

§ 356.16

31 CFR Ch. II (7-1-05 Edition)

§ 356.16 Do I have to make any certifications?

(a) *Submitters.* If you submit bids or other information in an auction, we deem you to have certified that:

(1) You are in compliance with this part and the auction announcement;

(2) The information provided with regard to any bids for your own account is accurate and complete; and

(3) The information provided with regard to any bids for customers accurately and completely reflects information provided by your customers or intermediaries.

(4) If you submit bids by computer, you must have on file a written certification that, each time you submit such bids, you are in compliance with this part and the applicable auction announcement. An authorized person must sign and date the certification on behalf of the submitter, and it must be filed with us and renewed at least annually.

(b) *Intermediaries.* If you forward bids in an auction, we deem you to have certified that:

(1) You are in compliance with this part and the applicable auction announcement; and

(2) That the information you provided to a submitter or other intermediary with regard to bids for customers accurately and completely reflects information provided by those customers or intermediaries.

(c) *Customers.* By bidding for a security as a customer we deem you to have certified that:

(1) You are in compliance with this part and the auction announcement and;

(2) The information you provided to the submitter or intermediary in connection with the bid is accurate and complete.

§ 356.17 How and when do I pay for securities awarded in an auction?

(a) *General.* By bidding in an auction, you agree to pay the settlement amount for any securities awarded to you. (See § 356.25.) For notes and bonds, the settlement amount may include a premium amount, accrued interest, and, for inflation-protected securities, an inflation adjustment.

(b) *TreasuryDirect.* Unless you make other provisions, you must pay by debit entry to a deposit account or submit payment with your bids. To pay by debit entry, you must first authorize us to make debit entries to your deposit account under 31 CFR part 370. Payment by debit entry occurs on the settlement date for the actual settlement amount due. (See § 356.25.) You may also pay for reinvestments with maturing securities, however, you must pay separately for any premium, accrued interest, or inflation adjustment as soon as you receive your Payment Due Notice.

(1) *Bidding by computer or by telephone.* If you are bidding by computer or by telephone, you must pay for any securities awarded to you by debit entry to a deposit account.

(2) *Bidding by paper form.* If you are mailing bids to us on a paper form, you may either enclose your payment with the form or pay for any securities awarded to you by debit entry to a deposit account.

(i) *Payment with paper form.* For bills, you may pay by depository institution (cashier's or teller's) check, certified check, or currently dated Treasury or fiscal agency check made payable to you. For notes or bonds, in addition to the payment options for bills, you may also pay by personal check. If you submit a personal check, make it payable to TreasuryDirect and mail it to the Federal Reserve Bank handling your account. In your payment amount you must include the par amount and any announced accrued interest and/or inflation adjustment.

(ii) *Payment by debit entry to a deposit account.* If a depository institution or dealer is submitting your bids for securities to be held in TreasuryDirect, payment may be either by debit entry to a deposit account or by allowing us to charge the Federal Reserve Bank funds account of a depository institution.

(3) *Payment by maturing securities.* You may use maturing securities held in TreasuryDirect as payment for reinvestments into new securities that we are offering, as long as we receive the appropriate transaction request on time.

(c) *Commercial book-entry system.* Unless you make other provisions, payment of the settlement amount must be by charge to the funds account of a depository institution at a Federal Reserve Bank.

(1) A submitter that does not have a funds account at a Federal Reserve Bank or that chooses not to pay by charge to its own funds account must have an approved autocharge agreement on file with us before submitting any bids. Any depository institution whose funds account will be charged under an autocharge agreement will receive advance notice from us of the total par amount of, and price to be charged for, securities awarded as a result of the submitter's bids.

(2) A submitter that is a member of a clearing corporation may instruct that delivery and payment be made through the clearing corporation for securities awarded to the submitter for its own account. To do this, the following requirements must be met prior to submitting any bids:

(i) We must have acknowledged and have on file an autocharge agreement between the clearing corporation and a depository institution. By entering into such an agreement, the clearing corporation authorizes us to provide aggregate par and price information to the depository institution whose funds account will be charged under the agreement. The clearing corporation is responsible for remitting payment for auction awards of the clearing corporation member.

(ii) We must have acknowledged and have on file a delivery and payment agreement between the submitter and the clearing corporation. By entering into such an agreement, the submitter authorizes us to provide award and payment information to the clearing corporation.

Subpart C—Determination of Auction Awards; Settlement

§ 356.20 How does the Treasury determine auction awards?

(a) *Determining the range and amount of accepted competitive bids—*

(1) *Accepting bids.* First we accept in full all noncompetitive bids that were submitted by the noncompetitive bid-

ding deadline. After the closing time for receipt of competitive bids we start accepting those at the lowest yields or discount rates through successively higher yields or discount rates, up to the amount required to meet the offering amount. When necessary, we prorate bids at the highest accepted yield or discount rate as described below. If the amount of noncompetitive bids would absorb most or all of the offering amount, we will accept competitive bids in an amount sufficient to provide a fair determination of the yield or discount rate for the securities we are auctioning.

(2) *Accepting bids at the high yield or discount rate.* Generally, the total amount of bids at the highest accepted yield or discount rate exceeds the offering amount remaining after we accept the noncompetitive bids and the competitive bids at the lower yields or discount rates. In order to keep the total amount of awards as close as possible to the announced offering amount, we award a percentage of the bids at the highest accepted yield or discount rate. We derive the percentage by dividing the remaining par amount needed to fill the offering amount by the par amount of the bids at the high yield or discount rate and rounding up to the next hundredth of a whole percentage point, for example, 17.13%.

(b) *Determining the interest rate for new note and bond issues.* We set the interest rate at a $\frac{1}{8}$ of one percent increment. If a Treasury inflation-protected securities auction results in a negative or zero yield, the interest rate will be set at zero, and successful bidders' award prices will be calculated accordingly (See Appendix B to this part for formulas).

(1) *Single-price auctions.* The interest rate we establish produces the price closest to, but not above, par when evaluated at the yield of awards to successful competitive bidders.

(2) *Multiple-price auctions.* The interest rate we establish produces the price closest to, but not above, par when evaluated at the weighted-average yield of awards to successful competitive bidders.

(c) *Determining purchase prices for awarded securities.* We round price calculations to six decimal places on the