

Fiscal Service, Treasury

§ 357.2

Internet-based book-entry system for marketable Treasury securities only.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 57431, Sept. 30, 2005; 70 FR 57441, Sept. 30, 2005]

§ 357.1 Effective date.

Subpart B of this part, the definitions of *Adverse Claim*, *Book-entry Security*, *Entitlement Holder*, *Federal Reserve Bank Operating Circular*, *Funds Account*, *Issue*, *Participant*, *Participant's Securities Account*, *Person*, *Revised Article 8*, *Securities Intermediary*, *Security Entitlement*, *State*, and *Transfer Message* and revisions to the definitions of *Security* and *TRADES*, and §§ 357.42 and 357.44 and the revisions to § 357.41 are effective January 1, 1997. All other provisions in effect prior to January 1, 1997, remain in effect.

[61 FR 43628, Aug. 23, 1996]

§ 357.2 Definitions.

In this part, unless the context indicates otherwise:

Adverse Claim means a claim that a claimant has a property interest in a Security and that it is a violation of the rights of the claimant for another Person to hold, transfer, or deal with the Security.

Bill means an obligation of the United States, with a term of not more than one year, issued at a discount, under chapter 31 of title 31 of the United States Code, in book-entry form.

Bond means an obligation of the United States, with a term of more than ten years, issued under chapter 31 of title 31 of the United States Code, in book-entry form.

Book-entry security means a Treasury security maintained as a computer record in the commercial book-entry system, Legacy Treasury Direct®, or TreasuryDirect®.

Business day means any day other than a Saturday, Sunday, or other day on which the Federal Reserve Banks are not open for business.

Department means the United States Department of the Treasury, and, where appropriate, the Federal Reserve Banks acting as fiscal agents of the United States.

Depository institution means an entity described in section 19(b)(1)(A)(i)–(vi) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)(i)–(vi)). Under section 19(b) of the Federal Reserve Act, the term *depository institution* includes:

(1) Any insured bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(2) Any mutual savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(3) Any savings bank as defined in 12 U.S.C. 1813 or any bank which is eligible to make application to become an insured bank under 12 U.S.C. 1815;

(4) Any insured credit union as defined in 12 U.S.C. 1752 or any credit union which is eligible to make application to become an insured credit union under 12 U.S.C. 1781;

(5) Any member as defined in 12 U.S.C. 1422; and

(6) Any savings association (as defined in 12 U.S.C. 1813) which is an insured depository institution, as defined in the Federal Deposit Insurance Act, 12 U.S.C. 1811, *et seq.*, or is eligible to apply to become an insured depository institution under such Act.

Entitlement Holder means a Person to whose account an interest in a Book-entry Security is credited on the records of a Securities Intermediary.

Federal Reserve Bank or *Reserve Bank* means a Federal Reserve Bank or Branch.

Federal Reserve Bank Operating Circular means the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Reserve Bank maintains Book-entry Securities accounts and transfers Book-entry Securities.

Financial institution means, for purposes of direct deposit, an institution which has agreed to receive credit payments under 31 CFR part 210, as amended from time to time, and has not withdrawn its participation in a direct deposit program under part 210, or an institution which is willing to agree to receive credit payments under 31 CFR part 210 and has enrolled with its Federal Reserve Bank.

Funds Account means a reserve and/or clearing account at a Federal Reserve Bank to which debits or credits are posted for transfers against payment, book-entry securities transaction fees, or principal and interest payments.

Incompetent means an individual who is legally, medically or mentally incapable of handling his or her business affairs, except that a minor is not an incompetent solely because of age.

Issue means a group of securities, as defined in this section, that is identified by the same CUSIP (Committee on Uniform Securities Identification Practices) number.

Legacy Treasury Direct is the Legacy Treasury Direct Book-Entry Securities System.

Maturity value is the amount that the Department is obligated to pay when a security matures.

Minor means an individual who is under the age of majority, as determined by applicable state law.

Note means an obligation of the United States, with a term of at least one year, but of not more than ten years, issued under chapter 31 of title 31 of the United States Code, in book-entry form.

