

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Parts 351, 357, 359, 360, and 363****Regulations Governing Treasury Securities; New Treasury Direct System**

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

ACTION: Final rule.

SUMMARY: We are implementing a new book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. The system is known as New Treasury Direct.

The only Treasury security that may be held in New Treasury Direct at its initial implementation is the book-entry Series I savings bond. We plan to make the system available for other Treasury securities in the future as we expand the system.

We are adding a new part to provide the governing regulations specific to the New Treasury Direct system, and the governing regulations for the book-entry Series I savings bond. The new part will, in the future, provide governing regulations for other eligible Treasury securities as we expand the system. Although most of the functionalities for the New Treasury Direct system will be available at the initial public implementation, a few functionalities will be delayed for a period of time. The delayed functionalities are those affecting the accounts of minors, the granting of viewing and transaction rights for secondary owners, and the granting of viewing rights for beneficiaries and others. Therefore, the regulations will have dual effective dates. The sections of part 363 that will be available at initial implementation will be effective upon publication in the **Federal Register**. The sections, or parts of sections, of part 363 that will not be implemented initially will have a delayed effective date. We will announce the effective date of the affected sections by a Final Rule in the **Federal Register**.

We revised the offering of United States savings bond of Series I to provide for the book-entry Series I savings bonds. We also rewrote the regulations in plain language.

We revised the regulations governing United States savings bonds of Series I to make it clear that the regulations only refer to definitive Series I savings bonds.

We revised the regulations governing book-entry Treasury bonds, notes and

bills, to make clear the differences between *TreasuryDirect*, an existing book-entry system for purchasing and holding marketable Treasury securities, and the New Treasury Direct.

We revised the offering of United States savings bonds of Series I, and the offering of United States savings bonds of Series EE, to permit the mailing of savings bonds to foreign addresses under certain circumstances.

DATES: Effective October 17, 2002. However, sections 363.24(e), (f), (g), (h), (m), 363.27, 363.28, 363.29, 363.30, 363.31, 363.32, and 363.69(d), (e), (f), (g), are stayed indefinitely; the Fiscal Service will announce the effective date(s) when they will take effect.

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

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SUPPLEMENTARY INFORMATION:**Background**

Public Debt has developed a new account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. The new system is known as New Treasury Direct. We are adding a new part to the Code of Federal Regulations to provide the governing regulations for the new system and for securities held within the new system.

Upon initial implementation of the system, only book-entry Series I savings bonds will be offered through New Treasury Direct. We plan to offer other Treasury securities in future enhancements to the system.

The new system is not replacing the current *TreasuryDirect* system for holding book-entry marketable Treasury securities; at least for some period of time the two systems will coexist even after marketable securities are offered through New Treasury Direct.

We will continue to offer definitive Series I savings bonds at least for some period of time.

The New Treasury Direct system will benefit the investor by enabling the investor to purchase eligible Treasury securities, conduct transactions, and self-manage his or her New Treasury Direct account using the Internet. The system will provide greater flexibility and convenience for the investor by eliminating the paperwork burden inherent in the current *TreasuryDirect* system.

The New Treasury Direct system and the book-entry Series I savings bonds will benefit the government by providing a cost-effective and efficient processing environment, thereby reducing processing costs to Treasury.

New Treasury Direct

This final rule provides the governing regulations for the New Treasury Direct system. The system is substantively different from the current *TreasuryDirect* system.

New Treasury Direct permits only one individual (the purchaser) to hold an account in his or her own right. The New Treasury Direct account will hold securities over which the account owner has control, in various forms of registration. New Treasury Direct is accessed through the Internet.

At the initial implementation, New Treasury Direct will be available to the general public for individual purchasers with a valid social security number, an account at a United States depository financial institution that accepts debits and credits using the Automated Clearing House (ACH) method of payment, and a United States address. We plan to expand the system in future enhancements to include trusts and business entities.

The system will initially offer only book-entry Series I savings bonds. We plan to offer marketable Treasury securities and exchanges of selected definitive savings bonds in future enhancements to the system.

We will authenticate the identity of an applicant for a New Treasury Direct account using an online authentication service. Once the applicant's identity has been authenticated, he or she will create a password to access the account. The account owner may then purchase securities and conduct transactions online through his or her account using the password. At our option, we may require a written application containing the applicant's certified signature. All payments for purchases and redemptions will be made by debits and credits using the ACH method.

The online transactions that an account owner may conduct include: Purchasing eligible Treasury securities; redeeming savings bonds held in the account; changing or removing a beneficiary or secondary owner; transferring securities; granting or revoking secondary owner rights; delivering securities purchased as gifts to the recipient's New Treasury Direct account; making changes to account information; changing ACH information; viewing histories of transactions and pending transactions; changing or deleting pending transactions; changing a password; changing account security information; and viewing or redeeming securities by a secondary owner when he or she has been granted those rights.

When the New Treasury Direct system is expanded to marketable securities, other transactions may be available online as well.

A parent may open an account for a minor through the account of the parent. The parent will create the password for the minor's account and will certify online that he or she is acting on behalf of the minor. The parent may redeem securities through the minor's account but may not purchase securities through the account. The parent may not transfer securities from the minor's account. A person who purchases a security as a gift for the minor may deliver the gift security to the minor's account. The parent may then redeem the security on the minor's behalf using the minor's account. We have set the age of majority for purposes of the regulations at 18 years. When the minor reaches the age of 18 years, the parent is required to give the minor control of the minor's account. If the parent or legal guardian fails to give the minor control of the minor's account, we will provide offline procedures for the minor to gain control of the account.

Book-Entry Series I Savings Bonds

We will be offering a book-entry Series I savings bond. The offering circular for Series I savings bonds is being amended to provide for the offering of the book-entry I bond, and has also been rewritten in plain language.

Both definitive and book-entry Series I savings bonds earn interest according to a formula indexed to inflation. However, the terms and conditions of the two securities, including registration options, differ in many respects.

The forms of registration for book-entry Series I savings bonds are single owner, primary owner with secondary owner, and owner with beneficiary. In addition, several special forms of registration are offered for securities

belonging to the estates of deceased owners and legally incompetent persons.

The primary owner with secondary owner form of registration replaces the coowner form used for other savings bonds. In the coowner form of registration, both coowners have an equal right to the bond. In the primary owner with secondary owner form, the purchaser of the bond, the primary owner, has control of the bond. The primary owner may give the secondary owner the right to view or the right to make transactions in the bond, and may at any time revoke any rights given. The primary owner may remove the secondary owner without the consent of the secondary owner.

The single owner and owner with beneficiary forms of registration are similar to the registrations offered currently in definitive Series I savings bonds.

Special forms of registration are offered for bonds belonging to the estates of deceased owners and legally incompetent individuals. At this time, special forms of registration will not be offered for initial purchases. Bonds may be registered in the name of the legal guardian or legal representative, and may be held in the personal New Treasury Direct account of the legal guardian or legal representative. The legal guardian or legal representative is not permitted to make new purchases on behalf of the estate of the decedent or incompetent person.

The book-entry Series I savings bonds may be transferred from one New Treasury Direct account to another in order to give a gift (or in response to a final judgment, court order, divorce decree, or a property settlement agreement). The owner of the bond must certify online that the transfer is for the purpose of a gift or for one of the specified exceptions.

A Series I savings bonds may also be purchased as an irrevocable gift. The purchaser may deliver a gift bond to the account of the intended recipient immediately upon issue, or the purchaser may hold the bond until the purchaser chooses to deliver the bond to the intended recipient.

When the gift bond is transferred or delivered to the recipient, it will be transferred or delivered in the single owner form of registration to the owner named on the gift bond.

The limitation on purchases for a book-entry Series I savings bond is \$30,000 per account per year for bonds purchased by the account owner in his or her own right. Bonds purchased as gifts are included in the amount limitation of the recipient when

delivered. The book-entry Series I savings bond may be purchased in a minimum amount of \$25, with one-cent increments above that amount per transaction. The book-entry bond may be redeemed or transferred as a gift (or transferred pursuant to other permitted transfers) in an amount of \$25 or greater redemption value.

The provisions relating to judicial proceedings are consistent with those governing definitive Series I savings bonds. However, the primary owner with secondary owner form of registration for book-entry Series I savings bonds mandates that some issues are treated differently. In the primary owner with secondary owner form of registration, the secondary owner has no right to redeem unless the primary owner gives him or her that right, and the right is revocable at any time. Thus, for purposes of judicial proceedings, a secondary owner is treated the same as a beneficiary.

The regulations that provide for the offering of Series EE and I savings bonds are being amended to remove the prohibition against mailing bonds to foreign addresses.

We are amending the regulations governing book-entry Treasury bonds, notes and bills. This part covers the existing *TreasuryDirect* system, which has been in place since 1986. The amendment will differentiate the two systems and reference the New Treasury Direct regulations.

Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

This final rule relates to matters of public contract and procedures for United States securities. The notice and public procedures requirements and delayed effective date requirements of the Administrative Procedure Act 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 351

Bonds, Federal Reserve system, Government securities.

31 CFR Part 357

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

31 CFR Part 359

Bonds, Federal Reserve system, Government securities, Securities.

31 CFR Part 360

Bonds, Federal Reserve system, Government securities, Securities.

31 CFR Part 363

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

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

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

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

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

2. Revise § 351.6 to read as follows:

§ 351.6 Delivery of bonds.

Issuing agents are authorized to arrange for the delivery of Series EE bonds. Deliveries are made by mail to the address given by the purchaser. If the purchaser's address is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, bonds will be delivered at the risk of the United States. Bonds delivered elsewhere will be delivered at the risk of the purchaser; however, at the discretion of the United States, delivery to an address within the United States may be required, or delivery may be refused to addresses in countries referred to in part 211 of this chapter.

PART 357—REGULATIONS GOVERNING BOOK-ENTRY TREASURY BONDS, NOTES AND BILLS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 2-86)

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

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

4. Revise § 357.0 to read as follows:

§ 357.0 Book-entry systems.

(a) *Treasury bills, notes and bonds.* Treasury bills, notes and bonds shall be maintained in either of the following two book-entry systems:

(1) *Treasury/Reserve Automated Debt Entry System (TRADES).* A Treasury

security is maintained in TRADES if it is credited by a Federal Reserve Bank to a Participant's Securities Account. See subpart B of this part for rules pertaining to TRADES.

(2) *TREASURY DIRECT Book-entry Securities System (TREASURY DIRECT).* A Treasury security is maintained in TREASURY DIRECT if it is credited to a TREASURY DIRECT account as described in § 357.20. Such accounts may be accessed by investors in accordance with subpart C of this part through a designated Federal Reserve Bank or the Bureau of the Public Debt. See subpart C of this part for rules pertaining to TREASURY DIRECT.

(b) *Transferability between TRADES and TreasuryDirect.* A Treasury security eligible to be maintained in Treasury Direct under the terms of its offering circular or pursuant to notice published by the Secretary may be transferred to or from an account in TRADES from or to an account in TREASURY DIRECT in accordance with § 357.22(a).

