(i) The United States or a territory thereof;

(ii) The District of Columbia;

(iii) A State of the United States;

(iv) A political subdivision of a State or territory;

(v) A public instrumentality of one or more States or territories; or

(vi) A person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States;

(3) A municipal revenue bond exempt from registration under the Securities Act of 1933, 15 U.S.C. 77c(a)(2); or

(4) Offered and sold pursuant to Securities and Exchange Commission Rule 144A, 17 CFR 230.144A, and rated investment grade.

(g) *Political subdivision* means a county, city, town, or other municipal corporation, a public authority, and generally any publicly-owned entity that is an instrumentality of a State or of a municipal corporation.

(h) *Type I security* means:

(1) Obligations of the United States;

(2) Obligations issued, insured, or guaranteed by a department or an agency of the United States Government, if the obligation, insurance or guarantee commits the full faith and credit of the United States for the repayment of the obligation;

(3) Obligations issued by a department or agency of the United States, or an agency or political subdivision of a State of the United States, that represent an interest in a loan or a pool of loans made to third parties, if the full faith and credit of the United States has been validly pledged for the full and timely payment of interest on, and principal of, the loans in the event of non-payment by the third party obligor(s);

(4) General obligations of a State of the United States or any political subdivision;

(5) Obligations authorized under 12 U.S.C. 24 (Seventh) as permissible for a national bank to deal in, underwrite, purchase, and sell for the bank's own account; and

(6) Other securities the OCC deems eligible as Type I securities in accordance with 12 U.S.C. 24 (Seventh).

(i) *Type II security* means an investment security that represents:

(1) Obligations issued by a State, or a political subdivision or agency of a State, for housing, university, or dormitory purposes;

(2) Obligations of international and multilateral development banks and organizations listed in 12 U.S.C. 24 (Seventh);

(3) Other obligations listed in 12 U.S.C. 24 (Seventh) as permissible for a bank to deal in, underwrite, purchase, and sell for the bank's own account, subject to a limitation of 10 percent of the bank's capital and surplus; and

(4) Other securities the OCC deems eligible as Type II securities in accordance with 12 U.S.C. 24 (Seventh).

(j) *Type III security* means an investment security that does not qualify as a Type I, II, IV, or V security, such as corporate bonds and municipal revenue bonds.

(k) *Type IV security* means:

(1) A small business-related security as defined in section 3(a)(53)(A) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(53)(A), that is fully secured by interests in a pool of homogeneous loans to numerous obligors. The aggregate amount of collateral from loans of any one obligor may not exceed 5 percent of the total amount of collateral for the security;

(2) A commercial mortgage-related security that is offered or sold pursuant to section 4(5) of the Securities Act of 1933, 15 U.S.C. 77d(5), or a commercial mortgage-related security as defined in section 3(a)(41) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(41), that represents ownership of a promissory note or certificate of interest or participation that is directly secured by a first lien on one or more parcels of real estate upon which one or more commercial structures are located and that is fully secured by interests in a pool of homogeneous loans to numerous obligors. The aggregate amount of collateral from loans of any one obligor may not exceed 5 percent of the total amount of collateral for the security.

(3) A residential mortgage-related security that is offered and sold pursuant to section 4(5) of the Securities Act of 1933, 15 U.S.C. 77d(5), or a residential mortgage-related security as defined in section 3(a)(41) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(41)), and that does not otherwise qualify as a Type I security.

(l) *Type V security* means a security that:

(1) Is rated investment grade;

(2) Is not a Type IV security; and

(3) Is fully secured by interests in a pool of homogeneous loans (that a national bank could invest in directly) to numerous obligors. The aggregate amount of collateral from loans of any one obligor may not exceed 5 percent of the total amount of collateral for the security.

§ 1.3 Limitations on dealing in, underwriting, and purchase and sale of securities.

(a) *Type I securities.* A national bank may deal in, underwrite, purchase, and sell Type I securities for its own account. The amount of Type I securities that the bank may deal in, underwrite, purchase, and sell is not limited to a specified percentage of the bank's capital and surplus.

(b) *Type II securities.* A national bank may deal in, underwrite, purchase, and sell Type II securities for its own account, provided the aggregate par value of the obligations of any one obligor held by the bank does not exceed 10 percent of the bank's capital and surplus. This limitation applies to obligations that the bank is legally committed to purchase and sell in addition to existing holdings.

(c) *Type III securities.* A national bank may purchase and sell Type III securities for its own account, provided the aggregate par value of the obligations of any one obligor held by the bank does not exceed 10 percent of the bank's capital and surplus. This limitation applies to obligations that the bank is legally committed to purchase and sell in addition to existing holdings.

(d) *Type II and III securities; other investment securities limitations.* A national bank may not hold Type II and III securities of any one obligor with an aggregate par value exceeding 10 percent of the bank's capital and surplus. However, if the proceeds of each issue are to be used to acquire and lease real estate and related facilities to economically and legally separate industrial tenants, and if each issue is payable solely from and secured by a first lien on the revenues to be derived from rentals paid by the lessee under net noncancellable leases, the bank may apply the 10 percent investment limitation separately to each security issue of a single issuer of such securities.

(e) *Type IV securities.* A national bank may purchase and sell Type IV securities for its own account. The amount of the Type IV securities that a bank may purchase and sell is not limited to a specified percentage of the bank's capital and surplus. A national bank also may deal in Type IV securities that are fully secured by Type I securities.

(f) *Type V securities.* A national bank may purchase and sell Type V securities for its own account provided the aggregate par value of the obligations of any one obligor does not exceed 15 percent of the bank's capital and surplus. This limitation includes obligations the bank is legally committed to purchase and sell in addition to existing holdings.

(g) *Asset securitization.* A national bank may securitize and sell its loan assets as a part of its banking business.