

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Part 380**

RIN 1535—AA00

Collateral Acceptability and Valuation

AGENCY: Bureau of the Public Debt, Fiscal Service, Department of the Treasury.

ACTION: Final Rule.

SUMMARY: The Department of the Treasury (“Treasury,” “We,” or “Us”) is issuing a rule in final form that governs the acceptability and valuation of all collateral pledged to secure deposits of public monies and other financial interests of the Federal Government under Treasury’s three Fiscal Service collateral programs. These programs are titled and described in existing parts of the Code of Federal Regulations (“CFR”) as: Depositories and Financial Agents of the Government (31 CFR part 202); Payment of Federal Taxes and the Treasury Tax and Loan Program (31 CFR part 203); and Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties (31 CFR part 225). We are establishing a new part in the CFR for this purpose. This final rule provides a central location for the acceptability and valuation provisions for Treasury’s collateral programs without substantive changes.

EFFECTIVE DATE: October 13, 2000.

ADDRESSES: You may download this final rule from Treasury’s Bureau of the Public Debt website at www.publicdebt.treas.gov. It is also available for public inspection and copying at the Treasury Department Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220. To visit the library, call (202) 622-0990 for an appointment.

FOR FURTHER INFORMATION CONTACT: Lori Santamarena (Executive Director), Kurt Eidemiller (Senior Financial Advisor), or Nadir Z. Isfahani (Government Securities Specialist), Department of the Treasury, Bureau of the Public Debt, Government Securities Regulations Staff, (202) 691-3632.

SUPPLEMENTARY INFORMATION:**I. Background**

We are publishing this final rule governing the determination of the acceptable types of collateral and their assigned values when pledged to secure deposits of public monies and other financial interests of the Federal Government under Treasury’s three

Fiscal Service collateral programs. We are centralizing these collateral provisions and establishing a new part 380 of Title 31 of the CFR for this purpose.

Treasury’s Fiscal Service administers three financial programs that involve the pledging of specific collateral. These programs are governed by 31 CFR part 202 (Depositories and Financial Agents of the Government), 31 CFR part 203 (Payment of Federal Taxes and the Treasury Tax and Loan Program), and 31 CFR part 225 (Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties). The Financial Management Service (“FMS”), a bureau within Treasury’s Fiscal Service, administers these programs, which are handled operationally by the Federal Reserve System, acting as the fiscal agent for Treasury. FMS will continue to be responsible for administering and amending the regulations for these programs and providing operational oversight. The Bureau of the Public Debt (“Public Debt”), another bureau within Treasury’s Fiscal Service, will administer 31 CFR part 380, pertaining to the acceptability and valuation of the collateral in these programs and will provide guidance accordingly.

On October 29, 1999, we published a proposed rule for public comment that laid out our intent to centralize the acceptability and valuation standards for collateral pledged to Treasury’s three Fiscal Service financial programs.¹ The closing date for comments was November 29, 1999. We have decided to adopt the approach essentially as proposed.

II. Comments Received in Response to Proposed Rule

In response to the proposed rule, we received one comment letter and the commenter was supportive of the proposal.² The commenter recommended that fixed income securities be included in parts 202 and 225. The commenter also suggested that valuation for all pledged collateral be based on the class of acceptable securities using a market valuation methodology.

Certain fixed income securities are currently acceptable collateral for pledging in these programs. Obligations

of the U.S. government, government-sponsored corporations, and those issued by certain international development banks, such as the Inter-American Development Bank or the World Bank, are acceptable for part 202. Acceptable collateral for Part 225 is statutorily limited to public debt obligations of the United States and those obligations “whose principal and interest is unconditionally guaranteed by the Government.”³ Such obligations, including U.S. Treasury notes, bonds, and selected U.S. government agency issues, are commonly called fixed income securities. Also, we currently apply a market valuation methodology for collateral pledged under part 203 and continue to work at extending this methodology to the other two programs.

III. Changes from the Proposed Rule

We have decided to adopt this rule to establish a different regulatory structure to centralize the acceptability and valuation standards for Treasury’s three financial programs that require the pledging of collateral. The final rule adopts the proposed rule without significant changes. The only change that has been made is to reference current Treasury guidance rather than set out the acceptable classes of collateral and respective valuations in the regulation, as we had considered in the preamble to the proposed rule.⁴ Eliminating specific mention of the acceptable classes and respective valuations in the final rule allows us the flexibility to maintain guidance that can be readily updated for the benefit of participants in the programs. Sections 380.2, 380.3, and 380.4 of this rule provide that we will list the types and valuation of acceptable collateral in Treasury procedural instructions. The term “procedural instructions,” for instance, is described in 31 CFR 203.2 as “the Treasury Financial Manual, Volume IV (TFM IV), other Treasury instructions issued through the TFAs, and FRB operating circulars issued consistent with this part.”⁵ We will also provide guidance and information about collateral acceptability and valuation issues on Treasury’s Bureau of the

³ 31 U.S.C. 9301(2).

⁴ 64 FR 58365 (October 29, 1999).

⁵ For example §§ 203.1 and 203.2 of Title 31 of the CFR reference several terms that are applied to part 203 and that will also be applied by reference to part 380, as applied to part 203. Included in these references and definitions is the term “TFA” meaning “Treasury Financial Agent.” Also, Treasury procedural instructions consistent with 31 CFR part 203 include periodic releases distributed by Treasury to supplement and update the Treasury Financial Manual. These are often referred to as Treasury Tax and Loan (TT&L) Releases. FRB refers to Federal Reserve Banks.

¹ 64 FR 58364 (October 29, 1999).