(c) *New Treasury Direct System (New Treasury Direct).* New Treasury Direct is an online (Internet-based), book-entry system maintained by Treasury. The *TreasuryDirect* system is a separate book-entry system for marketable Treasury securities only. The regulations governing New Treasury Direct are found at part 363, and are substantially different from the terms and conditions of securities held in *TreasuryDirect*.

5. Revise part 359 to read as follows:

PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I**Subpart A—General Information**

Sec.

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359.2 [Reserved]

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359.4 In what form are Series I savings bonds issued?

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359.6 When may I redeem my Series I bond?

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- 359.51 What book-entry Series I savings bonds are included in the computation of purchases?
- 359.52 What happens if any person purchases book-entry Series I savings bonds in excess of the maximum amount?
- 359.53 Are taxpayer identification numbers (TINs) required for the registration of book-entry Series I savings bonds?
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- 359.65 How are Series I savings bonds taxed?
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- 359.67 Does Public Debt prohibit the issuance of Series I savings bonds in a chain letter scheme?
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- 359.69 Does Public Debt make any reservations as to issue of Series I savings bonds?
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- 359.71 What is the role of Federal Reserve Banks and Branches?
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- Appendix D to part 359—Tax Considerations
- Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

Subpart A—General Information

§ 359.0 What does this part cover?

This part is the offering of United States Savings Bonds of Series I (referred to as Series I bonds or bonds) for sale to the people of the United States by the Secretary of the Treasury (Secretary). This offer was effective September 1, 1998, and will continue until terminated by the Secretary.

§ 359.1 What regulations govern Series I savings bonds?

- (a) The regulations in part 360 apply to definitive (paper) Series I savings bonds.
- (b) The regulations in part 363 apply to book-entry Series I savings bonds.
- (c) We expressly disclaim any representations or warranties regarding Series I savings bonds that in any way conflict with these regulations and other applicable law.

§ 359.2 [Reserved]

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

Accrual date is the first day of any month on which earnings on a Series I bond accrue. The redemption value of a bond does not change between these accrual dates.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Bank account means your account at a United States depository financial institution (whether a bank or other financial institution) to which you have directed that ACH debits and payments be made.

Beneficiary refers to the second individual named in the registration of a security held in definitive form registered “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe.” In the New Treasury Direct system, beneficiary refers to the second individual named in the registration of a security registered “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.” In these examples, Joseph Doe is the beneficiary.

Book-entry bond means a Series I savings bonds maintained by Treasury solely as a computer record.

Composite annual rate means an annual interest rate that combines an annual fixed rate of return and a semiannual inflation rate.

Coowner means either the first or the second individual named in the registration of a definitive Series I savings bonds registered “John Doe SSN 123–45–6789 or Joseph Doe.” In this example, John Doe and Joseph Doe are coowners.

CPI-U, or U.S. City Average All Items Consumer Price Index for All Urban Consumers (non seasonally adjusted) is a monthly index of the prices paid by consumers for consumer goods and services, maintained by the Bureau of Labor Statistics of the U.S. Department of Labor.

Definitive bond means a Series I savings bonds issued in paper form.

Deflation means a decrease in the CPI-U from one month to another.

Face amount refers to the amount inscribed on the front of a definitive Series I savings bonds.

Fiduciary means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for another.

Fixed rate or fixed rate of return is a component of the composite annual rate

for a Series I savings bonds that is established by the Secretary of the Treasury for the life of the bond.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Inflation means an increase in the CPI-U from one month to another.

Interest, as used in this part, is the difference between the principal amount and the redemption value of the bond.

Issue date is the first day of the month in which an authorized issuing agent receives payment of the issue price of the bond.

Issuing agent means an organization that has been qualified under part 317.

New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

Owner is either a single owner, the first individual named in the registration of a bond held in the owner with beneficiary form of registration, or the primary owner of a book-entry bond held in the primary owner with secondary owner form of registration.

Par means the principal amount of a Series I savings bond; for definitive bonds, par is the same as the face amount.

Paying agent means a financial institution that has been qualified under part 321.

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. Person does not mean a Federal Reserve Bank.

Primary owner means the first individual named in the registration of a book-entry bond held in New Treasury Direct registered “John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.” In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Redemption of a book-entry Series I savings bonds refers to payment of principal and accrued interest on the bond at final maturity, or, at the option of the owner, prior to final maturity. The owner of a book-entry savings bonds held in New Treasury Direct may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption of a definitive Series I savings bonds refers to the payment of principal and accrued interest when the owner presents the bond for payment.

Redemption value means principal plus accrued interest of a Series I savings bonds, as of the date of redemption. In the case of book-entry Series I savings bonds, it also refers to a portion of the principal amount plus a proportionate amount of accrued interest of a bond, as of the date of redemption.

Registration of a book-entry Series I savings bonds means that the name and Taxpayer Identification Number (TIN) of all registrants are maintained on our records for a book-entry bond.

Registration of a definitive Series I savings bonds means that the name and TIN of the owner or first-named co-owner are inscribed on the face of the bond.

Secondary owner means the second individual named in the registration of a book-entry bond held in New Treasury Direct registered "John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321." In this example, Joseph Doe is the secondary owner.

Semiannual inflation rate means a component of the composite annual rate that is based on the six-month percentage change in the CPI-U.

Semiannual rate periods are the six-month periods beginning on the date of issue and on each semiannual anniversary of the date of issue to maturity.

Series I savings bond means a savings bonds, whether definitive or book-entry, that is purchased at par and pays interest based on a formula that incorporates both an annual fixed rate and a semiannual inflation rate.

Single owner means the person named in the registration of a savings bonds without a coowner, beneficiary or secondary owner.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service; that is, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123-45-6789. An EIN is composed of nine digits separated by one hyphen, for example, 12-3456789. The hyphens are an essential part of the numbers.

We, us, or our refers to the agency, the Bureau of the Public Debt. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Public Debt. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or your refers to an owner of a Series I savings bonds.

§ 359.4 In what form are Series I savings bonds issued?

Series I savings bonds are issued in either book-entry or definitive form.

§ 359.5 What is the maturity period of a Series I savings bonds?

Series I savings bonds have a total maturity period of 30 years from the issue date, consisting of an original maturity period of 20 years and an extension period of 10 years.

§ 359.6 When may I redeem my Series I bond?

You may redeem your Series I savings bond at any time beginning six months after its issue date.

§ 359.7 If I redeem a Series I savings bonds before five years after the issue date, is there an interest penalty?

If you redeem a bond less than five years after the issue date, we will reduce the overall earning period by three months. For example, if you redeem a bond issued January 1, 2002, nine months later on October 1, 2002, the redemption value will be determined by applying the value calculation procedures and composite rate for that bond as if the redemption date were three months earlier (July 1, 2002). However, we will not reduce the redemption value of a bond subject to the three-month interest penalty below the issue price (par). This penalty does not apply to bonds redeemed five years or more after the issue date.

§ 359.8 How does interest accrue on Series I savings bonds?

A bond accrues interest based on both a fixed rate of return and a semiannual inflation rate. A single, annual rate called the composite rate reflects the combined effects of the fixed rate and the semiannual inflation rate. For more information, see Appendix B of part 359.

§ 359.9 When are interest rates for Series I savings bonds announced?

(a) The Secretary will furnish fixed rates, semiannual inflation rates, and composite rates for Series I savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day. However, the effective date of the rates remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 359.10 What is the fixed rate of return?

The Secretary, or the Secretary's designee determines the fixed rate of return. The fixed rate is established for the life of the bond.¹ The most recently announced fixed rate is only for bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

§ 359.11 What is the semiannual inflation rate?

The index used to determine the semiannual inflation rate is the non-seasonally adjusted CPI-U (the Consumer Price Index for All Urban Consumers for the U.S. City Average for All Items, 1982-84=100) published by the Bureau of Labor Statistics of the U.S. Department of Labor. (For further information on CPI-U considerations, see Appendix C to part 359 at section 1.) The semiannual inflation rate reflects the percentage change, if any, in the CPI-U over a six-month period. We announce this rate twice a year, in May and November. The semiannual inflation rate we announced in May 2002 reflects the percentage change between the CPI-U figures from the preceding March 2002 and September 2001. The rate of change over the six-month period, if any, will be expressed as a percentage, rounded to the nearest one-hundredth of one percent. More specifically, the semiannual inflation rate will be determined by the following formula (the resulting rate will be rounded to the nearest one-hundredth of one percent):

$$\text{Semiannual inflation rate} = (\text{CPI-U}_{\text{Current}} - \text{CPI-U}_{\text{Prior}}) \div \text{CPI-U}_{\text{Prior}}$$

§ 359.12 What happens in deflationary conditions?

In certain deflationary situations, the semiannual inflation rate may be negative. Negative semiannual inflation rates will be used in the same way as positive semiannual inflation rates. However, if the semiannual inflation rate is negative to the extent that it completely offsets the fixed rate of return, the redemption value of a Series I bond for any particular month will not be less than the value for the preceding month.

§ 359.13 What are composite rates?

Composite rates are single, annual interest rates that reflect the combined effects of the fixed rate and the semiannual inflation rate.

¹ However, the fixed rate is not a guaranteed minimum rate; the composite rate could possibly be less than the fixed rate in deflationary situations.

§ 359.14 How are composite rates determined?

Composite rates are set according to the following formula (See Appendix A to part 359 for examples of calculations involving composite interest rates.):

$$\text{Composite rate} = \{(\text{Fixed rate} \div 2) + \text{Semiannual inflation rate} + [\text{Semiannual inflation rate} \times (\text{Fixed rate} \div 2)]\} \times 2.^2$$

§ 359.15 When is the composite rate applied to Series I savings bonds?

The most recently announced composite rate applies to a bond during its next semiannual rate period. A bond's semiannual rate periods are consecutive six-month periods, the first of which begins with the bond's issue date. This means that there can be a delay of several months from the time of a composite rate announcement to the time that rate determines interest earnings for a bond. For example, if you purchased a bond in April, its semiannual rate periods begin every April and October. At the beginning of the semiannual rate period in April, the most recently announced composite rate would have been the rate we announced the previous November. This rate will determine interest earnings for your bond for the next six months, through the end of September. At the beginning of the semiannual rate period in October, the most recently announced composite rate would be the rate announced the previous May. This rate will determine interest earnings for your bond through the end of the following March. However, if you purchased a bond instead in May, its semiannual rate periods begin in May and November. Therefore, the composite rates announced in May and November will apply immediately to this bond. (See Appendix C to part 359 at § 2 for a discussion of rate lag.)

§ 359.16 When does interest accrue on Series I savings bonds?

(a) Interest, if any, accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month.

(b) The accrued interest compounds semiannually.

§ 359.17 When is interest payable on Series I savings bonds?

Interest earnings are payable upon redemption.

§ 359.18 Is the determination of the Secretary on rates and values final?

The Secretary's determination of fixed rates of return, semiannual inflation rates, composite rates, and savings bonds redemption values is final and conclusive.

§ 359.19 How is interest calculated?

