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final maturity 30 years from its issue date. A note cannot be called by the Secretary of the Treasury prior to maturity and was not redeemable during the first year from issue date. Thereafter, a note may be redeemed at the option and request of the owner.

(c) *Denominations and purchase prices.* Savings notes were issued on a discount basis. The denominations and purchase prices were as follows:

| Denomination | Purchase price |
|--------------|----------------|
| \$25 | \$20.25 |
| 50 | 40.50 |
| 75 | 60.75 |
| 100 | 81.00 |

Interest is paid as a part of the redemption value. A note increased in value one year after issue date and increases at the beginning of each half-year period thereafter until final maturity, at which time interest ceases to accrue. Interest on a note which is redeemed before maturity ceases to accrue at the end of the interest period next preceding the redemption date, except that if the note is redeemed on a date on which the redemption value increases, interest ceases to accrue on that date.

(d) *Inscription and issue.* At the time of issue, the authorized issuing agent:

- (1) Inscribed on the face of each note the name and address of the owner and the name of the beneficiary, if any, or the names of the coowner;
- (2) Entered the issue date in the right-hand portion of the note in the space provided for that purpose; and
- (3) Imprinted thereunder, by use of the agent's validation indicia for the issue of Series E savings bonds, the date the note was actually inscribed. A note is valid only if an authorized issuing agent received payment therefor and duly inscribed, dated, imprinted validation indicia on the note and delivered it.

§ 342.3 Extended terms and yields for outstanding notes.

(a) *Extended maturity periods.* The terms *extended maturity period* and *second extended maturity period* refer to the 10-year intervals after the original maturity dates during which owners may retain their savings notes and continue

to earn interest thereon. The term *third extended maturity period* refers to the final interval of 5 years and 6 months during which owners may retain notes and continue to earn interest until final maturity, which occurs 30 years after issue date. No special action is required of owners to take advantage of any extension heretofore or herein granted. The following table describes the previous and final maturities of savings notes:

| Issue dates—1st day of | Previous maturities | | Previous maturity dates—1st day of |
|------------------------|---------------------|------|------------------------------------|
| | yrs. | mos. | |
| May 1967–Oct. 1970 | 24 | 6 | Nov. 1991–Apr. 1995. |

| Issue dates—1st day of | Additional extended maturity period | | Life of notes—yrs. |
|--------------------------|-------------------------------------|------|--------------------|
| | yrs. | mos. | |
| May 1967–Oct. 1970 | 5 | 6 | 30 |

| Issue dates—1st day of | Final maturity dates—1st day of |
|--------------------------|---------------------------------|
| May 1967–Oct. 1970 | May 1997–Oct. 2000 |

(b) *Guaranteed minimum investment yield—(1) General.* Except as provided in paragraph (b)(2) of this section, the guaranteed minimum investment yields for outstanding savings notes are as follows:

(i) For savings notes in extended maturity periods prior to November 1, 1982, the guaranteed minimum investment yield was 8.5 percent per annum, compounded semiannually, effective for the period from the first semi-annual interest accrual date on or after May 1, 1981, through their next extended maturity dates on or after November 1, 1982.

(ii) For savings notes that entered extended maturity periods during the period of November 1, 1982, through October 1, 1986, the guaranteed minimum investment yield was 7.5 percent per annum, compounded semiannually, for such periods, including notes that entered into an extended maturity period, as shown below:

| Issue dates—1st day of— | Extension | Entered—1st day of |
|-------------------------|-----------|----------------------|
| May 1968–Oct. 1970 | 2nd | Nov. 1982–Apr. 1985. |

(iii) For savings notes that entered into extended maturity periods during the period of November 1, 1986, through February 1, 1993, the guaranteed minimum investment yield is 6 percent per annum, compounded semiannually, for such periods, including notes that entered into an extended maturity period, as shown below:

| Issue dates—1st day of— | Extension | Entered—1st day of |
|-------------------------|-------------------|----------------------|
| May 1967–Aug. 1968. | 3rd (final) | Nov. 1991–Feb. 1993. |

(iv) For savings notes that entered or enter extended maturity periods on or after March 1, 1993, the guaranteed minimum investment yield is 4 percent per annum, compounded semiannually, for such periods, or the investment yield in effect at the beginning of such periods, including notes that enter into an extended maturity period, as shown below:

| Issue dates—1st day of— | Extension | Entered—1st day of |
|-------------------------|-------------------|----------------------|
| Sep. 1968–Oct. 1970. | 3rd (final) | Mar. 1993–Apr. 1995. |

(2) *Eleven-year bonus.* If a savings note was held for the 11-year period beginning with the first semiannual interest accrual date that occurred on or after January 1, 1980, its guaranteed minimum investment yield for such period was increased by one-half of one percent per annum, compounded semiannually.

