(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to subscribe for securities under this offering for a period of six months, beginning on the date the subscription is withdrawn or the proposed issue date, whichever occurs first.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.

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§ 344.9 Redemption.

- (a) General. A security may be redeemed at the owner's option, provided a request for redemption is received not less than one business day prior to the requested redemption date. Partial redemptions may be requested; however, an account balance of less than \$1,000 will be redeemed in total. Payment will be made by crediting the reserve account maintained at the Federal Reserve Bank or Branch by the financial institution servicing the account owner.
- (b) *Notice*. Notice of redemption 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 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 and the tax identification number of the subscriber. The notice of redemption must be received at the Bureau of the Public

Debt by 1:00 p.m., Eastern time, one business day prior to the requested redemption date.

(c) *Certification*. By completing the redemption form, subscribers certify to the fact that the proceeds to be received will be expended within one day of receipt thereof for the purpose for which the tax-exempt bond was issued.

Subpart D—Special Zero Interest Securities

§ 344.10 General.

Provisions of subpart B of this part (Time Deposit Securities) apply except as specified in subpart D of this part.

§ 344.11 Description of securities.

- (a) *Terms.* Only certificates of indebtedness and notes are offered.
- (1) Certificates of Indebtedness. The certificates will be issued in a minimum amount of \$1,000, or in any larger amount, in multiples of \$100, with maturity periods fixed by the government body, from 30 calendar days up to and including one year, or for any intervening period.
- (2) Notes. The notes will be issued in a minimum amount of \$1,000, or in any larger amount, in multiples of \$100, with maturity periods fixed by the government body, from one year and one day up to and including 10 years, or for any intervening period.
- (b) *Interest rate*. Each security shall bear no interest.

§ 344.12 Subscription for purchase.

In lieu of the certification under § 344.3(c), the final subscription must contain a certification by the subscriber that:

- (a) The total investment consists only of original or investment proceeds of a tax-exempt bond issue that are subject to yield restrictions under sections 141–150 of the Internal Revenue Code:
- (b) None of the original proceeds of the tax-exempt bond issue were subject to arbitrage yield restrictions under section 148 of the Internal Revenue Code on the date of receipt thereof; and
- (c) None of the proceeds submitted in payment are proceeds of an advance refunding issue to be used to discharge another issue or part of a reserve or replacement fund for the advance refunding issue.

§ 344.13 Redemption.

- (a) *General*. Provisions of § 344.5(a) apply.
 - (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. No market charge or penalty shall apply in the case of the redemption of a special zero interest security before maturity.

(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 cannot be cancelled.

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Market Change Formulas and Examples

A. The amount of the market charge for bonds and notes can be determined through

bonds and notes can be determined through use of the following formula:

$$M = \frac{\left(\frac{b}{2}\right)\left(\frac{r}{s}\right) + \frac{b}{2}(a)}{1 + \left(\frac{r}{s}\right)\left(\frac{i}{2}\right)}$$

where

M=market charge

b=increased annual borrowing cost (i.e., principal multiplied by the excess of the current borrowing rate for the period from redemption to original maturity of note or bond over the rate for the security)

r=number of days from redemption to beginning of next semiannual interest period

s=number of days in current semiannual period

i=current borrowing rate for period from redemption to maturity (expressed in decimals)

n=number of remaining full semiannual periods to the original maturity date

$$a = \frac{\left(1 - v^n\right)}{\frac{i}{2}}$$
 (Equation 2)