We base all calculations of interest on a \$25 unit. We use the value of this unit to determine the value of bonds in higher denominations. The effect of rounding off the value of the \$25 unit increases at higher denominations. This can work to your slight advantage or disadvantage, depending on whether we round the value up or down.³

§ 359.20–359.24 [Reserved]**Subpart B—Definitive Series I Savings Bonds****§ 359.25 What are the denominations and prices of definitive Series I savings bonds?**

Definitive bonds are issued in denominations of \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, and \$10,000. These bonds are sold at par; that is, the purchase price is the same as the denomination (face value).

§ 359.26 When are definitive Series I savings bonds validly issued?

A definitive bond is validly issued when it is registered as provided in part 360, and when it bears an issue date and the validation indicia of an authorized issuing agent.

§ 359.27 What is the issue date of a definitive Series I savings bonds?

The issue date of a definitive bond is the first day of the month in which an authorized issuing agent receives payment of the issue price.

§ 359.28 Are taxpayer identification numbers (TINs) required for the registration of definitive Series I savings bonds?

The inscription of a definitive bond must include the TIN of the owner or first-named co-owner. If the bond is being purchased as a gift or award and

the owner's TIN is not known, the TIN of the purchaser must be included in the inscription on the bond.

§ 359.29 What amount of definitive Series I savings bonds may I purchase per year?

The principal amount of definitive bonds that may be purchased in the name and TIN of any person, in any calendar year, is limited to \$30,000.

§ 359.30 Are definitive Series I savings bonds purchased in the name of an individual computed separately from bonds purchased in a fiduciary capacity?

We compute the purchases of bonds in the name of any person in an individual capacity separately from purchases in a fiduciary capacity (for instance, as representative for the estate of an individual).

§ 359.31 What definitive Series I savings bonds are included in the computation?

In computing the purchases for each person, we include the following outstanding definitive bonds purchased in that calendar year:

(a) All bonds registered in the name of and bearing the taxpayer identification number (TIN) of that person alone or as co-owner;

(b) All bonds registered in the name of the representative of the estate of that person and bearing that person's TIN; and

(c) All gift bonds registered in the name of that person but bearing the TIN of the purchaser.

§ 359.32 What definitive Series I savings bonds are excluded from the computation?

In computing the purchases for each person, the following are excluded:

(a) Bonds on which that person is named as beneficiary;

(b) Bonds to which that person has become entitled upon the death of the registered owner;

(c) Bonds to which that person has become entitled by virtue of the termination of a trust or the occurrence of a similar event; and

(d) Bonds that are purchased and redeemed within the same calendar year.

§ 359.33 What happens if I purchase definitive Series I savings bonds in excess of the maximum amount?

If you have bonds issued during any one calendar year in excess of the prescribed maximum amount, we reserve the right to take any action we deem necessary to adjust the excess. You should obtain instructions for adjustment of the excess from the Bureau of the Public Debt, Parkersburg, WV 26106–1328, or e-mail at <savbonds@bpd.treas.gov>.

² Example for I bonds issued May 2002–October 2002:

Fixed rate = 2.00%

Inflation rate = 0.28%

Composite rate = $[0.0200 \div 2 + 0.0028 + (0.0028 \times 0.0200 \div 2)] \times 2$

Composite rate = $[0.0100 + 0.0028 + 0.000028] \times 2$

Composite rate = 0.012828 × 2

Composite rate = 0.025656

Composite rate = 0.0257 (rounded)

Composite rate = 2.57% (rounded)

³ For example: A composite rate of 2.57% will result in a newly purchased \$25 unit increasing in value after six months to \$25.32, when rounded to the nearest cent. Thus, a \$5,000 bond purchased at the same time as the \$25 unit will be worth \$5,064 after six months $(\$5,000 \text{ divided by } \$25) \times \$25.32 = \$5,064$. In contrast, if it applied directly to a \$5,000 bond, the rate would render a value of \$5,064.25 after six months, a difference of 25 cents. (This example does not include any discussion of the three-month interest penalty that applies if you redeem a bond less than five years after its issue date.)

§ 359.34 May I purchase definitive Series I savings bonds over-the-counter?

You may purchase definitive bonds over-the-counter through any participating issuing agent.⁴ To purchase over-the-counter, you must submit a purchase application, along with payment in the amount of the issue price to an issuing agent. You may use any means of payment acceptable to the issuing agent. You may authorize purchases on a recurring basis in your application. The issuing agent bears the burden of collection and the risk of loss for non-collection or return of the payment.

§ 359.35 May I purchase definitive Series I savings bonds through a payroll savings plan?

You may purchase definitive bonds through deductions from your pay if your employer maintains a payroll savings plan. An authorized issuing agent must issue the bonds.

§ 359.36 May I purchase definitive Series I savings bonds through employee thrift, savings, vacation, and similar plans?

You may purchase bonds registered in the names of employee plans in authorized denominations through a designated Federal Reserve Bank, as provided in part 360 of this chapter.

§ 359.37 How are definitive Series I savings bonds delivered?

We deliver definitive bonds by mail to your address. If your address is within the United States, its territories or possessions, or the Commonwealth of Puerto Rico, we will deliver bonds at our risk. Bonds delivered elsewhere will be delivered at your risk; however, at our discretion, we may require delivery to an address within the United States, or refuse delivery to addresses in countries referred to in part 211 of this chapter.

§ 359.38 How is payment made when definitive Series I savings bonds are redeemed?

A financial institution qualified as a paying agent under the provisions of part 321 will pay the current redemption value of a definitive Series I bond presented for payment. The bond must meet the requirements for payment specified in part 360. You must establish your identity and entitlement to redemption to the satisfaction of the agent, in accordance with our instructions and identification

guidelines, and must sign and complete the request for payment.

§ 359.39 How are redemption values calculated for definitive Series I savings bonds?

We determine the redemption value of a definitive savings bonds for the accrual date (the first day of each month) by first determining the composite rate as defined in § 359.13. If the result of the composite rate calculation is a negative value, zero will be the assumed composite rate in the redemption value calculation. Redemption values are calculated using the following formula (For examples of the calculation, see Appendix A to part 359):

$$FV = PV \times \{[1 + (CR \div 2)]^m - 1\}$$

Where:

FV (future value) = redemption value on the accrual date rounded to the nearest cent without consideration of penalty.

PV (present value) = redemption value at the beginning of the semiannual rate period calculated without consideration of penalty. For bonds that are older than five years, PV will equal the redemption value at the start of the semiannual rate period.

CR = composite rate converted to decimal form by dividing by 100.

m = number of full calendar months elapsed during the semiannual rate period.

§ 359.40 How can I find out what my definitive Series I savings bonds are worth?

(a) *Redemption values.* Redemption values are available for definitive bonds in various formats and media.

(1) You may determine the redemption value for definitive bonds on the Internet at <www.savingsbonds.gov>.

(2) You may download savings bonds calculators from the Internet at <www.savingsbonds.gov>.

(3) You may obtain paper tables from the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328. We reserve the right to cease making paper tables of redemption values available.

(b) *Redemption penalty.* Redemption values published in the tables reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

§ 359.41–359.44 [Reserved]**Subpart C—Book-Entry Series I Savings Bonds****§ 359.45 How are book-entry Series I savings bonds purchased and held?**

Book-entry bonds must be purchased and held online through your New Treasury Direct account. We provide instructions for opening an account online at <http://www.publicdebt.treas.gov>.

§ 359.46 What are the denominations and prices of book-entry Series I savings bonds?

Book-entry bonds are issued in a minimum amount of \$25, with additional increments of one cent. Book-entry bonds are sold at par value.

§ 359.47 How is payment made for purchases of book-entry Series I savings bonds?

Purchases of book-entry I bonds are made through your New Treasury Direct account. We will debit your designated account at a United States depository financial institution for payment of the bonds.

§ 359.48 How are redemption payments made for my redeemed book-entry Series I savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution.

§ 359.49 What is the issue date of a book-entry Series I savings bonds?

The issue date of a book-entry savings bonds is the first day of the month in which we receive ACH settlement for the bond.

§ 359.50 What amount of book-entry Series I savings bonds may I purchase per year?

The principal amount of book-entry bonds that you may purchase in any calendar year is limited to \$30,000 per New Treasury Direct account.

§ 359.51 What book-entry Series I savings bonds are included in the computation of purchases?

(a) In computing the purchases for each New Treasury Direct account owner in any calendar year, we include all bonds purchased by the account owner in that calendar year.

(b) Bonds purchased as gifts or in a fiduciary capacity are not included in the computation for the purchaser.

(c) Bonds transferred or delivered from one New Treasury Direct account to another New Treasury Direct account are included in the computation for the recipient.

⁴ However, an organization serving as an issuing agent because of its status as an employer or an organization operating an employer's payroll savings plan under § 317.2(c) may sell bonds only through payroll savings plans.

§ 359.52 What happens if any person purchases book-entry Series I savings bonds in excess of the maximum amount?

We reserve the right to take any action we deem necessary to adjust the excess, including the right to remove the excess bonds from your New Treasury Direct account and refund the payment price to your bank account of record using the ACH method of payment.

§ 359.53 Are taxpayer identification numbers (TINs) required for registration of book-entry Series I savings bonds?

The TIN of each person named in the registration is required to purchase a book-entry bond.

§ 359.54 When is a book-entry Series I savings bonds validly issued?

A book-entry bond is validly issued when it is posted to your New Treasury Direct account.

§ 359.55 How are redemption values calculated for book-entry Series I savings bonds?

We base current redemption values (CRV) for book-entry Series I savings bonds on the definitive savings bonds CRV. To calculate the book-entry values, we use the CRV for the \$100 denomination Series I savings bonds and calculate a CRV prorated to the book-entry par investment amount for the corresponding issue and redemption dates. Calculated book-entry CRV will be rounded to the nearest one cent.⁵ The formula is as follows (Examples of the calculation are given in Appendix A to part 359.):

$$[\text{Book-entry par investment} \div 100] \times [\text{CRV value for \$100 bond}].$$

§ 359.56 How can I find out what my book-entry Series I savings bonds are worth?

(a) *Redemption values.* You may access redemption values for your book-entry bonds through your New Treasury Direct account.

(b) *Redemption penalty.* Redemption values shown in your New Treasury Direct account reflect the three-month interest penalty applied to bonds redeemed prior to five years from the date of issue.

§ 359.57–359.64 [Reserved]**Subpart D—Miscellaneous Provisions****§ 359.65 How are Series I savings bonds taxed?**

Interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are also subject to Federal and State estate, inheritance, gift, or other excise taxes. The bonds are exempt from all other taxation by any State or local taxing authority. (See Appendix D to part 359 for further information.)

§ 359.66 Is the Education Savings Bonds Program available for Series I savings bonds?

You may be able to exclude from income for Federal income tax purposes all or part of the interest received on the redemption of qualified bonds during the year. To qualify for the program, you or the co-owner (in the case of definitive savings bonds) must have paid qualified higher education expenses during the same year. You also must have satisfied certain other conditions. This exclusion is known as the Education Savings Bonds Program. Information about the program can be found in Internal Revenue Service Publications. (For example, see Publication 17, "Your Federal Income Tax," Publication 550, "Investment Income and Expenses," and Publication 970, "Tax Benefits of Higher Education.")

