * *

(c) *Gift delivery is not a transfer.* A transfer does not include delivery of a gift savings bond from the donor to the recipient. This is referred to as a delivery.

■ 27. Amend § 363.27 by:

- a. Redesignating paragraphs (a) through (f) as paragraphs (b) through (g);
- b. Adding a new paragraph (a) to read as set forth below; and
- c. Revising the first sentence of the newly redesignated paragraph (e)(2),

and revising the newly redesignated paragraphs (e)(3), (e)(4), (e)(6), and (e)(7), to read as follows:

§ 363.27 What do I need to know about accounts for minors who have not had a legal guardian appointed by a court?

(a) We do not permit a minor to purchase securities.

* * * * *

(e) * * *

(2) The custodian may redeem savings bonds on behalf of the minor through the minor's account. * * *

(3) The custodian may not purchase gift savings bonds from the minor's account.

(4) The custodian may transfer a security to another TreasuryDirect account, provided the account is a linked account bearing the name and taxpayer identification number of the minor. The custodian can transfer a marketable Treasury security to an account in Legacy Treasury Direct or the commercial book-entry system, and may request a Sell Direct transaction.

* * * * *

(6) Gift savings bonds may be delivered to the minor's account.

(7) The custodian may grant rights to view and conduct transactions in the security as may be permitted by § 363.22.

* * * * *

■ 28. Revise §§ 363.36, 363.37, and 363.38 to read as follows:

§ 363.36 What securities can I purchase and hold in my TreasuryDirect account?

You can purchase and hold eligible Treasury securities in your account. Eligible securities are Series EE and Series I savings bonds, certificates of indebtedness, and marketable Treasury securities that are available for purchase through the TreasuryDirect Web site. In addition, you can hold converted savings bonds and eligible marketable Treasury securities that have been transferred from the Legacy Treasury Direct system or the commercial book-entry system.

§ 363.37 How do I purchase and make payment for eligible Treasury securities through my TreasuryDirect account?

(a) *Online purchase.* Purchases of eligible Treasury securities through your TreasuryDirect account must be made online.

(b) *Payment for savings bonds and marketable Treasury securities.* You can pay for eligible savings bonds and marketable Treasury securities by either a debit to your designated account at a United States financial institution using the ACH method, or by using the

redemption proceeds of your certificate of indebtedness.

(c) *Payment for certificate of indebtedness.* You can pay for a certificate of indebtedness by a direct deposit from your financial institution or employer to your TreasuryDirect account using the ACH method; by a debit from your designated account at a financial institution using the ACH method, but the amount of the debit is limited to \$1000 or less; or by using the proceeds of maturing securities held in your Treasury Direct account.

§ 363.38 What happens if my financial institution returns an ACH debit?

If your designated financial institution returns an ACH debit, we reserve the right to reinitiate the debit at our option. We also reserve the right to reverse the transaction, thereby removing the security from your TreasuryDirect account. If the ACH return occurs after the security has been redeemed, transferred, or has matured and the proceeds paid, we reserve the right to reverse previously processed security transactions. We are not responsible for any fees your financial institution may charge relating to returned ACH debits.

■ 29. Revise § 363.40 to read as follows:

§ 363.40 How are payments of principal and interest made?

(a) *Payment of a savings bond that has reached final maturity.* We will purchase a certificate of indebtedness in your TreasuryDirect account using the proceeds of a matured savings bond.

(b) *Payments of interest and principal (except a savings bond that has reached final maturity).* (1) We provide two methods of receiving payments of principal and interest:

(i) Payment to your account at a financial institution by the ACH method, or

(ii) Payment to your TreasuryDirect account to purchase a certificate of indebtedness.

(2) You may select different payment destinations for principal and interest for a marketable Treasury security. You may change your payment destination at any time, unless the security is in the closed book period. (See § 363.210.)

(3) If we are unable to deliver a payment, we will use the payment to purchase a certificate of indebtedness in your TreasuryDirect account.

■ 30. Amend § 363.44 by revising paragraph (a)(1) to read as follows:

§ 363.44 What happens when a TreasuryDirect account owner dies and the estate is entitled to securities held in the account?

(a) *Estate is being administered.* (1) For an estate that is being administered, the legal representative of the estate may request payment of securities, if the securities are eligible for payment, to the estate or to the persons entitled, or may:

(i) Request transfer of securities to the TreasuryDirect account of the persons entitled, if the securities are eligible for transfer;

(ii) Request transfer of marketable Treasury securities to the commercial book-entry system; or

(iii) Request a Sell Direct transaction.

