

For the reasons stated in the preamble, we propose to revise 31 CFR Part 356 to read as follows:

**PART 356—SALE AND ISSUE OF MARKETABLE BOOK-ENTRY TREASURY BILLS, NOTES, AND BONDS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 1–93)**

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*Authority:* 5 U.S.C. 301; 31 U.S.C. 3102, *et seq.*; 12 U.S.C. 391.

**Subpart A—General Information**

**§ 356.0 What authority does the Treasury have to sell and issue securities?**

Chapter 31 of Title 31 of the United States Code authorizes the Secretary of the Treasury to issue United States obligations, and to offer them for sale with the terms and conditions that the Secretary prescribes.

**§ 356.1 To which securities does this circular apply?**

The provisions in this part, including the appendices, and each individual auction announcement govern the sale and issuance of marketable Treasury securities issued on or after March 1, 1993. This part also governs all securities eligible for the Separate Trading of Registered Interest and Principal of Securities (STRIPS) Program (*See* § 356.31). In addition, these provisions and the auction announcements govern any other types of securities we may issue under this part.

**§ 356.2 What definitions do I need to know to understand this part?**

*Accrued interest* means an amount that bidders must pay to us for interest income as part of the settlement amount. Accrued interest compensates us up front for interest that bidders will be paid but did not earn because it is attributable to a period of time prior to the issue date. (*See* Appendix B, section I, paragraph C for additional explanation and examples.)

*Adjusted value* means, for an interest component stripped from an inflation-protected security, an amount derived by:

- (1) Multiplying the semiannual interest rate by the par amount, and then
- (2) Multiplying this value by: 100 divided by the Reference CPI of the original issue date (or dated date, when the dated date is different from the original issue date). (*See* Appendix B, section IV for an example of how to calculate the adjusted value.)

*Auction* means a bidding process by which we sell marketable Treasury securities to the public.

*Autocharge agreement* means an agreement in a format acceptable to

Treasury between a submitter or clearing corporation and a depository institution that authorizes us to:

- (1) Deliver awarded securities to either:
- (i) The book-entry securities account of a designated depository institution in the commercial book-entry system, or
- (ii) A TreasuryDirect account, and
- (2) Charge a funds account of a designated depository institution for the settlement amount of the securities.

*Bid* means an offer to purchase a stated par amount of securities, either competitively or noncompetitively, in an auction.

*Bid-to-cover ratio* means the total par amount of securities bid for in an auction divided by the total par amount of securities awarded. It excludes bids by, and awards to, the Federal Reserve for its own account.

*Bidder*, as further defined in Appendix A, means a person or an entity that offers to purchase Treasury securities in an auction either directly or through a depository institution or dealer. We may consider two or more persons or entities to be one bidder based on their relationship or their actions in participating in an auction.

*Bidder Identification Number* means a number we assign to each institutional submitter and to certain other competitive bidders. We assign such numbers either to identify certain bidders or to grant separate bidder status to different parts of the same corporate or partnership structure.

*Book-entry security* means a security that is issued and maintained as an accounting entry or electronic record in either the commercial book-entry system or in TreasuryDirect. (*See* § 356.3)

*Business day* means any day on which the Federal Reserve Banks are open for business.

*Call* means the redemption of a security prior to maturity under the terms specified in its auction announcement.

*Clearing corporation* means a clearing agency as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(23)). A clearing corporation must be registered with the Securities and Exchange Commission under section 17A of the Securities Exchange Act of 1934 and its rules.

*Competitive bid* means a bid to purchase a stated par amount of securities at a specified yield or discount rate.

*Consumer Price Index (CPI)* means the monthly non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published by the Bureau of Labor