§ 359.67 Does Public Debt prohibit the issuance of Series I savings bonds in a chain letter scheme?

We do not permit bonds to be issued in a chain letter or pyramid scheme. We

authorize an issuing agent to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is connected with a chain letter. The agent's decision is final.

§ 359.68 May Public Debt issue Series I savings bonds only in book-entry form?

We reserve the right to issue bonds only in book-entry form.

§ 359.69 Does Public Debt make any reservations as to issue of Series I savings bonds?

We may reject any application for Series I bonds, in whole or in part. We may refuse to issue, or permit to be issued, any bonds in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

§ 359.70 May Public Debt waive any provision in this part?

We may waive or modify any provision of this part in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

- (a) If such action would not be inconsistent with law or equity;
- (b) If it does not impair any material existing rights; and
- (c) If we are satisfied that such action would not subject the United States to any substantial expense or liability.

§ 359.71 What is the role of Federal Reserve Banks and Branches?

(a) Federal Reserve Banks and Branches are fiscal agents of the United States. They are authorized to perform such services as we may request of them, in connection with the issue, servicing and redemption of Series I bonds.

(b) We have currently designated the following Federal Reserve Offices to provide savings bonds services:

Servicing site	Reserve district served	Geographic area served
Federal Reserve Bank, Buffalo Branch, 160 Delaware Avenue, Buffalo, NY 14202.	New York, Boston	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey (Northern half), New York, Rhode Island, Vermont, Puerto Rico, Virgin Islands.
Federal Reserve Bank, Pittsburgh Branch, 717 Grant Street, Pittsburgh, PA 15219.	Cleveland, Philadelphia	Delaware, Kentucky (eastern half), New Jersey, (southern half), Ohio, Pennsylvania, West Virginia (northern panhandle).
Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219.	Richmond, Atlanta	Alabama, District of Columbia, Florida, Georgia, Louisiana (southern half), Maryland, Mississippi (southern half), North Carolina, South Carolina, Tennessee (eastern half), Virginia, West Virginia (except northern panhandle).

⁵ Example: Calculated value of \$25.044 rounds to \$25.04; calculated value of \$25.045 rounds to \$25.05.

Servicing site	Reserve district served	Geographic area served
Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis, MN 55401.	Minneapolis, Chicago	Illinois (northern half), Indiana (northern half), Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota, Wisconsin.
Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, MO 64106.	Dallas, San Francisco, Kansas City, St. Louis	Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois (southern half), Indiana (southern half), Kansas, Kentucky (western half), Louisiana (northern half), Mississippi (northern half), Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee (western half), Texas, Utah, Washington, Wyoming, Guam.

§ 359.72 May the United States supplement or amend the offering of Series I savings bonds?

We may supplement or amend the terms of this offering of Series I bonds at any time.

Appendix A to Part 359—Redemption Value Calculations

1. *What are some examples of calculations of redemption values for definitive Series I savings bonds?*

(a) *A bond five years or older.* Assume a composite rate of 3.97%, effective May 1, 2003, for a \$25 unit, with an issue date of September 1, 1998, and a redemption value of \$31.90 as of September 1, 2003. The February 1, 2004, redemption value is calculated as follows: bonds issue-dated in September have semiannual rate periods beginning each March 1 and September 1. The first semiannual rate period to begin on or after the date of the May 1, 2003, rate announcement of the composite rate would be the period beginning September 1, 2003. PV, the present value, \$31.90, would be the redemption value of the bond at the beginning of the semiannual rate period (September 1, 2003). The composite rate, 3.97% converted to a decimal, would be 0.0397. The number of months, *m*, is five, since five full calendar months (September through January) have lapsed since the beginning of the semiannual rate period. FV, the redemption value (rounded to the nearest cent), is then the result of the formula:

$$FV = PV \times \{[1 + (CR \div 2)]^{(m \div 6)}\}$$

Where $FV = 31.90 \times \{[1 + (0.0397 \div 2)]^{(5 \div 6)}\} = \32.43

The redemption value for an actual denomination of a Series I bond can be determined by applying the appropriate multiple, for example:

$\$32.43 \times (\$100.00 \div \$25.00)$ for a bond with a \$100.00 face amount; or

$\$32.43 \times (\$1000.00 \div \$25.00)$ for a bond with a \$1000.00 face amount.

(b) *A bond less than five years old.* Assume a composite rate of 3.97% effective May 1, 2003, for a \$25.00 unit, with an issue date of December 1, 2000, a redemption date of February 1, 2004, and a value on June 1, 2003, of \$28.45, without consideration of penalty. A three-month penalty is assessed since the redemption date is less than five years after the issue date. The penalty is accounted for by assuming that the redemption date is three months earlier (November 1, 2003). The February 1, 2004, redemption value is then calculated as follows: bonds issue-dated in December have semiannual rate periods that begin each June 1 and December 1. The first semiannual rate period to begin on or after the May 1, 2003, rate announcement of the composite rate would be the period beginning June 1, 2003. PV, the present value, \$28.45, is the value of the bond at the beginning of the semiannual rate period (June 1, 2003), without consideration of penalty. The composite rate, 3.97%, converted to a decimal, would be 0.0397. The number of months, *m*, is five, since five full calendar months (June through October) have elapsed since the beginning of

the semiannual rate period and the redemption date (as adjusted for penalty). FV, the redemption value (rounded to the nearest cent), is then the result of the formula:

$FV = PV \times \{[1 + (CR \div 2)]^{(m \div 6)}\}$ where
 $FV = \$28.45 \times \{[1 + (0.397 \div 2)]^{(5 \div 6)}\} = \28.92

2. *What is an example of a book-entry Series I savings bonds redemption value calculation?*

Assume a New Treasury Direct par investment amount in a book-entry Series I savings bonds of \$34.59, with an issue date of May, 2001, and a redemption date of December, 2001. The published CRV for a definitive \$100 Series I savings bonds issued May, 2001 and redeemed December, 2001 = \$101.96.

Calculation:
 $[(\text{Book-entry par investment}) \div (100)] \times \text{CRV value for \$100 bond}$
 $[(\$34.59 \div 100)] \times 101.96$
 $[0.3459] \times 101.96$
 35.267964
 $= \$35.27$

Appendix B to Part 359—Composite Semiannual Rate Period Table

1. *What months make up the composite semiannual rate period?*

You may use the following table to find when a bond's semiannual rate period begins and when we'll announce the rate that applies during each period.

If your Bond has an issue date of—	Then its semiannual rate period begins—	We announce the rate that applies during a rate period in—
January	January 1	November 1 (of the previous year).
February	July 1	May 1.
March	February 1	November 1 (of the previous year).
April	August 1	May 1.
May	March 1	November 1 (of the previous year).
June	September 1	May 1.
July	April 1	November 1 (of the previous year).
August	October 1	May 1.
September	May 1	May 1.
	November 1	November 1.
	June 1	May 1.
	December 1	November 1.
	January 1	May 1.
	February 1	November 1 (of the previous year).
	March 1	May 1.
	April 1	November 1 (of the previous year).
	May 1	May 1.
	June 1	November 1 (of the previous year).
	July 1	May 1.
	August 1	November 1 (of the previous year).
	September 1	May 1.
	October 1	November 1 (of the previous year).
	November 1	May 1.
	December 1	November 1 (of the previous year).

If your Bond has an issue date of—	Then its semiannual rate period begins—	We announce the rate that applies during a rate period in—
October	October 1	May 1.
November	April 1	November 1 (of the previous year).
December	November 1	November 1.
	May 1	May 1.
	December 1	November 1.
	June 1	May 1.

Appendix C to Part 359—Investment Considerations

1. What are some index contingencies?

(a) If a previously reported CPI-U is revised, we will continue to use the previously reported CPI-U in calculating redemption values.

(b) If the CPI-U is rebased to a different year, we will continue to use the CPI-U based on the base reference period in effect when the security was first issued, as long as that CPI-U continues to be published.

(c) If, while an inflation-indexed savings bonds is outstanding, the applicable CPI-U is discontinued or, in the judgment of the Secretary, fundamentally altered in a manner materially adverse to the interests of an investor in the security, or, in the judgment of the Secretary, altered by legislation or Executive Order in a manner materially adverse to the interests of an investor in the security, Treasury, after consulting with the Bureau of Labor Statistics or any successor agency, will substitute an appropriate alternative index. Treasury will then notify the public of the substitute index and how it will be applied. The Secretary's determinations in this regard will be final.

(d) If the CPI-U for a particular month is not reported by the last day of the following month, we will announce an index number based on the last 12-month change in the CPI-U available. Any calculations of our payment obligations on the inflation-indexed savings bonds that rely on that month's CPI-U will be based on the index number that we have announced.

2. How will inflation lag affect my Series I savings bonds?

The inflation rate component of investor earnings will be determined twice each year. This rate will be the percentage change in the CPI-U for the six months ending each March and September. The rate will be included in the composite rate that is announced each May and November. For Series I bonds offered from September 1, 1998, through October 31, 1998, the inflation rate component of investor earnings will be the percentage change in the CPI-U

for the six months ending March 31, 1998. This rate will be included in the composite rate that is announced for Series I bonds offered effective from September 1, 1998, through October 31, 1998. In the event the Secretary, or the Secretary's designee, announces a composite rate at an effective date other than May 1 or November 1, the announcement will specify the period to be used to calculate the semiannual inflation rate. Each composite rate will be effective for the entirety of the applicable rate period that begins while the rate is in effect. Thus, an inflation rate may affect interest accruals from 3 to 13 months from the date that the CPI-U is measured.

Example 1. The inflation rate determined from the CPI-U for the six-month period from October, 2003, through March, 2004, will be included in the composite rate announced in May, 2004. For a bond purchased in May 1999, this rate would go into effect immediately, since a new semiannual rate period for this bond will begin in May, 2004. Series I bonds issued in May begin new semiannual rate periods in the months of May and November. In this example, the inflation rate will have its earliest impact in June 2004, when interest from May accrues, three months after the end of the six-month CPI-U period that ends in March, 2004.

Example 2. The May 1, 2004, rate will apply similarly to a bond purchased in October 1999. Series I bonds issued in October begin new semiannual rate periods in the months of April and October. Thus, for this bond, the May 1, 2004, composite rate (which includes the inflation rate) will not go into effect until a new semiannual rate period begins on October 1, 2004. This rate, therefore, will determine the inflation-indexed portion of each interest accrual from November, 2004, through April, 2005. In this example, the inflation rate will have its latest impact in April 2005, 13 months following the six-month CPI-U period that ended March 31, 2004.

Appendix D to Part 359—Tax Considerations

1. What are some general tax considerations?

General. Interest is subject to all taxes imposed under the Internal Revenue Code of 1986, as amended. The bonds are also subject to Federal and State estate, inheritance, gift, or other excise taxes. The bonds are exempt from all other taxation by any State or local taxing authority.

2. What reporting methods are available for savings bonds?

(a) *Reporting methods.* You may use either of the following two methods for reporting the increase in the redemption value of the bond for Federal income tax purposes:

(1) *Cash basis method.* You may defer reporting the increase to the year of final maturity, redemption, or other disposition, whichever is earliest; or

(2) *Accrual basis method.* You may elect to report the increase each year, in which case the election applies to all Series I bonds that you then own, those subsequently acquired, and to any other obligations purchased on a discount basis, such as savings bonds of Series E or EE.

(b) *Changing methods.* If you use the cash basis method, you may change to the accrual basis method without obtaining permission from the Internal Revenue Service. However, once you elect to use the accrual basis method in paragraph (a)(2), you may change the method of reporting the increase only by following the specific procedures prescribed by the Internal Revenue Service for making an automatic method change. For further information, you may contact the Internal Revenue Service director for your area, or the Internal Revenue Service, Washington, DC 20224.

3. What transactions have potential tax consequences?

The following types of transactions, among others, may have potential tax consequences:

(a) A reissue that affects the rights of any of the persons named on a definitive Series I savings bonds may have tax consequences for the owner.

(b) The transfer of a book-entry Series I savings bonds from one owner to another may have tax consequences for the purchaser.

(c) The redemption of a book-entry Series I savings bonds by the secondary owner may have tax consequences for the primary owner.

(d) The purchase of a Series I savings bonds as a gift may have gift tax consequences for the purchaser.

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

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

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

7. Revise the heading of part 360 to read as set forth above.

8. Revise § 360.0 to read as follows:

§ 360.0 Applicability

The regulations in this part govern transactions in definitive United States Savings Bonds of Series I bearing issue dates of September 1, 1998, or later.

9. Revise paragraph (a) of § 360.2 to read as follows:

§ 360.2 Definitions.

(a) *Bond*, or *Series I savings bonds*, as used in this part, means a definitive United States Savings Bonds of Series I.

* * * * *

10. Add part 363 to read as follows:

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

Subpart A—General

Sec.

- 363.0 What is the New Treasury Direct system?
- 363.1 What Treasury securities are covered by these regulations?
- 363.2 What agency administers New Treasury Direct?
- 363.3 What Treasury securities may be held in New Treasury Direct?
- 363.4 How is New Treasury Direct different from the Treasury Direct system?
- 363.5 How do I contact Public Debt?
- 363.6 What special terms do I need to know to understand this part?
- 363.7–363.14 [Reserved]

Subpart B—New Treasury Direct System

- 363.15 What is a New Treasury Direct account?
- 363.16 Who is eligible to open a New Treasury Direct account?
- 363.17 How can I open a New Treasury Direct account?
- 363.18 How will you authenticate my identity?
- 363.19 What is the procedure for offline authentication?
- 363.20 How do I access my account?
- 363.21 Who is liable if someone else accesses my New Treasury Direct account using my password?
- 363.22 Is Public Debt liable if the electronic transmission of my data is intercepted?
- 363.23 What should I do if I become aware that my password has become compromised?
- 363.24 What transactions can I perform online through my New Treasury Direct account?
- 363.25 How do I conduct transactions in my account or in Treasury securities held in my account?
- 363.26 What is a transfer?
- 363.27 May a New Treasury Direct account be opened in the name of a minor?
- 363.28 What is the procedure for opening a New Treasury Direct account for a minor?
- 363.29 How are transactions conducted in the minor's account?
- 363.30 What transactions are permitted in securities held in the New Treasury Direct account of a minor?

- 363.31 How can a minor gain control of his or her account when he or she reaches the age of 18 years?
- 363.32 Does Public Debt assume any liability for any transactions conducted by a parent or legal guardian in the minor's account?
- 363.33 Can an attorney-in-fact conduct transactions in my New Treasury Direct account?
- 363.34 What happens if an owner becomes incompetent after opening a New Treasury Direct account?
- 363.35 When is a transaction effective?
- 363.36 What securities can I purchase and hold in my New Treasury Direct account?
- 363.37 How do I purchase eligible Treasury securities to be held in my New Treasury Direct account?
- 363.38 What happens if the ACH debit for purchase of a book-entry Series I savings bonds is returned by my financial institution?
- 363.39 Will I receive a confirmation of my request to purchase a Treasury security?
- 363.40 How are payments of principal and interest made?
- 363.41 What happens if an ACH payment of principal or interest to my account at a financial institution is returned to Public Debt?
- 363.42 How will my interest income be reported for tax purposes?
- 363.43 What are the procedures for certifying my signature on an offline application for a New Treasury Direct account, or on an offline transaction form?
- 363.44–363.49 [Reserved]

Subpart C—Book-Entry Series I Savings Bonds*General*

- 363.50 What Treasury securities does this subpart cover?
- 363.51 Who may purchase and hold a book-entry Series I savings bonds?
- 363.52 What amount of book-entry Series I savings bonds may I purchase in one year?
- 363.53 What is the minimum amount of book-entry Series I savings bonds that I may purchase in any transaction?
- 363.54 What is the minimum amount of a book-entry Series I savings bonds that I must hold in my account?
- 363.55 May I transfer my book-entry savings bonds to another person?
- 363.56 What is the minimum amount of book-entry Series I savings bonds that I may transfer in any one transaction?
- 363.57 What is the minimum amount of book-entry Series I savings bonds that I may redeem in any one transaction?
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Authority: 5 U.S.C. 301; 31 U.S.C. 3102, *et seq.*, 3105 and 3125; 12 U.S.C. 391

Subpart A—General

§ 363.0 What is the New Treasury Direct system?

The New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

§ 363.1 What Treasury securities are covered by these regulations?

The regulations in this part apply to book-entry Treasury securities held in the New Treasury Direct system.

§ 363.2 What agency administers New Treasury Direct?

The Bureau of the Public Debt (Public Debt), Department of the Treasury (Treasury) is responsible for administering New Treasury Direct. Public Debt may delegate authority to process certain transactions in New Treasury Direct to Federal Reserve Banks and Branches as fiscal agents of the United States.

§ 363.3 What Treasury securities may be held in New Treasury Direct?

Initially, only book-entry Series I savings bonds may be held in New

Treasury Direct. We intend to offer other Treasury securities to be held in New Treasury Direct in future releases to the system.

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

New Treasury Direct is an online (Internet-based) system. The existing *TreasuryDirect* system (*TreasuryDirect*) is a separate book-entry system, available since 1986, for marketable Treasury securities only. The terms and conditions for *TreasuryDirect* are found at part 357, and are substantially different from the terms and conditions of securities held in New Treasury Direct.

§ 363.5 How do I contact Public Debt?

(a) Emails may be sent to: <treasury.direct@bpd.treas.gov>. We will reply by e-mail unless you request otherwise. We are not responsible for the security of e-mail messages you may send to us, or replies we may send to you.

(b) Letters should be addressed to: Bureau of the Public Debt, New Treasury Direct, Parkersburg, WV 26106–1328.

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

Account means a New Treasury Direct account as described in § 363.15.

Authentication service means a public or private service that authenticates the identity of an online applicant for a New Treasury Direct account using information provided by the applicant.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Beneficiary refers to the second individual named in the registration of a security held in the New Treasury Direct system registered “John Doe SSN 123–45–6789 POD (payable on death to) Joseph Doe SSN 987–65–4321.” In this example, Joseph Doe is the beneficiary.

Book-entry security means a Treasury security maintained by us in electronic or paperless form as a computer record.

Business day means any day that funds may be settled through ACH.

Court means a court of law with jurisdiction over the parties and the subject matter.

Definitive security means a Treasury security held in paper form.

Delivery means moving a minimum amount of \$25 (consisting of principal and proportionate interest) of a security held as a gift from the account of the

purchaser to the account of the recipient.

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

Federal Reserve Bank (Reserve Bank) means a Federal Reserve Bank or Branch.

Final maturity of a savings bonds means the date beyond which an unredeemed savings bonds no longer earns interest.¹

Gift means a Treasury security purchased for or transferred to an intended recipient, without consideration.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Interest on a savings bonds means the difference between the principal (par) and the redemption value of the bond.

Legal guardian of a minor or incompetent person refers to the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for the minor or incompetent individual.

Legal representative refers to the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to manage and settle the estate of a decedent. The term includes an executor and an administrator.

Legally incompetent means a court has declared an individual to be incapable of handling his or her business affairs.

Minor means an individual who is under the age of 18 years.

Online means use of the Internet.

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

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. Person does not mean a Federal Reserve Bank.

Primary owner means the first person named in the registration of a security held in New Treasury Direct registered, e.g., “John Doe SSN 123–45–6789 with Joseph Doe SSN 987–65–4321.” In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal

¹ 1 Series I savings bonds have a maturity period of 30 years, consisting of an original maturity period of 20 years and an extension period of 10 years.

amount does not include any interest earned.

Recipient means the person to whom a gift is given.

Redemption of a savings bonds refers to the payment of principal and interest at final maturity, or prior to final maturity at the option of the owner. The owner may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

Redemption value means principal plus accrued interest of a bond, or a portion of the principal plus a proportionate amount of accrued interest on the bond, as of the date of redemption.

Registration or Registered means that the name and taxpayer identification number(s) (TIN) of the person(s) named on the security are maintained on our records.

Secondary owner means the second person named in the registration of a book-entry security held in New Treasury Direct registered, e.g. "John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321." In this example, Joseph Doe is the secondary owner.

Security, or Treasury security, as used in this part, means an obligation issued by Treasury that may be held in New Treasury Direct.

Series I savings bonds is a savings bonds, either in definitive (paper) form or in book-entry form, that sells at par and pays interest in accordance with a formula that includes a fixed component and a component indexed to the rate of inflation.

Signature guarantee program means a signature guarantee program established under 17 CFR 240.17Ad-15, issued under authority of the Securities Exchange Act of 1934. For the purpose of this part, we recognize the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP), and the New York Stock Exchange, Inc., Medallion Signature Program (MSP). These certifications are acceptable for transfers of securities, but are not acceptable for offline account establishment.

Single owner means the person named in the registration of a book-entry Treasury security without a beneficiary or secondary owner.

Social security account number or social security number (SSN) means the identifying number required on tax returns and other documents submitted to the Internal Revenue Service by an individual. A SSN is composed of nine digits separated by two hyphens, for example, 123-45-6789.

Taxpayer identification number (TIN) means the identifying number required

on tax returns and other documents submitted to the Internal Revenue Service; that is, an individual's social security number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123-45-6789. An EIN is composed of nine digits separated by one hyphen, for example, 12-3456789. The hyphens are an essential part of the numbers.

Transaction is any action affecting Treasury securities or account information.

Transfer means moving a minimum amount of \$25 (consisting of principal and proportionate interest) of a security from one New Treasury Direct account to another New Treasury Direct account in a transaction involving a change in the ownership of the security. The transfer of a specific security may be restricted by the terms of this part that apply to that security.

We, us, or our refers to the Bureau of the Public Debt. The term includes the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Public Debt. The term also includes any fiscal or financial agent we designate to act on behalf of the United States.

You or your refers to a New Treasury Direct account holder.

§§ 363.7–363.14 [Reserved]

Subpart B—New Treasury Direct System

§ 363.15 What is a New Treasury Direct account?