(c) *Market-based variable investment yield.* In order to be eligible for the market-based variable investment yield, notes had to be held at least five years beginning with the first semiannual interest accrual date occurring on or after November 1, 1982. The market-based variable investment yield shall be determined by the Secretary of the Treasury as follows:

(1) For each 6-month period, starting with the period beginning May 1, 1982, the average market yield on outstanding marketable Treasury securities with a remaining term to maturity of approximately 5 years during such period as determined. Such determination by the Secretary of the Treasury or his or her delegate shall be final and conclusive.

(2) For notes which entered an extended maturity period prior to May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, will be 85 percent, rounded to the nearest one-fourth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (c)(1) of this section, for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(3) For notes which entered an extended maturity period on or after May 1, 1989, the market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1989, will be 85 percent, rounded to the nearest one-hundredth of one percent, of the arithmetic average of the market yield averages, as determined in accordance with paragraph (c)(1) of this section for the appropriate number of 6-month periods involved, starting with the period beginning May 1, 1982.

(d) *Determination of redemption values during any extended maturity period.* The redemption value of a note on a given interest accrual date during any extended maturity period will be the higher of the value produced by using the applicable guaranteed minimum investment yield or the value produced by using the appropriate market-based variable investment yield. The calculation of these values is described below:

(1) *Guaranteed minimum investment yield and resulting values during an extended maturity period.* A note has a guaranteed minimum investment yield for each of its extended maturity periods. The applicable guaranteed minimum investment yield for the current extended maturity period and any subsequent periods are specified in paragraph (b) of this section. In order to determine the value of a note during an extended maturity period, the value of the note either at the end of the next preceding maturity period or when the guaranteed minimum investment yield

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last increased,¹ whichever occurs later, is determined using the applicable guaranteed minimum investment yield. This value is then used as the base upon which interest accrues during the extended maturity period at the guaranteed minimum investment yield in effect for savings bonds at the beginning of that period. The resulting semiannual values are then compared with the corresponding values determined by using the applicable market-based variable investment yields.

(2) *Market-based variable investment yield an resulting values during and extended maturity period.* The market-based variable investment yield from the first semiannual interest accrual date occurring on or after November 1, 1982 to each semiannual interest accrual date occurring on or after November 1, 1987, is determined as specified in paragraph (c) of this section. The value of a note on its first semiannual interest accrual date occurring on or after November 1, 1982 is used as the base upon which interest accrues during an extended maturity period at the applicable market-based variable investment yield. If redeemed, the note will receive the higher of the two values produced by using the applicable guaranteed minimum investment yield and the applicable market-based variable investment yield.

(e) *Market-based variable investment yields and tables of redemption values.* The market-based variable investment yields for notes redeemed during each 6-month period, beginning on May 1 and November 1 of each year, are made available prior to each of those dates by the Bureau of the Public Debt, Parkersburg, West Virginia 26106-1328, accompanied by tables of the redemption values of notes for the following 6 months, based on either the applicable market-based variable investment yields or guaranteed minimum investment yields.

[57 FR 14282, Apr. 17, 1992, as amended at 58 FR 60937, 60938, Nov. 18, 1993]

¹The 11-year bonus was the last increase in the guaranteed minimum investment yield (see paragraph (b)(2)). Savings notes which were eligible to receive this bonus received it on the first semiannual interest accrual date which occurred on or after January 1, 1991.

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§ 342.4 Purchase—registration.

(a) *Purchase.* Savings notes, in combination with Series E bonds, could be purchased from any authorized issuing agent, a Federal Reserve Bank or Branch, or the Bureau of the Public Debt. Payment for the notes could be made in the same manner as payment for Series E savings bonds. Issuing agents delivered the notes at the time of purchase, or by mail at the risk and expense of the United States, but only within the United States, its territories and possessions and the Commonwealth of Puerto Rico. No mail deliveries elsewhere were made.

(b) *Registration.* The following restrictions applied to original issues of savings notes:

(1) They were limited to registration in the name of a natural person (whether adult or minor), alone, or with another natural person as co-owner or beneficiary, and

(2) They had to be identical in registration to the Series E bond purchased in combination therewith.

§ 342.5 Limitations.

(a) *Purchases—(1) Payroll savings plans.* Under a payroll savings plan, withholdings for notes could not exceed the ratio of \$1.08 for the notes to \$1 for the Series E bonds and could not exceed \$20.25 per weekly pay period, or \$40.50 per biweekly or semi-monthly pay period, or \$81 per monthly pay period.

(2) *Others.* In combination purchases of notes and Series E bonds, other than under a payroll savings plan, purchases of notes could not exceed \$350 (face amount) a quarter, and in no event could the annual limitation of \$1,350 (face amount) be exceeded.

(b) *Holdings.* The face amount of savings notes originally issued to any one person during any one calendar year, was limited to \$1,350.

§ 342.6 Taxation.

(a) *General.* For the purpose of determining taxes and tax exemptions, the increment in value represented by the difference between the purchase price and the redemption value received for a savings note is considered interest. The interest is subject to all taxes imposed under the Internal Revenue Code