

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

March 30, 1998
Clearing Memo #206

TO: Memorandum to Institutions Maintaining Direct Wire Facilities with the
Federal Reserve Bank of New York for Securities Transfers

FROM: G. V. Lombardo, Assistant Vice President
Electronic Payments Function

SUBJECT: BECCS Program



The Treasury's Bureau of Public Debt recently announced the opening of their BECCS program, a 6-month window to allow holders of physically stripped U.S. Treasury bearer principal pieces, to convert them to book-entry. The window will be open from April 6, 1998 and close October 9, 1998.

Attached is the Treasury's news release describing the details of the program, and also announcing the re-opening of the CUBES (Coupons Under Book-Entry Safekeeping) window for the same 6-month period.

Bearer corpora and/or associated transferable and non-transferable coupons converted to book-entry will be assigned unique nine character CUSIP numbers. The security description field (line 8 of the securities message) for each security type will be as follows:

Transferable BECCS corpus security that is subject to call, and is stripped of all non-callable "coupons":

Example: 8 1/4 BCAL 2000-05

Transferable BECCS corpus security not subject to call, and is fully stripped:

Example: 11 3/4 BPRN 2001

Non-transferable BECCS corpus security that is subject to call and is stripped of all non-callable interest payments; however not all of its callable interest payments were submitted with the corpus upon conversion

Example: 8 1/4 NTCP 2000-05

NOTE: These securities are NOT eligible for secondary market transfers.

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Non-transferable Treasury interest payments converted from callable coupons which result from the conversion of a bearer corpus to an NTCP security:

Example: NTCC.BUL 11-15-00

NOTE: These securities are NOT eligible for secondary market transfers.

Of course, transferable CUBES will remain as is with the Fedwire description:

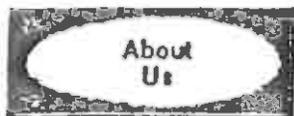
Example: CUBE.05-15-98

The corpus securities (BCAL, BPRN and NTCP) will delivered via type code 20 from FRB NYC/FROM BEARER.

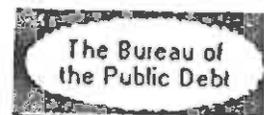
The coupon securities (NTCC and CUBE) will be delivered via type code 20 from FRB NYC/CPN CONV.

Depository institutions interested in participating in the BECCS or CUBES program should call Grace Jaiman, Staff Director, or JoAnna Grever, Assistant Staff Director, Government Bond Division at (212) 720-8183/8184 for more information.

Attachment



Public Debt Opens Book-Entry Conversion Window For Stripped U.S. Treasury Bearer Securities



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FOR IMMEDIATE RELEASE
March 5, 1998

Treasury's Bureau of the Public Debt announced today that it is opening a 6-month window to allow holders of physically stripped U.S. Treasury bearer principal pieces to convert them to book-entry. The window will open April 6, 1998, and close October 9, 1998.

Called BECCS (BEarER Corpora ConversionS), the new program offers holders of the principal portions, or corpora, of U.S. Treasury bearer securities that were stripped of all non-callable coupons an opportunity to convert their stripped corpora to book-entry form. BECCS securities will be maintained in the commercial book-entry system.

BECCS benefits holders of physical corpora by eliminating the costs associated with the storage and safekeeping of physical securities. Book-entry also eliminates the risk of loss or destruction of these paper securities. Some 14,000 stripped corpora worth \$6.2 billion are held by the public, approximately 75% of the \$8.6 billion in unmatured bearer principal.

Bearer corpora that are not subject to call will be converted to zero coupon book-entry securities which are transferable within BECCS.

Callable bearer corpora (therefore redeemable on call by the Treasury before maturity) that are submitted with all associated callable coupons will also be converted to zero coupon book-entry securities which are transferable within BECCS. The associated callable coupons will be linked with the BECCS security and cannot be separately traded. If callable bearer corpora are not submitted with all of their associated coupons, the corpus will be converted to non-transferable zero coupon book-entry securities within BECCS. Each individual callable coupon submitted will be converted to a non-transferable coupon within the existing CUBES program.

Public Debt is also reopening the CUBES (Coupons Under Book-Entry Safekeeping) window for the same 6-month period. CUBES lets holders of stripped bearer coupons convert them to book-entry and makes them readily transferable. Participation in the BECCS program is not a prerequisite to convert coupons to CUBES. The first CUBES window was opened in 1987 and reopened several times to offer additional opportunities for holders of coupons previously stripped from bearer Treasury securities the opportunity to convert those coupons to book-entry form.

Depository institutions interested in participating in the BECCS or CUBES program should contact either Grace Jaiman or JoAnna Grever of the Federal Reserve Bank of New York at (212)720-8183 as soon as possible for more information on how to present the corpora and coupons. Entities other than depository institutions that hold stripped Treasury coupons and wish to convert those corpora and coupons to book-entry form under the BECCS and CUBES programs must arrange for the conversion through a depository institution.

Participating institutions will be charged a fee of \$4.00 for each corpus or coupon converted and must bear the full cost and risk associated with the delivery of the securities to the Federal Reserve Bank of New York.

BECCS and CUBES are part of an ongoing effort to convert all outstanding paper securities to book-entry form. Holders of fully constituted bearer and registered paper securities can also convert their holdings to safe, convenient book-entry form and hold them in the commercial system or Treasury Direct.