

### § 357.13

(ii) A security interest in favor of a Federal Reserve Bank shall be treated as a security interest in favor of a clearing corporation in all respects under that law.

(iii) A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for these purposes.

#### **§ 357.13 Obligations of the United States and the Federal Reserve Banks with respect to Book-entry Securities and security interests.**

(a) *Who is entitled to deal with an interest in a Book-entry Security that has been credited to a Participant's Security Account?* Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in § 357.12 (e), for the purposes of this subpart B, the United States and the Federal Reserve Banks treat the Participant as exclusively entitled to perform the following functions, even if the Treasury or a Federal Reserve Bank has any information or notice to the contrary:

- (1) Issue a Transfer Message,
- (2) Receive interest and other payments with respect thereof, and
- (3) Exercise all the rights and powers with respect to the Security.

(b) *Are the Federal Reserve Banks and Treasury liable for Adverse Claims?* The Federal Reserve Banks and Treasury are not liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to a Book-entry Security in a Participant's Securities Account. This includes any such claim arising as a result of the transfer or disposition of a Book-entry Security by a Federal Reserve Bank, pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(c) *When is the obligation of the United States to pay interest and principal with respect to Book-entry Securities discharged?* The obligation is discharged once payment is made as follows:

- (1) A Federal Reserve Bank credits the appropriate amount of interest on Book-entry Securities to a Funds Account maintained at the Bank, or pays it as directed by the Participant.
- (2) Book-entry Securities are redeemed according to their terms, a

### 31 CFR Ch. II (7-1-02 Edition)

Federal Reserve Bank withdraws the securities from the Participant's Securities Account in which they are maintained, and either:

- (i) Credits the amount of the Redemption proceeds, including both principal and interest, where applicable, to a Funds Account at the Bank, or
- (ii) Pays such principal and interest as directed by the Participant.

(d) *What does a Participant need to do in connection with the Redemption of a Book-entry Security?* No action by the Participant is required.

#### **§ 357.14 What authority does a Federal Reserve Bank have?**

(a) Each Federal Reserve Bank has the authority as fiscal agent of the United States to:

- (1) Perform functions with respect to the issuance of Book-entry Securities offered and sold by the Department to which this subpart applies, in accordance with the terms of the applicable offering circular and with procedures established by the Department;
- (2) Service and maintain Book-entry Securities in accounts established for such purposes;
- (3) Make payments of principal and interest, as directed by the Department;
- (4) Effect transfer of Book-entry Securities between Participants' Securities Accounts as directed by the Participants; and
- (5) Perform such other duties as fiscal agent that the Department may request.

(b) Each Federal Reserve Bank may issue Operating Circulars that are consistent with this part, governing the details of its handling of Book-entry Securities, Security Entitlements, and the operation of the book-entry system under this part.

#### **§ 357.15 How can a debtor's interest in a Security Entitlement be reached by creditors?**

- (a) The interest of a debtor may be reached by creditors only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained. Exception: If a Security Entitlement is maintained in