

Fiscal Service, Treasury

§ 344.9

(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:

A security can be redeemed at the owner's option, if DSI receives a request for redemption not less than * * * for redemptions of * * *

(1) 1 business day before the requested redemption date. \$10 million or less.

(2) 3 business days before the requested redemption date. more than \$10 million.

(b) *Can I request partial redemption of a security balance?* You may request partial redemptions in any amount. If your account balance is less than \$1,000, it must be redeemed in total.

(c) *Do I have to submit a notice of redemption?* Yes. An official authorized to redeem the securities must submit an electronic or paper Treasury form PD F 5238, "Request for Redemption of U.S. Treasury Securities State and Local Government Series One-Day Certificate of Indebtedness Demand Deposit." The notice must show the Taxpayer Identification Number of the issuer, the Treasury case number, the security number and the dollar amount of the securities to be redeemed. DSI must receive the notice by 3:00 p.m., Eastern time on the required day. You cannot cancel the notice.

EFFECTIVE DATE NOTE: At 70 FR 37911, June 30, 2005, subpart C was revised, effective August 15, 2005. For the convenience of the user, the revised text is set forth as follows:

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 are the SLGS rates for Demand Deposit securities 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 six decimals.

Y = 365 (if the year following issue date does not contain a leap year day) or 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 Treasury administrative costs for administering Demand Deposit securities, both to be determined by Treasury from time to time, will be published in the FEDERAL REGISTER.

(b) *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

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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 What other provisions apply to subscriptions for Demand Deposit securities?

(a) *When is my subscription due?* The subscriber must fix the issue date of each security in the subscription. You cannot change the issue date to require issuance earlier or later than the issue date originally specified; provided, however, you may change the issue date up to seven days after the original issue date if you establish to the satisfaction of Treasury that such change is required as a result of circumstances that were unforeseen at the time of the subscription and are beyond the issuer's control (for example, a natural disaster). The issue date must be a business day. The issue date cannot be more than sixty days after the date BPD receives the subscription. If the subscription is for \$10 million or less, BPD must receive the subscription at least five days before the issue date. If the subscription is for more than \$10 million, BPD must receive the subscription at least seven days before the issue date.

(b) *How do I start the subscription process?* A subscriber starts the subscription process by entering into SLGSafe the following information:

- (1) The issue date;
- (2) The total principal amount;
- (3) The issuer's name and Taxpayer Identification Number;
- (4) The title of an official authorized to purchase SLGS securities;
- (5) A description of the tax-exempt bond issue; and
- (6) The certification required by § 344.2(e)(1), if the subscription is submitted by an agent of the issuer.

(c) *Under what circumstances can I cancel a subscription?* You cannot cancel a subscription unless you establish, to the satisfaction of Treasury, that the cancellation is required for reasons unrelated to the use of the SLGS program to create a cost-free option.

(d) *How do I change a subscription?* You can change a subscription on or before 3 p.m., Eastern time, on the issue date. You may change the aggregate principal amount specified in the subscription by no more than ten percent, above or below the amount originally specified in the subscription.

(e) *How do I complete the subscription process?* The subscription must:

(1) Be dated and submitted electronically by an official authorized to make the purchase;

(2) Include the certifications required by § 344.2(e)(2)(i) (relating to yield); and

(3) Include the information required under paragraph (b) of this section, if not already provided.

§ 344.9 How do I redeem a Demand Deposit security?

(a) *When must I notify BPD to redeem a security?* A Demand Deposit security can be redeemed at the owner's option, if BPD receives a request for redemption not less than:

(1) One business day before the requested redemption date for redemptions of \$10 million or less; and

(2) Three business days before the requested redemption date for redemptions of more than \$10 million.

(b) *Can I request partial redemption of a security balance?* You may request partial redemptions in any amount. If your account balance is less than \$1,000, it must be redeemed in total.

(c) *Do I have to submit a request for redemption?* Yes. An official authorized to redeem the securities must submit an electronic request through SLGSafe. The request must show the Taxpayer Identification Number of the issuer, the security number, and the dollar amount of the securities to be redeemed. BPD must receive the request by 3 p.m., Eastern time on the required day. You cannot cancel the request.

Subpart D—Special Zero Interest Securities

§ 344.10 What are Special Zero Interest securities?

Special zero interest securities were issued as certificates of indebtedness and notes. Provisions of subpart B of this part (Time Deposit Securities) apply except as specified in subpart D of this part. Special zero interest securities were discontinued on October 28, 1996. The only zero interest securities available after October 28, 1996, are zero interest time deposit securities that are subject to subpart B of this part.