### **DEPARTMENT OF THE TREASURY**

**Fiscal Service** 

#### 31 CFR Part 344

[Department of the Treasury Circular, Public Debt Series No. 3–72]

United States Treasury Certificates of Indebtedness, Treasury Notes, and Treasury Bonds—State and Local Government Series

**AGENCY:** Bureau of the Public Debt, Fiscal Service, Department of the Treasury.

**ACTION:** Final rule.

**SUMMARY:** The Department of the Treasury hereby publishes a final rule governing United States Treasury Certificates of Indebtedness, Notes, and Bonds of the State and Local Government Series (SLGS). These securities are available for purchase, as provided in this offering, by State and local governments and certain other entities with proceeds (or amounts treated as proceeds) which are subject to yield restrictions or arbitrage rebate requirements under the Internal Revenue Code. The securities are characterized in the regulations as time deposit, demand deposit, and special zero interest.

This final rule sets out the regulatory requirements which stem from the Department of the Treasury's new processing environment for United States Treasury Certificates of Indebtedness, Notes, and Bonds of the State and Local Government Series.

The Bureau of the Public Debt is implementing operational and regulatory changes expected to benefit investors by providing streamlined procedures, a centralized processing facility, and improved customer services.

**DATES:** January 23, 1995.

FOR FURTHER INFORMATION CONTACT: Fred Pyatt, Director, Division of Special Investments, Bureau of the Public Debt (304) 480–7752, Ed Gronseth, Deputy Chief Counsel, or Jim Kramer-Wilt, Attorney-Adviser, Office of the Chief Counsel, Bureau of the Public Debt (304) 480–5190.

## SUPPLEMENTARY INFORMATION:

### I. Background

On October 6, 1994, the Department of the Treasury published a proposed rule in the **Federal Register** (59 FR 50874) to revise regulations codified at 31 CFR part 344. The comment period expired October 21, 1994. No comments were received. These regulations were

last revised on July 7, 1989, at 54 FR 28752, with technical corrections published July 7, 1993, at 58 FR 31908.

In 1992, the Bureau of the Public Debt established the Division of Special Investments at its offices in Parkersburg, West Virginia (WV). The primary mission of the Division of Special Investments has been to provide policy guidance and direction for the SLGS securities program. The Division has reviewed the processing environment and is implementing operational and regulatory changes which are expected to benefit investors in United States Treasury securities of the State and Local Government Series by providing streamlined procedures, a centralized processing facility, and improved customer services.

Prior to the effective date of this final rule, the Bureau of the Public Debt authorized selected Federal Reserve Banks or Branches, acting as fiscal agents of the United States, to provide services in connection with the purchase of, transactions involving, and redemption of SLGS securities. Subscriptions for the purchase of SLGS securities were accepted at designated Federal Reserve Banks or Branches, subject to verification by the Bureau of the Public Debt. Full payment for each subscription was required to be available in an account for debit by the Federal Reserve Bank or Branch on or before the date of issue.

This processing environment required that staffing and technical expertise be maintained at 12 designated Federal Reserve Banks or Branches. The Bureau of the Public Debt, Office of Securities and Accounting Services, Division of Special Investments (hereafter referred to as the Division of Special Investments) has determined that the volume of transactions in this securities program does not merit the expense of maintaining technical expertise at 12 different locations.

The Bureau of the Public Debt has decided to centralize issuance, funds collection, and accounting functions for the SLGS securities program in the Division of Special Investments. The responsibility for these functions is withdrawn from the designated Federal Reserve Banks beginning with issues dated January 30, 1995.

After centralization, Federal Reserve Bank or Branch involvement in this program will be limited to processing interest and redemption payments made through reserve account credits for a very small number of existing securities accounts. This method of payment is limited to securities for which subscriptions were submitted prior to February 1, 1987. More than 98% of all

interest and redemption payments for SLGS securities are made by the Automated Clearing House method (ACH), with credit directed to the owner's account at a financial institution.

Beginning on the effective date of the final rule, subscriptions for the purchase of SLGS securities which request issuance on or after January 30, 1995, will only be accepted by the Division of Special Investments. Full payment for each subscription will be submitted by the investor's financial institution on or before the issue date utilizing the Fedwire funds transfer system which is available throughout the commercial banking industry.

This final rule provides investors in SLGS securities with several benefits. Investors will enjoy a higher level of customer service and more consistent application of the regulations pertaining to this securities program. Investors will be dealing directly with staff in the Division of Special Investments who are trained in the unique aspects of SLGS securities and whose principal responsibility it is to manage the SLGS securities program.

In addition, United States taxpayers will benefit in terms of the reduced costs of operating this program which will be realized by centralizing operations within the Division of Special Investments.

### II. Section by Section Summary

Most of the changes effected by this final rule are ministerial. For example, to provide new addresses and to remove certain references to the Federal Reserve Banks. The final rule also provides for facsimile transmission of most materials under this offering and provides new procedures concerning amending subscriptions (§ 344.3(b)(3)(iv) and § 344.7(b)) and concerning waivers and fees associated with the failure to settle subscriptions (§ 344.4(b) and § 344.8(b)).

# Subpart A—General Information

Provisions included in the general information section apply to time deposit, demand deposit, and special zero interest SLGS securities.

Noteworthy changes from the 1989 rule are as follows:

(1) Section 344.0—The term "date telecopied" for material sent by facsimile equipment is defined as the date transmitted as it appears on the document received. In the case of other carrier services, the term "date-stamp" is defined as the date affixed by the carrier service upon the carrier's taking receipt of the material.

(2)–(3) Section 344.1(a) and Section 344.1(b)—The agency's Parkersburg,