A New Treasury Direct account is an online account maintained by us solely in your name in which you may hold and conduct transactions in eligible book-entry Treasury securities. Your New Treasury Direct account may contain Treasury securities that are your personal holdings, gifts that have not yet been delivered, and Treasury securities that you hold on behalf of someone else, as permitted by these regulations.

§ 363.16 Who is eligible to open a New Treasury Direct account?

In order to open a New Treasury Direct account, you must:

- (a) Have a valid social security number;
- (b) Have a United States address of record;
- (c) Have an account at a United States depository financial institution that will accept debits and credits using the Automated Clearing House method of payment;
- (d) Be 18 years of age or over;
- (e) Be legally competent; and
- (f) Be an individual.

§ 363.17 How can I open a New Treasury Direct account?

You must establish a New Treasury Direct account online before you purchase a Treasury security to be held in your account. Instructions for online account establishment may be found at the official Public Debt website at <http://www.publicdebt.treas.gov>, or such other Internet address as Public Debt may from time to time announce by publication in the **Federal Register**. When you have completed the application, you will create a password to access your account. We will authenticate your identity and send your account number to you by email when your account application is approved.

§ 363.18 How will you authenticate my identity?

We may use an online authentication service to authenticate your identity using information you provide about yourself on the application. At our option, we may require offline authentication.

§ 363.19 What is the procedure for offline authentication?

In the event we require offline authentication, we will provide a printable authentication form. Your signature on the form must be certified or guaranteed as provided at § 363.43, and the form must be mailed to us at the address provided in § 363.5.

§ 363.20 How do I access my account?

You may access your account online using your account number and password.

§ 363.21 Who is liable if someone else accesses my New Treasury Direct account using my password?

You are solely responsible for the confidentiality and use of your password. We will treat any transactions conducted using your password as having been authorized by you. We are not liable for any loss, liability, cost or expense that you may incur as a result of transactions made using your password.

§ 363.22 Is Public Debt liable if the electronic transmission of my data is intercepted?

We are not liable for any interception of electronic data or communication.

§ 363.23 What should I do if I become aware that my password has become compromised?

You should change your password immediately if you become aware that your password has become compromised. If you become aware of any misuse of your password, you

should notify us by email at treasury.direct@bpd.treas.gov or call us at 304-480-8783.

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

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

(a) You can purchase eligible Treasury securities in your own right or as gifts;

(b) You can redeem savings bonds;

(c) You can make changes to the registration of securities held in your account on which you are the single owner, owner with beneficiary, or primary owner;

(d) You can transfer a Treasury security to another person;

(e) You can grant and revoke the right to view a security held in your account to any other New Treasury Direct account owner, providing the security is:

(1) in the single owner form of registration, and

(2) not being held in your account as a gift;

(f) You can grant and revoke the right to view a security held in your account to the beneficiary named in the registration of the security, if the beneficiary is a New Treasury Direct account owner;

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

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

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

(j) You can make changes to your account information;

(k) You can change your ACH information;

(l) You can view a history of purchases, transactions, and pending transactions;

(m) You can change or delete pending transactions;

(n) You can change your password; and

(o) You can change account security information.

§ 363.25 How do I conduct transactions in my account or in Treasury securities held in my account?

We will provide online instructions for conducting transactions through

your account. If you are unable to conduct a transaction online, you should contact us at the address provided in § 363.5. Offline transactions will require a certified or guaranteed signature. See § 363.43 for instructions for obtaining a certified or guaranteed signature.

§ 363.26 What is a transfer?

(a) A transfer is a transaction to move a minimum amount of \$25 (consisting of principal and proportionate interest) of a Treasury security from one New Treasury Direct account to another New Treasury Direct account, in which the ownership of the security changes.

(b) Transfers of a specific type of security may be limited by the subparts that refer to that security.

§ 363.27 May a New Treasury Direct account be opened in the name of a minor?

A parent or legal guardian may open an account for a minor. The parent or legal guardian must have an existing New Treasury Direct account in order to open the minor's account. The parent or legal guardian will open the minor's account through the New Treasury Direct account of the parent or guardian. The account will be held in the name and SSN of the minor.

§ 363.28 What is the procedure for opening a New Treasury Direct account for a minor?

Online instructions will be provided to the parent or legal guardian of a minor for establishing an account for a minor child. The parent or legal guardian will select the password for the account. The parent or legal guardian must certify that he or she is acting on behalf of the minor, and that all transactions conducted through the account will be on the minor's behalf.

§ 363.29 How are transactions conducted in the minor's account?

The parent or guardian must conduct all transactions in the minor's account on behalf of the minor.

§ 363.30 What transactions are permitted in securities held in the New Treasury Direct account of a minor?

We will not permit purchases or transfers to be conducted from the account of a minor. Treasury securities may be transferred to the minor's account, and gift Treasury securities may be delivered to the minor's account.

§ 363.31 How can a minor gain control of his or her account when he or she reaches the age of 18 years?

The parent or legal guardian who opened the account on the minor's behalf must provide the minor with the

password and control of the account when the minor reaches the age of 18 years. If the parent or guardian fails to provide the password and control of the account to the minor when he or she reaches the age of 18 years, the minor may contact us for instructions.

§ 363.32 Does Public Debt assume any liability for any transactions conducted by a parent or legal guardian in the minor's account?

We assume no liability for any transactions conducted by any person in an account opened on behalf of a minor.

§ 363.33 Can an attorney-in-fact conduct transactions in my New Treasury Direct account?

(a) An attorney-in-fact who provides a copy of a durable power of attorney granting him or her the authority to conduct New Treasury Direct transactions on behalf of the owner may conduct transactions online.

(b) An attorney-in-fact who provides a copy of a limited power of attorney may only conduct transactions that he or she is permitted by his or her power. Such transactions will be through an offline process.

(c) A written copy of the power of attorney must be sent to the address provided in § 363.5. We may require any additional evidence that we consider necessary to support the power.

§ 363.34 What happens if an owner becomes incompetent after opening a New Treasury Direct account?

If we receive written notice that the owner of a New Treasury Direct account has become incompetent, we will suspend all transactions in the account until we establish the authority of another person to act in his or her behalf.

§ 363.35 When is a transaction effective?

A transaction is effective when we post it to our records.

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

You can purchase and hold eligible Treasury securities in your account. Initially, the only eligible securities will be book-entry Series I savings bonds. We intend to designate additional Treasury securities as eligible securities from time to time.

§ 363.37 How do I purchase eligible Treasury securities to be held in my New Treasury Direct account?

Eligible Treasury securities can only be purchased online through your New Treasury Direct account. Payment for the securities is made by a debit to your designated account at a United States

depository financial institution using the ACH method.

§ 363.38 What happens if the ACH debit for purchase of a book-entry Series I savings bonds is returned by my financial institution?

If your designated financial institution returns the ACH debit for payment of a bond, we reserve the right to reinitiate the debit at our option, and to remove the bond from your New Treasury Direct account. We are not responsible for any fees your financial institution may charge relating to returned ACH debits.

§ 363.39 Will I receive a confirmation of my request to purchase a Treasury security?

At the time that you submit a request to purchase a Treasury security through your New Treasury Direct account, we will make available a printable online confirmation of your request. Final confirmation will occur when the security is issued into your account. You will not receive a mailed confirmation.

§ 363.40 How are payments of principal and interest made?

You must select a specific bank account at a United States depository

financial institution for your payment. This selected bank account may be the same one that you designated as your primary bank account in your New Treasury Direct account, or it may be a different bank account. We will make payments using the ACH method.

§ 363.41 What happens if an ACH payment of principal or interest to my account at a financial institution is returned to Public Debt?

We will notify you electronically of the returned payment. We will hold your payment until you provide us with instructions. Returned payments will not earn interest. We reserve the right to redirect returned payments to the bank account at a financial institution that you have designated in your New Treasury Direct account as your primary bank account, if that account is different from the one that returned the payment to us. We are not responsible for any fees your financial institution may charge relating to returned ACH payments.

§ 363.42 How will my interest income be reported for tax purposes?

When you open your New Treasury Direct account, you consent to receive

the appropriate tax reporting forms by electronic means. We will notify you when your tax reporting forms are available. The form will be available in printable form through your New Treasury Direct account. If you withdraw your consent to receive tax reporting forms by electronic means, we reserve the right to redeem any Series I savings bonds held in your account and close your account.

§ 363.43 What are the procedures for certifying my signature on an offline application for a New Treasury Direct account, or on an offline transaction form?

(a) *Certification within the United States.* For certifications within the United States, the certifying individual must be authorized to bind his or her institution by his or her acts, to guarantee signatures to assignments of securities, or to certify assignments of securities. The following table provides a list of authorized certifying individuals and the required evidence of authority. Members of Treasury-recognized signature guarantee programs are for security transfers only.

Who can certify signatures in the U.S.	Evidence of certifying individual's authority
(1) Officers and employees of depository institutions	(i) We require the institution's seal or signature guarantee stamp. (ii) If the institution is an authorized paying agent for U.S. Savings Bonds, we require a legible imprint of the paying agent's stamp.
(2) Institutions that are members of Treasury—recognized signature guarantee programs (for security transfers only).	We require the imprint of the signature guarantee stamp, i.e., the STAMP, SEMP, or MSP stamp for members of the Securities Transfer Agents Medallion Program, the Stock Exchanges Medallion Program, or the New York Stock Exchange Inc. Medallion Signature Program.
(3) Officers and employees of corporate central credit unions, Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives, the Central Bank for Cooperatives, and Federal Home Loan Banks.	We require the entity's seal.
(4) Commissioned or warrant officers of the United States Armed Forces, for signatures executed by Armed Forces personnel, civilian field employees, and members of their families.	(i) We require a statement that the person executing the assignment is one whose signature the officer is authorized to certify under our regulations. (ii) The certifying official's rank must be shown.
(5) A judge or clerk of the court	We require the seal of the court.
(6) Other persons as designated by the Commissioner or Deputy Commissioner of Public Debt.	Evidence is determined by our procedures.

(b) *Certification within foreign countries.* The following table lists the authorized certifying individuals for foreign countries and the required evidence of the individual's authority.

Who can certify signatures in foreign countries	Evidence of certifying individual's authority
(1) United States diplomatic or consular officials	(i) We require the seal or stamp of the office. (ii) If there is no seal or stamp, then we require certification by some other authorized individual, under seal or stamp.
(2) Managers and officers of foreign branches of U.S. depository institutions and institutions that are members of Treasury-recognized signature guarantee programs (for security transfers only).	We require the seal of the depository institution, or the imprint of the signature guarantee stamp, i.e., the STAMP, SEMP, or MSP stamp for members of the Securities Transfer Agents Medallion Program, the Stock Exchanges Medallion Program, or the New York Stock Exchange Incorporated Medallion Signature Program.
(3) Notaries Public and other officers authorized to administer oaths, provided their authority is certified by a United States diplomatic or consular official.	(i) We require the official seal or stamp of the office. (ii) If there is no seal or stamp, the position must be certified by some other authorized individual, under seal or stamp, or otherwise proved to our satisfaction.

