§ 357.10

Laws governing a Treasury book-entry security, TRADES, and security interests or entitlements.

(a) What law governs the rights and obligations of the United States and the Federal Reserve Banks; and the rights of any Person against the United States and the Federal Reserve Banks? Except as we provide in paragraph (b) of this section, the following are governed solely by Treasury regulations, including the regulations of this part, the applicable offering circular (which is 31 CFR part 356, in the case of securities issued on and after March 1, 1993), the announcement of the offering, and Federal Reserve Bank Operating Circulars:

(1) The rights and obligations of the United States and the Federal Reserve Banks with respect to a Book-entry Security or Security Entitlement and the operation of TRADES, and

(2) The rights of any Person, including a Participant, against the United States and the Federal Reserve Banks with respect to a Book-entry Security or Security Entitlement and the operation of TRADES.

(b) What law governs security interests in Security Entitlements that are not recorded on a Federal Reserve Bank's books? See the following table:

<table>
<thead>
<tr>
<th>If a security interest in a security entitlement is—</th>
<th>And it is—</th>
<th>Then it is governed by—</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) in favor of a Federal Reserve Bank from a Participant</td>
<td>not recorded on the books of a Federal Reserve Bank pursuant to §357.12(a)(2).</td>
<td>the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the Participant's Securities Account is located.</td>
</tr>
<tr>
<td>(2) in favor of a Federal Reserve Bank from a Person that is not a Participant</td>
<td>not recorded on the books of a Federal Reserve Bank pursuant to §357.12(a)(2).</td>
<td>the law determined in the manner specified in §357.11.</td>
</tr>
</tbody>
</table>

(c) What law governs if the jurisdiction in paragraph (b)(1) of this section did not adopt Revised Article 8, or Revised Article 8 as amended by Revised Article 9 (both incorporated by reference, see Sec. 357.2)? The law specified in paragraph (b)(1) of this section shall be the law of that State as though that State adopted Revised Article 8.

§ 357.11

Laws governing other interests in Treasury securities.

(a) What does the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction govern? To the extent not inconsistent with these regulations, the law (not including the conflict-of-law rules) of a Security Intermediary's jurisdiction governs the following:
(1) When a Person acquires a Security Entitlement from the Securities Intermediary;
(2) The rights and duties of the Securities Intermediary and Entitlement Holder that arise out of a Security Entitlement;
(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;
(4) Whether a Person may assert an Adverse Claim against a Person who acquires a Security Entitlement from the Securities Intermediary or against a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and
(5) The perfection, effect of perfection or non-perfection and priority of a security interest in a Security Entitlement (except as otherwise provided in paragraph (c) of this section).

(b) What is the “Securities Intermediary’s jurisdiction” for purposes of this section? See the following table:

<table>
<thead>
<tr>
<th>If . . .</th>
<th>Then the securities intermediary’s jurisdiction is . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An agreement between the Securities Intermediary and its Entitlement Holder governing the securities account expressly provides that a particular jurisdiction is the Securities Intermediary’s jurisdiction for purposes of Part 1 of Article 8 of the Uniform Commercial Code, Article 8 of the Uniform Commercial Code, or the Uniform Commercial Code.</td>
<td>the jurisdiction agreed upon.</td>
</tr>
<tr>
<td>(2) An agreement between the Securities Intermediary and its Entitlement Holder governing the securities account expressly provides that it is governed by the law of a particular jurisdiction.</td>
<td>the jurisdiction agreed upon.</td>
</tr>
<tr>
<td>(3) The statements in paragraphs (b)(1) and (2) of this table do not apply, but the agreement expressly specifies that the securities account is maintained at an office in a particular jurisdiction.</td>
<td>the jurisdiction agreed upon.</td>
</tr>
<tr>
<td>(4) The statements in paragraphs (b)(1) through (3) of this table do not apply and an account statement identifies the office serving the Entitlement Holder’s account.</td>
<td>the jurisdiction where the office is located.</td>
</tr>
<tr>
<td>(5) None of the statements in paragraphs (b)(1) through (4) of this table apply</td>
<td>the jurisdiction where the office is located.</td>
</tr>
</tbody>
</table>

(c) What law governs the perfection of a security interest automatically or by filing? The law (but not the conflict-of-law rules) of the jurisdiction in which the Person creating a security interest is located governs whether and how the security interest may be perfected automatically or by filing a financing statement. (This is despite the general rule in (a)(5) of this section).

(d) Where is a Person located, for purposes of paragraph (c) of this section? A Person’s location is determined under state law, including Revised Article 9 (incorporated by reference, see § 357.2), as it may be amended from time to time.

(e) What law governs if the jurisdiction in table (b) of this section did not adopt Revised Article 8 or Revised Article 9 as amended by Revised Article 9 (both incorporated by reference, see § 357.2)? The law for the matters specified in paragraph (a) of this section shall be the law of that State as though the State adopted Revised Article 8.

(f) What other rules apply? For purposes of the matters specified in paragraph (a) of this section, the Federal Reserve Bank maintaining the Securities Account is a clearing corporation and the Participant’s interest in a Book-entry Security is a Security Entitlement.

§ 357.12 A Participant’s Security Entitlement.

(a) How is a Participant’s Security Entitlement created? A Federal Reserve Bank indicates by book entry that a Book-entry Security has been credited to a Participant’s Securities Account. See the following table:

<table>
<thead>
<tr>
<th>If a security interest in a security entitlement of a participant . . .</th>
<th>Then . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Meets all of the following criteria:</td>
<td>. . .</td>
</tr>
</tbody>
</table>

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§ 357.13 Obligations of the United States and the Federal Reserve Banks with respect to Book-entry Securities and security interests.

(a) Who is entitled to deal with an interest in a Book-entry Security that has been credited to a Participant's Security Account? Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in §357.12(e), for the purposes of this subpart B, the United States and the Federal Reserve Banks treat the Participant as exclusively entitled to perform the following functions, even if the Treasury or a Federal Reserve Bank has any information or notice to the contrary:

(1) Issue a Transfer Message,
(2) Receive interest and other payments with respect thereof, and
(3) Exercise all the rights and powers with respect to the Security,

(b) Are the Federal Reserve Banks and Treasury liable for Adverse Claims? The
Federal Reserve Banks and Treasury are not liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to a Book-entry Security in a Participant’s Securities Account. This includes any such claim arising as a result of the transfer or disposition of a Book-entry Security by a Federal Reserve Bank, pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(c) When is the obligation of the United States to pay interest and principal with respect to Book-entry Securities discharged? The obligation is discharged once payment is made as follows:

1. A Federal Reserve Bank credits the appropriate amount of interest on Book-entry Securities to a Funds Account maintained at the Bank, or pays it as directed by the Participant.
2. Book-entry Securities are redeemed according to their terms, a Federal Reserve Bank withdraws the securities from the Participant’s Securities Account in which they are maintained, and either:
   - Credits the amount of the Redemption proceeds, including both principal and interest, where applicable, to a Funds Account at the Bank, or
   - Pays such principal and interest as directed by the Participant.
3. What does a Participant need to do in connection with the Redemption of a Book-entry Security? No action by the Participant is required.

§ 357.20 Securities account in TREASURY DIRECT.

(a) Account. A securities account consists of:

1. An account master record, and
2. A securities portfolio.

(b) Security. A security in TREASURY DIRECT is evidenced by the account master record and a description of the security as set out in the securities portfolio associated with an account master record.

(c) Account master record. An owner must establish an account master record before the owner may deposit a security in TREASURY DIRECT. If the security is being purchased on original issue, the request that an account master record be