

INFORMATION ON NEGOTIABLE SECURITIES OF THE UNITED STATES

General information on pledging U.S. Treasury securities as collateral to the U.S. Government is found at 31 U.S.C. 9303 *et seq.* and U.S. Treasury Circular 154, which was incorporated into the Code of Federal Regulations at 31 CFR 225 (Acceptance of Bonds, Notes, or Other Obligations Issued or Guaranteed by the United States as Security in Lieu of Surety or Sureties on Penal Bonds).

The following is to assist the applicant in obtaining a U.S. Treasury Bill, Note, or Bond to be used as security for bond coverage required by the Bureau of Land Management (BLM), the Department of the Interior. Instead of being transferred to BLM's book-entry account through the Federal Reserve Bank (FRB) as in the past, securities are now held in a Circular 154 special account under the depository financial institution's American Bankers Association (ABA) number with the FRB. Once a security is transferred into this account, neither the obligor nor the bank will be able to access the security without the BLM providing authorization to the FRB to do so.

Therefore, when you contact your bank to purchase a negotiable U.S. Treasury security, you need to send the following to the BLM Oregon/Washington State Office as soon as possible:

1. Your name and mailing address. (If this is not the operator according to the plan or notice filed with the BLM, include the operator's name and address.)
2. The BLM serial number of the operations being bonded or a statement that the security is being pledged for a statewide or nationwide bond.
3. The type of Treasury security purchased (bill, bond, or note).
4. The par amount of the security, the interest rate, and the maturity date of the security.
5. The Committee on Uniform Securities Identification Procedures (CUSIP) number of the security.
6. The name and mailing address of your bank, along with the name and telephone number of a contact person at your bank.
7. The bank's nine-digit American Bankers Association number and your bank account number.
8. The name of the FRB or FRB Branch servicing the depository financial institution.
9. A copy of your written authorization to the bank to establish a Treasury security.

Upon receipt of the above information, the BLM will telefax a copy of that information to the BLM Operations Center, Accounting Operations Division, Negotiable Securities Manager. The Negotiable Securities Manager will then contact the FRB and the obligor's bank to authorize the transfer of the Treasury security to the account.

THE OBLIGOR'S BANK MUST NOT TRANSFER THE SECURITY TO THE CIRCULAR 154 ACCOUNT UNTIL AUTHORIZATION IS GIVEN BY THE BLM NEGOTIABLE SECURITIES MANAGER.

When the security is transferred to the Circular 154 account, the bank must include the following information in the electronic transfer message: "Security pledged to DOI- BLM Oregon/Washington State Office by [name of obligor] for [BLM bond number _____]." The following is an example of an acceptable transfer message: "Security pledged to DOI-BLM, Oregon/Washington State Office by (ABC Mining Company) for BLM Bond Number ORB000123.

The obligor is to provide the following to the BLM office as soon as possible:

1. A fully-completed BLM personal bond form (Form 3809-2).
2. A transaction document from your bank to verify the amount that you paid for the security, excluding any commission fee and accrued interest, equals or exceeds the bond amount required by BLM. A discounted value less than the full amount is NOT acceptable. If a Treasury security, purchased at a discount, is submitted for less than the required bond amount, the bonded party must make up the difference (certified check, etc.) otherwise the bond will be returned unaccepted.

Once the security is transferred to the Circular 154 account, the FRB will send the Negotiable Securities Manager a confirmation of the transfer, including the date of transfer, titled, "Acknowledgment of Book Entry Deposit, Release of Account Transfer" and/or "Statement of Pledged Activity." The BLM National Operations Center will send a copy of the Statement or Acknowledgment will be sent to the BLM office to document the transfer.

Upon receipt of the items from the obligor and the Negotiable Securities Manager, the BLM office will notify the entity by written decision that the personal bond has been accepted, the BLM Bond Number assigned to the bond, and the date bond coverage is effective. A copy of the bond acceptance decision is sent to the Negotiable Securities Manager. The BLM will notify the obligor in its decision that (1) the personal bond has been accepted, (2) the BLM bond number assigned to the bond, and (3) the date the bond coverage is effective.

The BLM Negotiable Securities Manager will notify BLM about a maturing Treasury security about 45 days before the maturity date, and the BLM in turn will notify the obligor by letter that the security is maturing.

If bonding continues to be required and a satisfactory replacement financial instrument has not been accepted by BLM **before** the maturity date of the security, the security may be collected. It will not be automatically reinvested without the obligor's consent.

If a satisfactory replacement financial instrument has been accepted by BLM or a determination has been made by the appropriate BLM office(s) that bonding is no longer required, **after** the maturity date of the security, the BLM adjudication will send a memorandum requesting the Operations Center to direct the FRB to transfer the security from the Circular 154 account to the obligor's bank.

If you are in default with the terms and conditions of the plan of operations or notice for which bonding was required, and collection under the bond is warranted, the BLM office will send the Negotiable Securities Manager a memorandum requesting that at maturity, the cash proceeds be transferred to BLM.

If your bank has any questions about the information provided, a bank representative should contact the servicing FRB. Any questions regarding BLM's procedures may be directed to the BLM Operations Center, Accounting Operations Division, Collections and Billings Branch at P.O. Box 25047, Denver, CO 80225-0047 (telephone number 303-236-0181). For information regarding BLM bond requirements in general, contact the BLM Oregon/Washington State Office at 503-808-6162.