

### § 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

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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

the name of a secured party, the debtor's interest may be reached by legal process upon the secured party.

(b) These regulations do not state whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

### Subpart C—Treasury Direct Book-Entry Securities System (TREASURY DIRECT)

#### § 357.20 Securities account in TREASURY DIRECT.

(a) *Account.* A securities account consists of:

- (1) An account master record, and
- (2) A securities portfolio.

(b) *Security.* A security in TREASURY DIRECT is evidenced by the account master record and a description of the security as set out in the securities portfolio associated with an account master record.

(c) *Account master record.* An owner must establish an account master record before the owner may deposit a security in TREASURY DIRECT. If the security is being purchased on original issue, the request that an account master record be established may be made on the form used for purchase of the security. If the security is being acquired other than on original issue, the request that an account master record be established should be made on the appropriate form that is provided by the Department. The account master record includes, but is not limited to, the following data:

- (1) The exact form of registration in which the securities are held;
- (2) The TREASURY DIRECT account number;
- (3) The correspondence address for the account;
- (4) The TIN of the owner, or in the case of ownership by two individuals, of the first-named owner; and
- (5) Payment instructions. (See § 357.26.)

(d) *Securities portfolio.* The securities portfolio contains a description of each security and is the aggregate of all securities in the securities account.

(e) *Statement of account.* The Department shall send a statement of account (statement):

(1) Upon the establishment of an account master record;

(2) Upon a change in the securities portfolio;

(3) At an owner's request; or

(4) Upon the determination on December 31 that an owner has not received a statement of account for that current calendar year.

The statement shall contain information regarding the account as of the date of such statement. The price associated with each security in the securities portfolio will also appear on the statement.<sup>1</sup> The statement may be sent

<sup>1</sup>IRS regulations require reporting of income information on a security.

(1) If the security is a bill, the price information will be used to comply with this requirement. The earnings reported to IRS for the year of a bill's maturity will be the difference between the par value of the bill and its price.

(a) If a bill is deposited in TREASURY DIRECT at original issue, the price shown will be the issue price.

(b) If a bill is transferred to TREASURY DIRECT from TRADES, the price shown will be that included in the transfer wire or supplied subsequently by the bill owner. If a price is not furnished, the price shown will be the weighted average price of the bill of the longest maturity having the identical CUSIP number.

(c) If a bill is transferred from one TREASURY DIRECT account to another, the price shown in the receiving (transferee's) account will be that shown on the transfer instructions or supplied subsequently by the transferee. If a price is not furnished, the price shown will be the weighted average price at original issue of the bill of the longest maturity having the identical CUSIP number, unless the term of the bill can be determined from the account record in which case the price shown will be the weighted average price at original issue of the bill with that term.

(2) If the security is a note or bond, the earnings reported to IRS for a year will be the periodic interest payments made during that year. If a note or bond is transferred to a TREASURY DIRECT account between interest payment dates, the earnings reported to IRS for the transferee will show the interest for the entire interest payment period. The price for notes and bonds will be shown on the statement of account for the account owner's information. The price shown will be determined following the procedures described above for bills.

(3) The security owner should report directly to the IRS (a) adjustments to annual

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