

Federal Reserve Banks and Treasury are not liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to a Book-entry Security in a Participant's Securities Account. This includes any such claim arising as a result of the transfer or disposition of a Book-entry Security by a Federal Reserve Bank, pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(c) *When is the obligation of the United States to pay interest and principal with respect to Book-entry Securities discharged?* The obligation is discharged once payment is made as follows:

(1) A Federal Reserve Bank credits the appropriate amount of interest on Book-entry Securities to a Funds Account maintained at the Bank, or pays it as directed by the Participant.

(2) Book-entry Securities are redeemed according to their terms, a Federal Reserve Bank withdraws the securities from the Participant's Securities Account in which they are maintained, and either:

(i) Credits the amount of the Redemption proceeds, including both principal and interest, where applicable, to a Funds Account at the Bank, or

(ii) Pays such principal and interest as directed by the Participant.

(d) *What does a Participant need to do in connection with the Redemption of a Book-entry Security?* No action by the Participant is required.

**§ 357.14 What authority does a Federal Reserve Bank have?**

(a) Each Federal Reserve Bank has the authority as fiscal agent of the United States to:

(1) Perform functions with respect to the issuance of Book-entry Securities offered and sold by the Department to which this subpart applies, in accordance with the terms of the applicable offering circular and with procedures established by the Department;

(2) Service and maintain Book-entry Securities in accounts established for such purposes;

(3) Make payments of principal and interest, as directed by the Department;

(4) Effect transfer of Book-entry Securities between Participants' Securi-

ties Accounts as directed by the Participants; and

(5) Perform such other duties as fiscal agent that the Department may request.

(b) Each Federal Reserve Bank may issue Operating Circulars that are consistent with this part, governing the details of its handling of Book-entry Securities, Security Entitlements, and the operation of the book-entry system under this part.

**§ 357.15 How can a debtor's interest in a Security Entitlement be reached by creditors?**

(a) The interest of a debtor may be reached by creditors only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained. Exception: If a Security Entitlement is maintained in the name of a secured party, the debtor's interest may be reached by legal process upon the secured party.

(b) These regulations do not state whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

**Subpart C—Treasury Direct Book-Entry Securities System (TREASURY DIRECT)**

**§ 357.20 Securities account in TREASURY DIRECT.**

(a) *Account.* A securities account consists of:

(1) An account master record, and

(2) A securities portfolio.

(b) *Security.* A security in TREASURY DIRECT is evidenced by the account master record and a description of the security as set out in the securities portfolio associated with an account master record.

(c) *Account master record.* An owner must establish an account master record before the owner may deposit a security in TREASURY DIRECT. If the security is being purchased on original issue, the request that an account master record be established may be made on the form used for purchase of the security. If the security is being acquired other than on original issue, the request that an account master record be

§ 357.20

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

established should be made on the appropriate form that is provided by the Department. The account master record includes, but is not limited to, the following data:

- (1) The exact form of registration in which the securities are held;
- (2) The TREASURY DIRECT account number;
- (3) The correspondence address for the account;
- (4) The TIN of the owner, or in the case of ownership by two individuals, of the first-named owner; and
- (5) Payment instructions. (See § 357.26.)

(d) *Securities portfolio.* The securities portfolio contains a description of each security and is the aggregate of all securities in the securities account.

(e) *Statement of account.* The Department shall send a statement of account (statement):

- (1) Upon the establishment of an account master record;
- (2) Upon a change in the securities portfolio;
- (3) At an owner's request; or
- (4) Upon the determination on December 31 that an owner has not received a statement of account for that current calendar year.

The statement shall contain information regarding the account as of the date of such statement. The price associated with each security in the securities portfolio will also appear on the statement.<sup>1</sup> The statement may be sent

<sup>1</sup>IRS regulations require reporting of income information on a security.

(1) If the security is a bill, the price information will be used to comply with this requirement. The earnings reported to IRS for the year of a bill's maturity will be the difference between the par value of the bill and its price.

(a) If a bill is deposited in TREASURY DIRECT at original issue, the price shown will be the issue price.

(b) If a bill is transferred to TREASURY DIRECT from TRADES, the price shown will be that included in the transfer wire or supplied subsequently by the bill owner. If a price is not furnished, the price shown will be the weighted average price of the bill of the longest maturity having the identical CUSIP number.

