

§ 344.7

(ii) One-fourth of one percent.
 (2) *Deduction.* We will deduct from the redemption proceeds, if necessary, any overpayment of interest resulting from previous payments made at a higher rate based on the original longer period to maturity.

Subpart C—Demand Deposit Securities

§ 344.7 What are Demand Deposit securities?

Demand deposit securities are one-day certificates of indebtedness that are automatically rolled over each day until you request redemption.

(a) *How is a Demand Deposit account established?* Each demand deposit subscription will establish a unique account.

(b) *How are interest rates determined?*

Each security shall bear a variable rate of interest based on an adjustment of the average yield for three-month Treasury bills at the most recent auction. A new rate is effective on the first business day following the regular auction of three-month Treasury bills and is shown in the SLGS rate table. Interest is accrued and added to the principal daily. Interest is computed on the balance of the principal, plus interest accrued through the preceding day.

(1) *How is the interest rate calculated?*

(i) First, you calculate the annualized effective demand deposit rate in decimals, designated “I” in Equation 1, as follows:

$$I = \left[\left(\frac{100}{P} \right)^{Y/DTM} - 1 \right] \times (1 - MTR) - TAC$$

(Equation 1)

WHERE:	
I =	Annualized effective demand deposit rate in decimals.
P =	Average auction price for the most recently auctioned 13-week Treasury bill, per hundred, to three decimals.
Y =	365 (if the year following issue date does not contain a leap year day) and 366 (if the year following issue date does contain a leap year day).
DTM =	The number of days from date of issue to maturity for the most recently auctioned 13-week Treasury bill.
MTR =	Estimated marginal tax rate, in decimals, of purchasers of tax-exempt bonds.
TAC =	Treasury administrative costs, in decimals.

(ii) Then, you calculate the daily factor for the demand deposit rate as follows:

$$DDR = (1 + I)^{1/Y} - 1$$

(Equation 2)

(2) *Where can I find additional information?* Information on the estimated average marginal tax rate and costs for administering demand deposit SLGS securities, both to be determined by Treasury from time to time, will be published in the FEDERAL REGISTER.

(c) *What happens to demand deposit securities during a Debt Limit Contingency?* At any time the Secretary determines that issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit, we will invest any unredeemed demand deposit securities in special ninety-day certificates of indebtedness. Funds invested in the ninety-day certificates of indebtedness earn simple interest equal to the daily factor in effect at the time demand deposit security issuance is suspended, multiplied by the number of days outstanding. When regular Treasury borrowing operations resume, the ninety-day certificates of indebtedness, at the owner's option, are:

- (1) Payable at maturity;
- (2) Redeemable before maturity, provided funds are available for redemption; or

(3) Reinvested in demand deposit securities.

§ 344.8 How do I subscribe for Demand Deposit securities?

(a) *Where do I submit transactions?* All subscriptions for purchase, cancellation requests, changes to subscriptions and notices of redemption must be sent to DSI.

(b) *What requirements apply to subscriptions?*

(1) *What form is used to submit a subscription?* You must submit an electronic or paper Treasury form, PD F 5237, "Subscription for Purchase of U.S. Treasury Securities State and Local Government Series One-Day Certificate of Indebtedness Demand Deposit."

(2) *When is my subscription or cancellation request due in DSI?* To determine when you must send a subscription or cancellation request, follow this table:

If:	Then:
(i) The subscription is for:	DSI must receive a subscription (or you can cancel it without penalty):
(A) \$10 million or less, or	at least 5 days before the issue date of the subscription.
(B) Over \$10 million	at least 7 days before the issue date of the subscription.
(ii) The 5th or 7th day before the issue date is a non-business day * * *.	DSI must receive the cancellation request on the preceding business day.
(iii) DSI receives a subscription more than 60 days before the issue date * * *.	DSI will not accept a subscription.

(3) *How do I change a subscription?* You can change the principal amount to be invested without penalty on or before the issue date, but no later than 3:00 p.m., Eastern time, on the issue date. If you submit an untimely change, § 344.5(b)(4)(iv) applies.

(4) *What information must be contained on the subscription?* The subscription must:

- (i) Be dated and signed by an official authorized to make the purchase;

(ii) Include the Taxpayer Identification Number of the issuer; and

(iii) Specify the principal amount to be invested and the issue date.

§ 344.9 How do I redeem a Demand Deposit security?

To redeem a demand deposit security, follow this section.

(a) *When must I notify DSI to redeem a security?* To determine when you must notify us, follow this table: