

§ 356.3

Yield is also referred to as “yield to maturity.” (See Appendix B.)

You means a prospective bidder in an auction.

§ 356.3 What is the role of the Federal Reserve Banks in this process?

The Treasury Department authorizes Federal Reserve Banks, as fiscal agents of the United States, to perform all activities necessary to carry out the provisions of this part, any auction announcements, and applicable regulations.

§ 356.4 What are the book-entry systems in which auctioned Treasury securities may be issued?

We issue Treasury marketable securities into either of two book-entry securities systems—the commercial book-entry system or TreasuryDirect. We maintain and transfer securities in these two book-entry systems at their par amount. For example, par amounts of inflation-protected securities do not include adjustments for inflation. Securities may be transferred from one system to the other. See Department of the Treasury Circular, Public Debt Series No. 2-86, as amended (31 CFR Part 357).

(a) *The commercial book-entry system.* When depository institutions or dealers submit bids for Treasury securities in an auction, securities awarded as a result of those bids are generally held in the commercial book-entry system. Specifically, we maintain book-entry accounts in the National Book-Entry System® (“NBES”) for Federal Reserve Banks, depository institutions, and other authorized entities, such as government and international agencies and foreign central banks. In their accounts, depository institutions maintain securities held for their own account and for the accounts of others. The accounts held for others include those of other depository institutions and dealers, which may, in turn, maintain accounts for others.

(b) *TreasuryDirect.* In this system, we maintain the book-entry securities of account holders directly on the records of the Bureau of the Public Debt, Department of the Treasury. Bids for securities to be held in TreasuryDirect are generally submitted directly to us,

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although such bids may also be forwarded to us by a depository institution or dealer.

§ 356.5 What types of securities does the Treasury auction?

We offer securities under this part exclusively in book-entry form and as direct obligations of the United States issued under Chapter 31 of Title 31 of the United States Code. The securities are subject to the terms and conditions in this part, the regulations governing book-entry Treasury bills, notes, and bonds (31 CFR Part 357), and the auction announcements. When we issue additional securities with the same CUSIP number as outstanding securities, we consider them to be the same securities as the outstanding securities.

(a) *Treasury bills.*

- (1) Are issued at a discount;
- (2) Are redeemed at their par amount at maturity; and
- (3) Have maturities of not more than one year.

(b) *Treasury notes*—(1) Treasury fixed-principal¹ notes.

- (i) Are issued with a stated rate of interest to be applied to the par amount;
- (ii) Have interest payable semiannually;
- (iii) Are redeemed at their par amount at maturity;
- (iv) Are sold at discount, par, or premium, depending upon the auction results; and
- (v) Have maturities of at least one year, but of not more than ten years.

(2) *Treasury inflation-protected notes.*

- (i) Are issued with a stated rate of interest to be applied to the inflation-adjusted principal on each interest payment date;
- (ii) Have interest payable semiannually;
- (iii) Are redeemed at maturity at their inflation-adjusted principal, or at their par amount, whichever is greater;

¹We use the term “fixed-principal” in this part to distinguish such securities from “inflation-protected” securities. We refer to fixed-principal notes and fixed-principal bonds as “notes” and “bonds” in official Treasury publications, such as auction announcements and auction results press releases, as well as in auction systems.