Original issue means Treasury's offering of a marketable Treasury security to the public and its issuance in book-entry form to be maintained in the commercial book-entry system, Legacy Treasury Direct, or TreasuryDirect.

Owner, as used in subpart C, means the individual(s) or entity in whose name a security is registered. If a security is registered in more than one name, the term *owner* includes all those whose names appear on the registration and are authorized by this Part to make a transaction request on a security held in Legacy Treasury Direct.

Participant means a Person that maintains a Participant's Securities Account with a Federal Reserve Bank.

Participant's Securities Account means an account in the name of a Participant at a Federal Reserve Bank to which Book-entry Securities held for a Participant are or may be credited.

Person means and includes an individual, corporation, company, governmental entity, association, firm, partnership, trust, estate, representative and any other similar organization, but

does not mean or include the United States or a Federal Reserve Bank.

Redemption means payment of a security at maturity, or pursuant to a call for redemption in accordance with the terms of a security.

Representative includes an executor, administrator, legal guardian, committee, conservator, and any similar person or entity appointed by a court to represent the estate of a decedent, minor, or incompetent, as well as a trustee, whether appointed by a court or otherwise.

Revised Article 8 means Uniform Commercial Code, Revised Article 8, Investment Securities (with Conforming and Miscellaneous Amendments to Articles 1, 3, 4, 5, 9 and 10) 1994 Official Text. The Director of the Federal Register approves the incorporation by reference of Revised Article 8 of the Uniform Commercial Code in this part, pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Revised Article 8 was adopted by the American Law Institute and the National Conference of Commissioners On Uniform State Laws and approved by the American Bar Association on February 14, 1995. Copies of Revised Article 8 are available from the Executive Office of the American Law Institute, 4025 Chestnut Street, Philadelphia, PA 19104, and the National Conference of Commissioners on Uniform State Laws, 211 East Ontario Street, Suite 1300, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW, Washington, DC 20220 or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Revised Article 9 means Uniform Commercial Code, Revised Article 9, Secured Transactions (with conforming amendments to Articles 1, 2, 2A, 4, 5, 6, 7, and 8), 1999 official text. The Director of the Federal Register approves the incorporation by reference of Revised Article 9 of the Uniform Commercial Code in this part, pursuant to 5 U.S.C. 552(a) and 1 CFR part 51. Revised

Article 9 was approved by the American Law Institute and the National Conference of Commissioners On Uniform State Laws in 1998. Copies of Revised Article 9 are available from the Executive Office of the American Law Institute, 4025 Chestnut Street, Philadelphia, PA 19104, and the National Conference of Commissioners on Uniform State Laws, 211 East Ontario Street, Suite 1300, Chicago, IL 60611. Copies are also available for public inspection at the Department of the Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220, or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to:

http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Securities Intermediary means:

(1) A Person that is registered as a “clearing agency” under the federal securities laws; a Federal Reserve Bank; any other person that provides clearance or settlement services with respect to a Book-entry Security that would require it to register as a clearing agency under the federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a federal or state governmental authority; or

(2) A Person (other than an individual, unless such individual is registered as a broker or dealer under the federal securities laws) including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

Security means a bill, note, or bond, each as defined in this section. It also means any other obligation issued by the Department that, by the terms of the applicable offering circular or announcement, is made subject to this part. Solely for purposes of this part, it also means:

(1) The interest and principal components of a security eligible for Separate Trading of Registered Interest and Principal of Securities (“STRIPS”), if

such security has been divided into such components as authorized by the express terms of the offering circular under which the security was issued and the components are maintained separately on the books of one or more Federal Reserve Banks; and

(2) The interest coupons that have been converted to book-entry form under the Treasury’s Coupons Under Book-Entry Safekeeping Program (“CUBES”), pursuant to agreement and the regulations in 31 CFR part 358.

Security Entitlement means the rights and property interest of an Entitlement Holder with respect to a Book-entry Security.

