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Understanding Book-Entry (or Paperless) Securities

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What Are Book-Entry Securities?

Book-entry securities are investments such as stocks and bonds whose ownership is recorded electronically. Book-entry securities eliminate the need to issue paper certificates of ownership. Ownership of securities is never physically transferred when they are bought or sold; accounting entries are merely changed in the books of the commercial financial institutions where investors maintain accounts.

Book-entry securities can also be referred to as uncertificated securities or paperless securities.

How Book-Entry Securities Work

Book entry is a method of tracking ownership of securities where no physically [engraved certificate](#) is given to investors. Securities are tracked electronically, rather than in paper form, allowing investors to trade or transfer securities without having to present a paper certificate as proof of ownership. When an investor purchases a security, they receive a receipt and the information is stored electronically.

Book-entry securities are settled by the [Depository Trust Company](#) (DTC), which is the [Depository Trust & Clearing Corporation's](#) (DTCC) central securities depository. An investor receives a statement providing evidence of ownership instead of a stock certificate. Dividend payments, interest payments, and cash or stock payments due to a [reorganization](#) are processed by DTC and



What are Financial Securities? Examples, Types, Regulation, and Importance

permanent restrictions on certain transactions, such as deposits or withdrawals of certificates. Such a restriction is known as a [chill](#). For example, DTC may

A security is a fungible, negotiable financial instrument that represents some type of financial value, usually in the form of a stock, bond, or option. [more](#)

effectively closing the books and stabilizing existing positions until a merger or other reorganization has been completed.

Bearer Bond: Definition, How It Works, and Why They're Valuable

Book-Entry Securities and the Government

A bearer bond is a fixed-income instrument that is owned by whoever has possession of it. Like cash, it has no registered owner. [more](#)

Stock in direct investment plans; Treasury securities purchased directly from

the US Department of the Treasury, and recently issued municipal bonds are

What Is the Depository Trust Company (DTC) in Banking?

held in book-entry form. In August 1986, with the introduction of a program The Depository Trust Company (DTC) provides clearing and settlement services by named [Treasury Direct](#), the Treasury began marketing all new [notes](#) and bonds immobilizing securities and making ownership changes to securities. [more](#)

only in book-entry form. The program was expanded in 1987 to include T-bills.

What Is the Depository Trust and Clearing Corporation (DTCC)?

Treasury Direct makes principal, interest, and redemption payments directly into an individual investor's account at a financial institution. These payments

are made electronically by the Federal Reserve Bank of New York. An investor may also use the company that consists of five clearing corporations and one depository, to [buy](#) and sell

Legacy Treasury Direct system, also operated by the Treasury, to [buy](#) and sell directly with the Treasury which issues an account statement to the investor as

Government Securities Clearing Corporation (GSCC) Overview

confirmation of a transaction. The government issues book-entry securities to reduce the expenses associated with paperwork. Individuals who still own old The Government Securities Clearing Corporation was a non-profit organization that clears paper securities may exchange them for electronic, book-entry securities. [more](#)

Treasury General Account: The Government's Checking Account

Book-entry securities do not move from owner to owner. Instead they are held in a central clearinghouse or by a transfer agent, as ownership changes.

The Treasury General Account is the general checking account that the Department of the Treasury uses. [more](#)

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