must contain a certification by the subscriber that, as of the date of investment (without regard to any temporary period of no longer than 30 days):

(1) The total investment consists only of proceeds (including amounts treated as proceeds) of a tax-exempt bond issue which are subject to yield restrictions under sections 141–150 of the Internal Revenue Code during the entire period of investment;

(2) The total investment is not less than all of such proceeds except for—

(i) An amount not to exceed \$100, and

(ii) Amounts required for payment due less than 30 days from the date of issue:

(3) None of the proceeds submitted in payment is derived (directly or indirectly) from the redemption before maturity of other securities of the State and Local Government Series; and

(4) (i) No portion of the investment is being made (directly or indirectly) with amounts that are to be used to discharge a tax-exempt bond issue and that are derived or are to be derived (directly or indirectly) from the sale of escrowed open market securities, the proceeds of which were to be used to discharge a tax-exempt bond issue; or

(ii) Although a portion of the investment is being made (directly or indirectly) with amounts that are to be used to discharge a tax-exempt bond issue and that are derived or are to be derived (directly or indirectly) from the sale of escrowed open market securities, the proceeds of which were to be used to discharge a tax-exempt bond issue, the composite yield to maturity of all investments being purchased with such amounts does not exceed the composite yield to maturity of the securities that were sold, based on the price at which they were sold.

(5) Where proceeds are subject to vield restrictions for a limited period of time, under paragraph (c)(1) of this section, no investment of such proceeds beyond such period may be made. For example, if a reserve fund of a refunding issue is subject to yield restrictions for a period of four years, the securities purchased as an investment of the reserve fund may not have a maturity longer than four years. With respect to obligations described in section 103 of the Internal Revenue Code issued after January 31, 1987, paragraph (c)(2) of this section is satisfied only if on the date of investment, all the proceeds of the issue which are subject to yield restrictions are invested in State and Local Government Series securities. Paragraph (c)(2) of this section does not apply to purpose investments, such as mortgage notes or student loan obligations.

Transferred proceeds of the tax exempt bond issue that were proceeds of another issue shall not be treated as proceeds for purposes of paragraph (c)(2) of this section if no portion of the total investment consists of such proceeds. See § 344.1(f) as to improper certifications.

(Approved by the Office of Management and Budget under control number 1535–0091)

§344.4 Issue date and payment.

(a) General. The subscriber shall fix the issue date of each security in the initial subscription. The issue date must be a business day and may not exceed by more than 60 calendar days either the date the initial subscription was telecopied to the Bureau of the Public Debt or, where mailed, the postmark date, or where delivered by other carrier, the carrier date-stamp thereof. Full payment for each subscription must be submitted by the Fedwire funds transfer system with credit directed to the Treasury's General Account. Full payment should be submitted by 3:00 p.m., Eastern time, to ensure that settlement on the securities occurs on the date of issue.

(b) Noncompliance. The penalty imposed on any subscriber which fails to make settlement on a subscription once submitted shall be to render the subscriber ineligible thereafter to subscribe for securities under this offering for a period of six months, beginning on the date the subscription is withdrawn or the proposed issue date, whichever occurs first. The Division of Special Investments may determine to waive the six month penalty, pursuant to the provisions governing waiver of regulations set forth under 31 CFR 306.126. Where settlement occurs after the proposed issue date and the Division of Special Investments determines, pursuant to 31 CFR 306.126, that settlement is acceptable on an exception basis, the six month penalty will be waived, and the subscriber shall be subject to a late payment assessment. The assessment will include payment of an amount equal to the amount of interest that would have accrued on the securities from the proposed issue date to the date of settlement, as well as an administrative fee of \$100 per subscription. Assessments under this subsection are due on demand. Failure to pay an assessment shall render the subscriber ineligible thereafter to subscribe for securities under this offering until the assessment is paid.

(Approved by the Office of Management and Budget under control number 1535–0091)

§344.5 Redemption.

(a) *General.* A security may not be called for redemption by the Secretary of the Treasury prior to maturity. Upon the maturity of a security, the Department will make payment of the principal amount and interest due to the owner thereof. A security scheduled for redemption on a non-business day will be redeemed on the next business day.

(b) Before maturity.

(1) In general. A security may be redeemed at the owner's option no earlier than 25 calendar days after the issue date in the case of a certificate, and one year after the issue date in the case of a note or bond. Partial redemptions may be requested in multiples of \$100; however, an account balance of less than \$1,000 will be redeemed in total.

(2) Notice. Notice of redemption prior to maturity must be submitted, either on a designated Treasury form or by letter, by the official(s) authorized to redeem the securities, as shown on the final subscription form, to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, PO Box 396, Parkersburg, WV 26102-0396. The notice may be submitted by facsimile equipment to the Bureau of the Public Debt at (304) 480-6818, by mail, or by other carrier. The notice must show the account number, the maturities of the securities to be redeemed, and the tax identification number of the subscriber. The notice of redemption must be telecopied, postmarked, or where delivered by other carrier, must be datestamped no less than 15 calendar days before the requested redemption date, but no more than 60 calendar days before the requested redemption date. A notice of redemption prior to maturity may not be cancelled.

(3) Redemption proceeds— Subscriptions on or after September 1, 1989. For securities subscribed for on or after September 1, 1989, the amount of the redemption proceeds is calculated as follows:

(i) *Interest.* If a security is redeemed before maturity on a date other than a scheduled interest payment date, interest will be paid for the fractional interest period since the last interest payment date.

(ii) *Market charge.* An amount shall be deducted from the redemption proceeds in all cases where the current borrowing rate of the Department of the Treasury for the remaining period to original maturity of the security prematurely redeemed exceeds the rate of interest originally fixed for such security. The amount shall be the present value of the future increased borrowing cost to the Treasury. The