* * * * *

§§ 363.80–363.81 [Removed and reserved]

■ 31. Remove and reserve § 363.80 and § 363.81.

§ 363.82 [Redesignated]

■ 32. Redesignate § 363.82 as § 363.101.

§ 363.82 [Added and reserved]

■ 32a. Add and reserve new § 363.82.

■ 33. Add § 363.100 to read as follows:

§ 363.100 What are the rules for purchasing and delivering gift savings bonds to minors?

(a) A TreasuryDirect account owner can purchase a savings bond as a gift with a minor as the recipient.

(b) An account owner can deliver a bond purchased as a gift to a minor. The account owner must deliver the security to the minor's linked account. Once delivered, the bond will be under the control of the custodian of the minor's account. (See § 363.27.)

■ 34. Revise the newly redesignated § 363.101 to read as follows:

§ 363.101 Can an account owner transfer a book-entry savings bond to a minor?

An account owner can transfer a book-entry savings bond held in TreasuryDirect to a minor as a gift or pursuant to one of the specified exceptions in § 363.55(a).

■ 35. Amend § 363.138 by revising paragraph (c) to read as follows:

§ 363.138 How do I purchase a certificate of indebtedness?

* * * * *

(c) through the Buy Direct® function of your TreasuryDirect account, in which you direct us to debit funds from your account at a financial institution to purchase a certificate of indebtedness. This method is limited to an amount no greater than \$1000 per transaction. When you use the Buy Direct function

to debit funds to purchase all or a portion of a certificate of indebtedness, you will not be permitted to schedule a redemption for cash from your certificate of indebtedness within five business days after the date of the debit entry; or

* * * * *

■ 36. Revise § 363.142 to read as follows:

§ 363.142 Can I redeem my certificate of indebtedness for cash?

You can redeem part or all of the value of your certificate of indebtedness at any time, with one exception: if you purchased all or a portion of your certificate of indebtedness through a debit using the ACH method, you may not schedule a redemption from your certificate of indebtedness within five business days after the date of the debit entry.

■ 37. Redesignate Subpart F as Subpart H.

■ 38. Redesignate § 363.200 through § 363.202 as § 363.250 through § 363.252.

■ 39. Add a new subpart F to read as follows:

Subpart F—Marketable Treasury Securities

Sec.

363.200 What Treasury securities does this subpart govern?

363.201 What other regulations govern book-entry marketable book-entry Treasury bills, notes, and bonds?

363.202 What marketable Treasury securities may I purchase and hold through my TreasuryDirect account?

363.203 After I purchase my marketable Treasury security in TreasuryDirect, is there a period of time during which I may not transfer the security?

363.204 What registrations are available for my marketable Treasury securities held in TreasuryDirect?

363.205 How do I reinvest the proceeds of a maturing security held in TreasuryDirect?

363.206 How can I transfer my marketable Treasury security into my TreasuryDirect account from another book-entry system?

363.207 Can I transfer my marketable Treasury security from my TreasuryDirect account to another TreasuryDirect account?

363.208 Can I transfer my marketable Treasury security from my TreasuryDirect account to an account in another book-entry system?

363.209 How can I direct that my marketable Treasury security be sold on the open market (Sell Direct®)?

363.210 Is there any period of time during which I will be unable to process certain transactions regarding my security?

363.211–363.249 [Reserved]

Subpart F—Marketable Treasury Securities

§ 363.200 What Treasury securities does this subpart govern?

This subpart provides the rules for holding marketable Treasury bills, notes, and bonds in book-entry form in TreasuryDirect.

§ 363.201 What other regulations govern book-entry marketable book-entry Treasury bills, notes, and bonds?

(a) 31 CFR part 356 governs the sale and issue of marketable book-entry Treasury securities on or after March 1, 1993, whether held in TreasuryDirect, Legacy Treasury Direct, or the commercial book-entry system.

(b) 31 CFR part 357 governs holding marketable book-entry Treasury bills, notes, and bonds in the Legacy Treasury Direct system and in the commercial book-entry system.

§ 363.202 What marketable Treasury securities may I purchase and hold through my TreasuryDirect account?

(a) *Purchase.* You may purchase any marketable Treasury security that is available for purchase through the TreasuryDirect Web site.

(b) *Hold.* You may transfer into the system and maintain in your TreasuryDirect account any eligible marketable book-entry Treasury bill, note, or bond.

§ 363.203 After I purchase my marketable Treasury security in TreasuryDirect, is there a period of time during which I may not transfer the security?

Once you purchase a marketable Treasury security in TreasuryDirect, you may not transfer that security for a period of 45 calendar days after the issue date of the security, or the term of the security, whichever is less.