² See Bank of America Corporation letter dated November 29, 1999, from Patrick M. Frawley, Director, Regulatory Relations, to Van Zeck, Commissioner, Bureau of the Public Debt. The comment letter is available for downloading on the Internet and for inspection and copying at the Treasury Department Library at the addresses provided earlier in this rule.

Public Debt website at:
www.publicdebt.treas.gov.

The office responsible for implementation of part 380, including interpretations, is the Office of the Commissioner, Bureau of the Public Debt. FMS and Public Debt are coordinating on the issuance of their respective rules. FMS is simultaneously publishing its corresponding regulatory amendments to parts 202, 203, and 225 of Title 31 of the CFR, removing current references to collateral acceptability and valuation and replacing them with references to 31 CFR part 380.

IV. Procedural Requirements

This final rule is not a "significant regulatory action" under Executive Order 12866. We certify that this regulation will not have a significant economic impact on a substantial number of small entities. This regulation provides a central location, without substantive change, for regulatory provisions that currently appear in three separate sets of regulations for Treasury's collateral programs. Accordingly, we are not required to perform a regulatory flexibility analysis. Finally, this final rule contains no new collection of information. Therefore, the Paperwork Reduction Act does not apply.

List of Subjects in 31 CFR Part 380

Collateral, Depositories, Government obligations, Government securities, Securities, Surety bonds.

For the reasons set forth in the preamble, we amend Subchapter B of Chapter II of Title 31 of the Code of Federal Regulations, by adding Part 380 to read as follows:

PART 380—COLLATERAL ACCEPTABILITY AND VALUATION

Subpart A—General Information

Sec.

380.0 What do these regulations govern?

380.1 What special definitions apply to this part?

Subpart B—Acceptable Collateral and its Valuation

380.2 What collateral may I pledge if I am a depository or a financial agent of the Government under 31 CFR part 202, and what value will you assign to it?

380.3 What collateral may I pledge if I am a Treasury Tax and Loan depository under 31 CFR part 203, and what value will you assign to it?

380.4 What collateral may I pledge instead of a surety bond under 31 CFR part 225, and what value will you assign to it?

Subpart C—Miscellaneous Provisions

380.5 Where can I find current information, and who can I contact for additional guidance and interpretation?

Authority: 12 U.S.C. 90, 265–266, 332, 391, 1452(d), 1464(k), 1767, 1789a, 2013, 2122, 3101–3102; 26 U.S.C. 6302; 31 U.S.C. 321, 323, 3301–3304, 3336, 9301, 9303.

Subpart A—General Information

§ 380.0 What do these regulations govern?

The regulations in this part govern the types of acceptable collateral that you may pledge to secure deposits of public monies and other financial interests of the Federal Government, as well as the valuation of that collateral. Specifically, the regulations in this part apply to the programs governed by the Department of the Treasury's regulations at 31 CFR part 202 (Depositories and Financial Agents of the Government), 31 CFR part 203 (Payment of Federal Taxes and the Treasury Tax and Loan Program), and 31 CFR part 225 (Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties). The regulations in this part apply only to the acceptability and valuation of collateral that may be pledged under these programs. 31 CFR parts 202, 203, and 225 continue to govern the respective programs themselves.

§ 380.1 What special definitions apply to this part?

Special definitions that may apply to this part are contained in 31 CFR parts 202, 203 and 225.

Subpart B—Acceptable Collateral and its Valuation

§ 380.2 What collateral may I pledge if I am a depository or a financial agent of the Government under 31 CFR part 202, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also post updated information and guidance on Treasury's Bureau of the Public Debt website at www.publicdebt.treas.gov.

§ 380.3 What collateral may I pledge if I am a Treasury Tax and Loan depository under 31 CFR part 203, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also post updated information and guidance on Treasury's Bureau of the Public Debt website at www.publicdebt.treas.gov.

§ 380.4 What collateral may I pledge instead of a surety bond under 31 CFR part 225, and what value will you assign to it?

Unless we specify otherwise, we will list the types and valuation of acceptable collateral in Treasury procedural instructions. We will also

post updated information and guidance on Treasury's Bureau of the Public Debt website at www.publicdebt.treas.gov.

Subpart C—Miscellaneous Provisions

§ 380.5 Where can I find current information, and who can I contact for additional guidance and interpretation?

You can find a current list of acceptable classes of securities, instruments and respective valuations on Treasury's Bureau of the Public Debt website at www.publicdebt.treas.gov. You may also contact the Office of the Commissioner. We can be reached by postal mail at: Department of the Treasury, Bureau of the Public Debt, Office of the Commissioner, Government Securities Regulations Staff, 999 E Street, NW., Room 315, Washington, DC 20239-0001, or by e-mail at govsecreg@bpd.treas.gov.

Dated: August 17, 2000.

Van Zeck,

Commissioner.

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DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 202

RIN-1510-AA75

Depositories and Financial Agents of the Government

AGENCY: Financial Management Service, Fiscal Service, Treasury.

ACTION: Final Rule.

SUMMARY: The Financial Management Service (FMS) is issuing this final rule which governs the designation of Depositories and Financial Agents of the Federal Government; their authorization to accept deposits of public money and to perform other specific services; and the securing of public money. This revision removes current references to collateral acceptability and valuation and replaces them with references to the new rule of the Bureau of the Public Debt (BPD), codified at 31 CFR part 380, governing collateral acceptability and valuation. The revision is necessary because the responsibility for determining the acceptability and valuation of collateral under 31 CFR part 202 was recently transferred from FMS to BPD.

EFFECTIVE DATE: October 13, 2000.

FOR FURTHER INFORMATION CONTACT: Mary Bailey, Financial Program Specialist, at (202) 874-6749; Walt Henderson, Senior Financial Program