(c) *Duties and liabilities of certifying individuals.*

(1) The certifying individual must first establish the identity of the signer.

(2) The form must be signed in the presence of the certifying individual.

(3) If the certifying individual is not an officer, the certifying individual must insert the words "Authorized Signature" in the space provided for the title.

(4) If the certifying individual is negligent in making the certification, the certifying individual and his or her organization are jointly and severally liable for any loss the United States may incur as a result of the negligence.

(d) *Guaranteed signatures.* (1) A security or other form requiring certification need not be executed in the presence of a certifying individual if the signature is unconditionally guaranteed by the certifying individual. To guarantee a signature, the certifying individual must add a dated endorsement after the signature. For example:

Signature guaranteed, First National Bank of Smithville, Smithville, NH, by A. B. Doe, President, dated 1/1/2001.

(2) The certifying individual and his or her organization unconditionally guarantee to us that the signature is genuine and the signer had the legal capacity to execute the assignment or related form.

(e) *Guaranteed absence of a signature.* (1) A form requiring a certified signature need not be signed when a certifying individual associated with a depository financial institution places the following endorsement on the security or the form:

Absence of signature by owner and validity of transaction guaranteed, Second State Bank of Jonesville, Jonesville, NC, by B. R. Butler, Vice President, dated 11/1/2001.

(2) The endorsement must be dated and the seal of the institution must be added.

(3) This form of endorsement is an unconditional guarantee to us that the institution is acting for the signer under proper authorization.

(f) *Persons who cannot act as certifying individuals.* Any person having an interest in a security involved in the transaction cannot act as a certifying individual. However, an authorized officer or employee of a depository financial institution that is a member of a Treasury-recognized signature guarantee program can act as a certifying individual for transfer of a security to the institution or on behalf of the institution.

§§ 363.44–363.49 [Reserved]

Subpart C—Book-Entry Series I Savings Bonds

General

§ 363.50 What Treasury securities does this subpart cover?

This subpart covers book-entry Series I savings bonds only. As we designate other securities as eligible to be held in New Treasury Direct, the applicable terms and conditions will be set forth in separate subparts. The offering of Series I savings bonds is contained in part 359.

§ 363.51 Who may purchase and hold a book-entry Series I savings bonds?

(a) A New Treasury Direct account holder may purchase and hold bonds through his or her account.

(b) Bonds may not be purchased through the account of a minor.

(c) We do not permit a legally incompetent person to purchase savings bonds once we have been provided with an acceptable court order determining incompetency.

(d) We do not permit a legal representative or a legal guardian to purchase savings bonds on behalf of the estate of a decedent or an incompetent person.

§ 363.52 What amount of book-entry Series I savings bonds may I purchase in one year?

(a) *Purchase limitation.* The amount of bonds that you may purchase in any calendar year is limited to \$30,000 per account.

(b) *Computation of amount for gifts.* Bonds purchased or transferred as gifts will be included in the computation of the purchase limitation for the account of the recipient for the year in which the bonds are delivered to the recipient.

§ 363.53 What is the minimum amount of book-entry Series I savings bonds that I may purchase in any transaction?

Each bond purchase must be in a minimum amount of \$25, with additional one-cent increments above that amount, in any one transaction. For example, a purchase may be \$25.00, \$25.01, \$25.02, or \$25.03, and so forth.

§ 363.54 What is the minimum amount of a book-entry Series I savings bonds that I must hold in my account?

Each bond held in your account must have a redemption value of at least \$25. If you request a transaction that would reduce the remaining redemption value of the bond to an amount less than \$25, we will not permit the transaction to occur.

§ 363.55 May I transfer my book-entry savings bonds to another person?

(a) You may transfer a bond or a portion of a bond to the New Treasury Direct account of another individual as a gift, or in response to a final judgment, court order, a divorce decree, or property settlement agreement. You must certify online that the transfer is a gift or a specified exception.

(b) We do not permit the transfer of Series I savings bonds for consideration, unless it is an exception specified in paragraph (a) of this section.

(c) The bond will be transferred in the single owner form of registration.

(d) We reserve the right to limit the transferability of Series I savings bonds at any time by amendment to these regulations.

§ 363.56 What is the minimum amount of book-entry Series I savings bonds that I may transfer in any one transaction?

Each transfer must be in a minimum amount of \$25 redemption value, with additional one-cent increments above that amount, in any one transaction. For example, you may transfer \$25.00, \$25.01, \$25.02, or \$25.03, and so forth. Transfers will be comprised of principal and proportionate interest.

§ 363.57 What is the minimum amount of book-entry Series I savings bonds that I may redeem in any one transaction?

Each redemption must be in a minimum amount of \$25 redemption value, with additional one-cent increments above that amount, in any one transaction. For example, you may redeem \$25.00, \$25.01, \$25.02, or \$25.03, and so forth. Redemptions will be comprised of principal and proportionate interest.

§ 363.58 May book-entry Series I savings bonds be pledged or used as collateral?

Bonds may not be pledged or used as collateral for the performance of an obligation.

§§ 363.59–363.64 [Reserved]

Registration

§ 363.65 What do I need to know about the registration of book-entry Series I savings bonds?

(a) Registration must express the actual ownership of, and interest in, the bond. Registration conclusively establishes ownership of a bond.

(b) You must provide a last name and a first name for each individual included in the registration.

(c) You must provide the valid social security number of the owner of the bond.

§ 363.66 What forms of registration are available for book-entry Series I savings bonds?

The forms of registration available are single owner, owner with beneficiary, primary owner with secondary owner, and several special forms of registration.

§ 363.67 What do I need to know about the single owner form of registration?

(a) An individual is the single owner of the bond.

(b) A single owner may add a beneficiary or secondary owner.

(c) A single owner may conduct online transactions on bonds held in his or her account.

(d) Upon the death of the single owner, his or her estate is entitled to the bond. In determining entitlement, the law of the decedent's domicile will be followed.

(e) Registration example: "John Doe, SSN 123-45-6789."

§ 363.68 What do I need to know about the owner with beneficiary form of registration?

(a) The purchaser must be named as the owner with another individual as beneficiary.

(b) The owner may remove or change the beneficiary without the consent of the beneficiary.

(c) The owner may conduct online transactions on bonds held in his or her account without the consent of the beneficiary.

(d) The beneficiary has no ownership rights to the bond during the owner's lifetime. Upon the death of the owner, the beneficiary is the absolute owner of the bond, despite any attempted testamentary disposition by the owner or any state law to the contrary.

(e) If the beneficiary does not survive the owner, the bond belongs to the estate of the owner.

(f) If both the owner and the beneficiary die under conditions where it cannot be established, either by presumption of law or otherwise, which one died first, the bond is the property of the estate of the owner.

(g) In order for the beneficiary to obtain the bond or the bond proceeds after the death of the owner, the beneficiary must provide proof of death of the owner. If the beneficiary has a New Treasury Direct account, the bond will be transferred to that account. If the beneficiary does not have an account, he or she may establish an account or request redemption. If the beneficiary requests redemption, he or she must provide ACH instructions for the payment.

(h) Registration example: "John Doe, SSN 123-45-6789 POD (payable on death to) Jane Doe, SSN 987-65-4321."

§ 363.69 What do I need to know about the primary owner with secondary owner form of registration?

(a) The purchaser must be named in the registration as the primary owner.

(b) The primary owner holds the bonds in his or her account and may view or conduct online transactions in the bonds.

(c) The primary owner may remove the secondary owner without the consent of the secondary owner.

(d) The secondary owner has no rights to view or conduct transactions in any bond unless the primary owner gives the secondary owner these rights.

(e) The primary owner may give the secondary owner the right to view any bond or rights to view and redeem any bond, online from the account of the secondary owner.

(f) Once the right to conduct transactions in a bond has been given to the secondary owner, the primary owner may view and conduct transactions in the bond from his or her account, and the secondary owner may view and redeem the bond using his or her own account.

(g) The primary owner may revoke any rights previously given to the secondary owner at any time.

(h) Upon the death of either the primary or secondary owner, the survivor is the absolute owner of the bond, despite any attempted testamentary disposition or any state law to the contrary.

(i) If both the primary and the secondary owner die under conditions where it cannot be established, either by presumption of law or otherwise, which one died first, the bond is the property of the estate of the primary owner.

(j) In order for the secondary owner to obtain the bond or the bond proceeds after the death of the owner, the secondary owner must provide proof of death of the owner. If the secondary owner has a New Treasury Direct account, the bond will be transferred to that account. If the secondary owner does not have an account, he or she may establish an account or request redemption. If the secondary owner requests redemption, he or she must provide ACH instructions.

(k) Registration example: "John Doe, SSN 123-45-6789 with Joseph Doe, SSN 987-65-4321."

§ 363.70 What are special forms of registration?

(a) Special forms of registration are used when a legal guardian or representative is appointed by a court to handle the affairs of a decedent or an incompetent individual.

(b) Special forms of registration are not permitted on original issue.

(c) Bonds registered in this form may be held in the New Treasury Direct account of the legal guardian or representative.

§ 363.71 What special forms of registration are permitted?

(a) *Legal guardian of the estate of an incompetent individual.* A court-appointed legal guardian may hold bonds on behalf of an incompetent individual.

(b) *Legal representative of the estate of a decedent.* A court-appointed legal representative of the estate of a decedent may hold bonds on behalf of the estate.

(c) *General rule.* Bonds registered in the name of a legal guardian of an incompetent person or legal representative of an estate will be held in the New Treasury Direct account of the legal guardian or legal representative.

§§ 363.72–363.79 [Reserved]**Minors****§ 363.80 May a minor purchase book-entry Series I savings bonds?**

We do not permit a minor to purchase bonds.

§ 363.81 May book-entry Series I savings bonds be purchased for a minor as a gift?

A New Treasury Direct account owner may purchase bonds as a gift with a minor as the recipient.

§ 363.82 May an account owner deliver a book-entry Series I savings bonds purchased as a gift to a minor?

An account owner may deliver a bond purchased as a gift to the New Treasury Direct account of the recipient who is a minor.

§ 363.83 May an account owner transfer a book-entry Series I savings bonds to a minor?

An account owner may transfer a bond to a minor as a gift or pursuant to one of the specified exceptions in § 363.55(a).

§ 363.84 [Reserved]**Incompetent Person****§ 363.85 May Series I savings bonds be registered in the name of an incompetent person for whom a legal guardian has been appointed?**

(a) If a person owning bonds becomes incompetent, and there is a legally qualified guardian, the bonds must be registered in the name of the guardian.

(b) We will require satisfactory evidence of appointment.

(c) Registration will be as follows: "John Doe, SSN 123-45-6789, Legal Guardian of the estate of James Doe, an incompetent, SSN 987-65-4321."

§§ 363.86–363.89 [Reserved]**Deceased Owners****§ 363.90 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to Series I savings bonds held in the account?**

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

(2) The bonds will be registered in the following form: “John Doe, SSN 123–45–6789, Legal Representative of the estate of James Doe, deceased, SSN 987–65–4321.”

