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 March 31, 2004.

(3) As another example, 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.

(c) *Liquidity.* A Series I bond may be redeemed beginning six months after its issue date or at any time thereafter. However, a bond redeemed less than five years from its issue date will be subject to a three-month interest penalty.

(d) *Early redemption penalty.* If a Series I bond is redeemed less than five years following the date of issue, the overall earning period from the date of issue will be reduced by three months. For example, if a bond issued January 1, 1999, is redeemed nine months later on October 1, 1999, the redemption value will be determined by applying the redemption value calculation procedures described in § 359.2(e)(4) and the Series I composite rate for that bond as if the redemption date were three months earlier (July 1, 1999). The redemption value of a bond subject to the three-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed five years or more after the date of issue.

[63 FR 38044, July 14, 1998, as amended at 63 FR 45947, Aug. 28, 1998]

§ 359.4 Registration and issue.

(a) *Registration.* Bonds may be registered as set forth in 31 CFR part 360, subpart B, also published as Department of the Treasury Circular, Public Debt Series No. 2–98. Generally, bonds may be registered in the names of natural persons in single owner, coowner (for example: ‘‘John Doe 123–45–6789 OR Mary Doe’’), or beneficiary (‘‘John Doe 123–45–6789 payable on death to (POD) Mary Doe’’) forms of registration.

(b) *Validity of issue.* A bond is validly issued when it is registered as provided in Circular No. 2–98, and when it bears an issue date, as well as the validation indicia of an authorized issuing agent.

(c) *Taxpayer Identifying Number (TIN).* The inscription of a bond must include the TIN of the owner or first-named coowner. 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.

(d) *Prohibition on chain letters.* The issuance of bonds in the furtherance of a chain letter or pyramid scheme is against the public interest and is prohibited. An issuing agent is authorized to refuse to issue a bond or accept a purchase order if there is reason to believe that a purchase is in connection with a chain letter. The agent’s decision is final.

§ 359.5 Limitation on purchases.

The amount of Series I bonds which may be purchased in the name of any one person, in any one calendar year, is limited to $30,000 par value. Circular No. 2–98 (31 CFR part 360, subpart C) contains the rules governing the computation of amounts and the special limitation for employee plans.

§ 359.6 Purchase of bonds.

(a) *Payroll sales*—(1) *Payroll savings plans.* Bonds may be purchased through deductions from the pay of employees of organizations that maintain payroll savings plans. The bonds must be issued by an authorized issuing agent.

(2) *Employee thrift, savings, vacation, and similar plans.* Bonds registered in the names of employee plans may be purchased in book-entry form in authorized denominations through a designated Federal Reserve Bank after Bureau of the Public Debt approval of the plan as eligible for the special limitation under 31 CFR 360.13, also published as § 360.13 of Department of the Treasury Circular, Public Debt Series No. 2–98.