§ 363.204 What registrations are available for my marketable Treasury securities held in TreasuryDirect?

You may register your marketable Treasury securities in any form of registration permitted by § 363.20 of this part.

§ 363.205 How do I reinvest the proceeds of a maturing security held in TreasuryDirect?

You can reinvest the proceeds of a maturing security held in TreasuryDirect by first directing that the proceeds from the maturing security be used to purchase a certificate of indebtedness in your account, and then using the redemption proceeds of your certificate of indebtedness to purchase another security. Any purchase using the proceeds from a certificate of indebtedness is considered a reinvestment.

§ 363.206 How can I transfer my marketable Treasury security into my TreasuryDirect account from another book-entry system?

(a) *Legacy Treasury Direct to TreasuryDirect.* 31 CFR part 357, subpart C, governs the transfer of a marketable book-entry Treasury security from your Legacy Treasury Direct account into TreasuryDirect.

(b) *Commercial book-entry system to TreasuryDirect.* You may transfer your marketable Treasury security from the commercial book-entry system by contacting the financial institution or broker that handles your commercial book-entry account.

(c) *Form of registration upon transfer to TreasuryDirect.* When your security is transferred into your TreasuryDirect account, it will be transferred into your account in your name in the sole owner form of registration, regardless of the form of registration prior to the transfer. After the transfer is completed, you can change the registration to any form of registration permitted by § 363.20.

(d) *Amounts transferred.* You can only transfer in increments of \$1000.

§ 363.207 Can I transfer my marketable Treasury security from my TreasuryDirect account to another TreasuryDirect account?

After the initial 45-calendar day holding period for your marketable Treasury security (see § 363.203) you can transfer your security to another TreasuryDirect account in increments of \$1000.

§ 363.208 Can I transfer my marketable Treasury security from my TreasuryDirect account to an account in another book-entry system?

After the initial 45-calendar day holding period for your marketable Treasury security (see § 363.203) you can transfer your security to an account in Legacy Treasury Direct or to an account in the commercial book-entry system in increments of \$1000.

§ 363.209 How can I direct that my marketable Treasury security be sold on the open market (Sell Direct®)?

(a) *Sell Direct.* We offer a service, referred to as Sell Direct, in which we will sell your marketable Treasury security for you on the open market at your request. We will transfer your security to an account in the commercial book-entry system maintained by our agent, and will sell the security on your behalf. By authorizing the transfer and sale of the security, you agree to accept the price received by our agent. If our agent is unable to obtain at least one price quote for the security, the security will be returned to your TreasuryDirect account.

(b) *Fee.* We charge a fee for each security sold on your behalf. By authorizing the sale of the security, you authorize our agent to deduct the fee from the proceeds of the sale. If our agent is unable to complete the sale, no fee will be charged. The amount of the fee is published in the **Federal Register**.

(c) *Definitions.* The following definitions will help you understand this section and the confirmation that you will receive after the sale is completed.

(1) The *trade date* is the date that your security is sold.

(2) A *security*, for the purpose of this section, is any amount represented by a separate CUSIP number (see definition of CUSIP in 31 CFR part 356).

(3) The *settlement date* is the date that the proceeds of the sale are released to the financial institution that you designated to receive the proceeds.

(4) The *yield to maturity*, or *yield*, is the annualized rate of return to maturity on a fixed principal security expressed as a percentage. For an inflation-indexed security, yield means real yield, as defined in 31 CFR part 356.

(d) On the settlement date, our agent will release the settlement proceeds,

less the fee, to the account at the financial institution that you designated.

(e) When the transaction is complete, our agent will send you a confirmation. The confirmation will include the price, trade date, settlement date, settlement amount or net amount, transaction fee, and yield to maturity.

(f) We are not liable for changes in market conditions affecting the price received for the security, or for any loss that you may incur as a result of the sale or the inability of our agent to complete the sale.

(g) We reserve the right to terminate the Sell Direct® service at any time.

§ 363.210 Is there any period of time during which I will be unable to process certain transactions regarding my security?

A closed book period will be in effect for four business days prior to the date a marketable security interest or redemption payment is made. This means that certain transactions made during the closed book period will be delayed until after the closed book period is completed and the payment is made. You will be unable to transfer the security, change the payment destination, change the registration of the security, or use Treasury's Sell Direct® service during this closed book period.

§§ 363.211–363.249 [Added and reserved]

■ 40. Add and reserve §§363.211 through 363.249 in subpart F.

Subpart G—[Added and reserved]

■ 41. Add and reserve Subpart G.

Dated: September 26, 2005.

Donald V. Hammond,

Fiscal Assistant Secretary.

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