(3) The bonds may be held in the New Treasury Direct account of the legal representative.

(4) The legal representative of the estate may request payment of bonds to the estate or to the person(s) entitled, or may have the bonds transferred to the New Treasury Direct account(s) of the person(s) entitled.

(5) The legal representative of the estate may not purchase bonds on behalf of the estate.

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

(b) *Estate has been settled previously.* If the estate has been previously settled through judicial proceedings, the person(s) entitled may request payment of bonds or may have the bonds transferred to the New Treasury Direct account of the person(s) entitled. If payment is requested, we will require ACH instructions. We will require a certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence.

(c) *Summary administration procedures.* If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of bonds or may have the bonds transferred to the New Treasury Direct account(s) of the person(s) entitled. We will require appropriate evidence. If payment is requested, we will require ACH instructions.

(d) *Survivors' order of precedence for payment or transfer.* If there has been no administration, no administration is contemplated, no summary or small estate procedures have been used, and the redemption value of the bonds is

\$100,000 or less,² then bonds may be paid or transferred to the persons named in the following order of precedence:

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

(2) There is a surviving spouse and a child or children of the decedent, or descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class;

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

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

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

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

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

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: to the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person

² We require estates with bonds over \$100,000 redemption value to be administered.

has not been reimbursed. Transfers are not permitted.

(9) Escheat according to the applicable state law.

(e) When we make payments or transfers according to paragraph (d) of this section, we will make the payments by the ACH method to either a person individually, or individually and on behalf of all other persons entitled. We will require ACH instructions for payment. A person who receives payment of bond proceeds individually and on behalf of others agrees to make distribution of the proceeds to the other persons entitled by the law of the decedent's domicile. The provisions of this section are for our convenience and do not determine ownership of the bonds or their proceeds. We may rely on information provided by the person who requests payment or transfer, and are not liable for any action taken in reliance on the information furnished.

§§ 363.91–363.94 [Reserved]**Gifts****§ 363.95 How may I give a book-entry Series I savings bonds as a gift?**

You may give a book-entry Series I savings bonds as a gift in two ways:

(a) You may purchase a bond online as a gift; or

(b) You may transfer a bond that you own to another person as a gift with immediate delivery.

§ 363.96 What do I need to know if I initially purchase a bond as a gift?

(a) The gift bond will be registered in the name of the recipient(s). The registration is irrevocable with regard to the owner named on the gift bond.

(b) You must provide the SSN of the recipient.

(c) You may deliver the bond upon purchase, or you may hold the bond in your New Treasury Direct account until you are ready to deliver the bond to the owner named on the gift bond.

(d) If the purchaser dies before delivering a gift bond to the recipient, the bond belongs to the owner named on the gift bond, notwithstanding any testamentary attempts to the contrary by the purchaser, or any state law to the contrary. We will hold the bond until we receive instructions from the owner named on the gift bond.

(e) When the gift bond is delivered, it will be delivered in the single owner form of registration to the owner named on the gift bond.

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

(a) You must certify online that the transfer is a gift.

(b) You must provide the SSN of the recipient.

(c) Once the transfer is made, the gift is irrevocable.

(d) The bond will be transferred in the single owner form of registration to the recipient.

§ 363.98 [Reserved]

§ 363.99 What is the minimum amount of a bond that I may transfer or deliver as a gift in any one transaction?

You may transfer or deliver gift bonds in any one-cent increment value equal to or greater than \$25.00 redemption value. For example, you may deliver a gift bond with a redemption value of \$25.00, \$25.01, \$25.02, and so forth. If the bond was held in your account prior to delivery to the recipient for a period of time and has accrued interest, the delivery will include principal and proportionate interest.

§§ 363.100–363.104 [Reserved]

Transactions

§ 363.105 Who has the right to conduct transactions in book-entry Series I savings bonds?

(a) *Single owner form of registration.* A single owner can conduct transactions in bonds held in his or her New Treasury Direct account.

(b) *Owner with beneficiary form of registration.* The owner can conduct transactions in bonds held in his or her New Treasury Direct account. The beneficiary has no rights during the lifetime of the owner and therefore cannot conduct transactions in the bonds.

(c) *Primary Owner with secondary owner form of registration.* The primary owner can conduct transactions in bonds held in his or her New Treasury Direct account. The secondary owner can redeem bonds using his or her New Treasury Direct account providing the primary owner has given the secondary owner that right, and has not revoked that right.

(d) *Legal guardian of an incompetent form of registration.* A legal guardian or other court-appointed representative of an incompetent can conduct transactions in bonds belonging to the incompetent consistent with the authority of the legal guardian.

(e) *Legal representative of an estate.* A legal representative of an estate can conduct transactions in bonds belonging to the estate consistent with the authority of the legal representative.

§ 363.106 How are online transactions conducted in Series I savings bonds?

We will provide online forms, including instructions, for transactions.

§ 363.107 Does Public Debt reserve the right to require that any transaction be conducted offline?

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

§§ 363.108–363.109 [Reserved]

Judicial and Administrative Proceedings

§ 363.110 Will Public Debt recognize a court order that attempts to defeat the survivorship rights of a beneficiary, secondary owner, or recipient of an undelivered gift bond?

We will not recognize a judicial determination that attempts to defeat or impair the rights of survivorship of a beneficiary, secondary owner, or recipient of an undelivered gift bond, after the death of the owner or primary owner.

§ 363.111 Will Public Debt accept notice of an adverse claim or notice of pending judicial proceedings involving book-entry Series I savings bonds?

We are not subject to and will not accept a notice of an adverse claim or notice of pending judicial proceedings involving book-entry Series I savings bonds.

§ 363.112 Is Public Debt a proper party in a judicial proceeding involving competing claims to a book-entry Series I savings bonds?

Treasury, Public Debt, and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a book-entry Series I savings bonds.

§ 363.113 Will Public Debt pay or transfer book-entry Series I savings bonds pursuant to an order in a divorce proceeding?

We will pay or transfer bonds pursuant to a divorce decree that either disposes of savings bonds or ratifies a property settlement agreement disposing of bonds. The owner (as defined in § 363.6) of the bonds must be a party to the proceedings. If the divorce decree does not set out the terms of the property settlement agreement, we will require a certified copy of the agreement.

§ 363.114 Will Public Debt recognize a court order?

We will recognize a final order entered by a court that affects ownership rights in a Series I book-entry savings bonds only to the extent that the order is consistent with the provisions of this part. The owner (as defined in § 363.6) of the bond must be a party to

the proceedings. We will require a certified copy of the court order.

§ 363.115 Will Public Debt pay a savings bonds pursuant to a levy?

We will pay a savings bonds pursuant to a valid levy to satisfy a money judgment against the owner (as defined in § 363.6) of the bond. Payment will be made only to the extent necessary to satisfy the money judgment.

§ 363.116 Will Public Debt pay a bond to the Internal Revenue Service (IRS) pursuant to a levy?

We will honor an IRS administrative levy under § 6331 of the Internal Revenue Code with respect to the owner (as defined in § 363.6).

§ 363.117 Will Public Debt pay a bond to a trustee in bankruptcy or similar court officer?

We will pay a savings bonds to a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer, if the original court order is against the owner (as defined in § 363.6).

§ 363.118 What evidence is required to establish the validity of judicial proceedings?

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

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

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

§ 363.119 Will Public Debt pay a bond pursuant to a forfeiture proceeding?

(a) *General.* Bonds will be paid pursuant to a judicial or administrative forfeiture made by a Federal agency. We will rely exclusively upon the information provided by the Federal forfeiting agency and will not make any independent evaluation of the validity of the forfeiture order, the request for payment, or the authority of the individual signing the request for payment. The amount paid is limited to the redemption value of the savings bonds as of the date of forfeiture. All inquiries or claims from the previous owner will be referred to the forfeiting agency.

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

Contact point means the individual designated by the Federal investigative

agency, United States Attorney's Office, or forfeiting agency, to receive referrals from Public Debt, using Public Debt Form 1522.

Forfeiting agency means the federal law enforcement agency responsible for the forfeiture.

Forfeiture means the process by which property may be forfeited by a federal agency. Administrative forfeiture is forfeiture by a federal agency without judicial proceedings; judicial forfeiture is a forfeiture through either a civil or criminal proceeding in a United States District Court resulting in a final judgment and order of forfeiture.

Public Debt Form 1522 (PD 1522) is the form on which written notification of the forfeiture is provided by the forfeiting agency to Public Debt.

(c) *Procedures for a forfeiting agency to request forfeiture of Treasury securities.* A forfeiting agency must request forfeiture on PD 1522. An individual authorized by the forfeiting agency must sign the form. The completed PD 1522 must be mailed to the Department of the Treasury, Bureau of the Public Debt, Parkersburg, WV 26106-1328.

(d) *Public Debt procedures upon receipt of PD 1522.* (1) Upon receipt and review of the Public Debt Form 1522, we will make payment to the forfeiture fund specified on the form. We will record the forfeiture, the forfeiture fund into which the proceeds were paid, the contact point, and any related information.

(2) We will rely exclusively upon the information provided by the Federal agency and will not make any independent evaluation of the validity of the forfeiture order, the request for payment, or the authority of the

individual signing the request for payment.

(e) *Amount paid on a forfeiture.* The amount we will pay on a forfeiture is limited to the redemption value of the savings bonds as of the date of forfeiture.

(f) *Inquiries from previous owners of forfeited Treasury securities.*

(1) We will refer all inquiries from the previous owner, including requests for payment, reissue, or applications for relief, to the contact point.

(2) We will tell the person who inquired that we referred his or her inquiry to the contact point.

(3) We will not investigate the inquiry.

(4) We will defer to the forfeiting agency's determination of the appropriate course of action, including settlement where appropriate.

(5) Any settlement will be paid from the forfeiture fund into which the proceeds were deposited.

§§ 363.120–363.124 [Reserved]

Payment

§ 363.125 How is payment made on a book-entry Series I savings bonds?

We will make payment by the ACH method to the designated account at a United States depository financial institution.

§ 363.126 Under what circumstances will payment be made?

We will make payment:

(a) Upon your request for redemption prior to maturity;

(b) When the bond reaches final maturity; and

(c) If a person who becomes entitled to the bond is unable, unwilling or

ineligible to open a New Treasury Direct account.

§§ 363.127–363.129 [Reserved]

Subparts C through E [Reserved]

Subpart F Miscellaneous

§ 363.175 May Public Debt waive these regulations?

We may waive or modify any provision of the regulations in this part. We may do so in any particular case or class of cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

(a) If the waiver would not be inconsistent with law or equity;

(b) If the waiver does not impair any material existing rights; and

(c) If we are satisfied that the waiver would not subject the United States to any substantial expense or liability.

§ 363.176 Can I be required to provide additional evidence to support a transaction?

We may require additional evidence and/or a bond of indemnity, with or without surety, in any case where we determine it necessary to protect the interests of the United States.

§ 363.177 May Public Debt amend or supplement these regulations?

We may amend, revise, or supplement these regulations at any time.

Dated: October 11, 2002.

Donald V. Hammond,

Fiscal Assistant Secretary.

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