(c) If a bill is transferred from one TREASURY DIRECT account to another, the price shown in the receiving (transferee's) account will be that shown on the transfer instruc-

to the correspondence address designated in the account master record, or may be sent by electronic means. When the statement is issued as a result of a change in ownership of a security, statements will be sent, where appropriate, to both the former and current owners. Other information regarding the account may be obtained in accordance with § 357.24.

(f) *Confirmation notice.* The Department shall send a confirmation notice (notice):

- (1) Upon a change in an account master record;
- (2) Upon scheduling or canceling a re-investment; or
- (3) To confirm the interest earned on a Treasury Inflation Indexed Security. The notice shall contain information regarding the account as of the date of such confirmation. The notice may be sent to the correspondence address designated in the account master record, or may be sent by electronic means. All changes reflected in paragraph (f) (1) and (2) of this section will be included in the next regularly scheduled statement of account. See paragraph (e) of this section for the statement schedule.

tions or supplied subsequently by the transferee. If a price is not furnished, the price shown will be the weighted average price at original issue of the bill of the longest maturity having the identical CUSIP number, unless the term of the bill can be determined from the account record in which case the price shown will be the weighted average price at original issue of the bill with that term.

(2) If the security is a note or bond, the earnings reported to IRS for a year will be the periodic interest payments made during that year. If a note or bond is transferred to a TREASURY DIRECT account between interest payment dates, the earnings reported to IRS for the transferee will show the interest for the entire interest payment period. The price for notes and bonds will be shown on the statement of account for the account owner's information. The price shown will be determined following the procedures described above for bills.

(3) The security owner should report directly to the IRS (a) adjustments to annual earnings amounts arising from acquisition of notes and bonds between interest payment periods and (b) price corrections for bills reported after preparation of the reports to the IRS.

(g) *Account maintenance fees.* An annual maintenance fee shall be charged for each TREASURY DIRECT securities account holding securities that in the aggregate exceed a stipulated par amount. The amount of the fee will be published by notice in the FEDERAL REGISTER.

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### § 357.21 Registration.

(a) *General.* (1) Registration of a security conclusively establishes ownership, except in the case of partnership nominees, in which case the Department reserves the right to treat the registration as conclusive of ownership. The registration may not, except as provided in this Subpart, include any restriction on the authority of an owner to change the data in the account master record, transfer the security, or effect any other change in the securities portfolio.

(2) The registration of all securities held by an owner should be uniform with respect to the owner's name. An owner must be identified by the name by which the owner is ordinarily known, preferably including at least one full given name. A suffix, such as *Sr.* or *Jr.*, must be included when ordinarily used, or when necessary to distinguish members of the same family.

(3) If an additional security is deposited in an existing account, the security will be registered in the same name and form of registration that appears in the designated account master record. One who holds a security as *John Allen Doe* should use that name when depositing another security rather than *J. Allen Doe*, or *John A. Doe*. *Minor variations in names used in acquiring a security to be deposited in an established account may be resolved by the Department.*

(b) *Natural persons.* A security may be registered in the names of one or two individuals, but only in one of the following forms:

(1) *Single ownership.* In the name of one individual.

*Example:* Robert W. Woods

An individual who is sole proprietor of a business conducted under a trade name may include a reference to the trade name.

*Example:* John A. Doe, doing business as Doe's Home Appliance Store.

(2) *Ownership by two individuals—(i) "And" form—Joint Ownership—(A) Without right of survivorship.* In the names of two individuals, joined by the word "and", and followed by the words "without right of survivorship". A security so registered shall conclusively confer on each owner an undivided interest in the security.

*Example:* Elizabeth Black and Jane Brown, without right of survivorship.

Any request for registration which purports, by its terms, to preclude the right of survivorship, or which requests registration in the names of two persons without indicating whether survivorship rights attach (other than a registration under paragraph (b)(2)(ii) of this section), will be presumed to be a request for registration without right of survivorship. If a security is registered in this form, a transaction request, other than a request by one owner to transfer the security to the other owner, and other than a request for reinvestment, must be executed by both owners.

(B) *With right of survivorship.* In the names of two individuals, joined by the word "and", and followed by the words "with right of survivorship". A security so registered shall confer on each owner an undivided interest in the security and shall create a conclusive right of survivorship.

*Example:* Mark A. Doe and Mary B. Doe, with right of survivorship.

If a security is registered in this form, a transaction request, other than a request by one owner to transfer the security to the other owner, and other than a request for reinvestment, must be executed by both owners.

(ii) *"Or" form—Coownership.* In the names of two individuals, joined by the word "or". A security so registered shall confer on each owner an undivided interest in the security and shall create a conclusive right of survivorship.