Signature guarantee program means a signature guarantee program established in response to Rule 17 Ad-15 (17 CFR 240.17Ad-15), issued under authority of the Securities Exchange Act of 1934. For the purpose of the regulations in this part, the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP), and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) are recognized by Treasury as such signature guarantee programs.

State means any State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other territory or possession of the United States.

Taxpayer identifying number or *TIN* means a social security account number or an employer identification number, as appropriate.

TRADES is the Treasury/Reserve Automated Debt Entry System, also referred to as the commercial book-entry system.

Transaction request means a request to effect a change in an account master record or securities portfolio maintained in Legacy Treasury Direct.

Transaction request form means a form or series of forms prescribed for use by the Department to request a transaction in Legacy Treasury Direct. (This term includes a document that the Department has determined contains all of the elements required by the transaction request form.)

Transfer Message means an instruction of a Participant to a Federal Reserve Bank to effect a transfer of a

§ 357.10

31 CFR Ch. II (7-1-07 Edition)

Book-entry Security maintained in TRADES, as set forth in Federal Reserve Bank Operating Circulars.

Voluntary representative means the person qualified by the Department of the Treasury to accept payment or direct distribution of a decedent's securities pursuant to § 357.28.

[51 FR 18265, May 16, 1986, as amended at 59 FR 59038, Nov. 15, 1994. Redesignated and amended at 61 FR 43628, Aug. 23, 1996; 62 FR 18694, Apr. 16, 1997; 62 FR 33548, June 20, 1997; 67 FR 7079, Feb. 15, 2002; 69 FR 18803, Apr. 9, 2004; 70 FR 57431, Sept. 30, 2005; 70 FR 57441, Sept. 30, 2005]

Subpart B—Treasury/Reserve Automated Debt Entry System (TRADES)

SOURCE: 67 FR 7080, Feb. 15, 2002, unless otherwise noted.

§ 357.10 Laws governing a Treasury book-entry security, TRADES, and security interests or entitlements.

(a) *What law governs the rights and obligations of the United States and the*

Federal Reserve Banks; and the rights of any Person against the United States and the Federal Reserve Banks? Except as we provide in paragraph (b) of this section, the following are governed solely by Treasury regulations, including the regulations of this part, the applicable offering circular (which is 31 CFR part 356, in the case of securities issued on and after March 1, 1993), the announcement of the offering, and Federal Reserve Bank Operating Circulars:

(1) The rights and obligations of the United States and the Federal Reserve Banks with respect to a Book-entry Security or Security Entitlement and the operation of TRADES, and

(2) The rights of any Person, including a Participant, against the United States and the Federal Reserve Banks with respect to a Book-entry Security or Security Entitlement and the operation of TRADES.

(b) *What law governs security interests in Security Entitlements that are not recorded on a Federal Reserve Bank's books? See the following table:*

If a security interest in a security entitlement is—	And it is—	Then it is governed by—
(1) in favor of a Federal Reserve Bank from a Participant.	not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(e)(2).	the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the Participant's Securities Account is located.
(2) in favor of a Federal Reserve Bank from a Person that is not a Participant.	not recorded on the books of a Federal Reserve Bank pursuant to § 357.12(e)(2).	the law determined in the manner specified in § 357.11.

(c) *What law governs if the jurisdiction in paragraph (b)(1) of this section did not adopt Revised Article 8, or Revised Article 8 as amended by Revised Article 9 (both incorporated by reference, see Sec. 357.2)? The law specified in paragraph (b)(1) of this section shall be the law of that State as though that State adopted Revised Article 8.*

§ 357.11 Laws governing other interests in Treasury securities.

(a) *What does the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction govern? To the extent not inconsistent with these regulations, the law (not including the conflict-of-law rules) of a Security*

Intermediary's jurisdiction governs the following:

(1) When a Person acquires a Security Entitlement from the Securities Intermediary;

(2) The rights and duties of the Securities Intermediary and Entitlement Holder that arise out of a Security Entitlement;

(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;

(4) Whether a Person may assert an Adverse Claim against a Person who acquires a Security Entitlement from the Securities Intermediary or against a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and