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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

In re)
)
ORDER REGARDING)
DEPOSIT AND INVESTMENT) **AMENDED GENERAL ORDER 13-01**
OF REGISTRY FUNDS)
_____)

The Court, having determined that it is necessary to adopt local procedures to ensure uniformity in the deposit, investment, and tax administration of funds in the Court's Registry,

IT IS ORDERED, pursuant to Local Bankruptcy Rule 7067-1, that the following shall govern the receipt, deposit, and investment of registry funds:

I. Receipt of Funds

A. **Order Required.** No money shall be sent to the Court or its officers for deposit in the Court's registry without a court order signed by the presiding judge in the case or proceeding.

B. **Notice to Clerk.** The party making the deposit or transferring funds to the Court's registry shall serve the order permitting the deposit or transfer on the Clerk of Court.

C. **Deposit With U.S. Treasurer.** Unless provided for elsewhere in this Order, all monies ordered to be paid to the Court or received by its officers in any case or proceeding pending or adjudicated shall be deposited with the Treasurer of the United States in the name and to the credit of this Court pursuant to 28 U.S.C. § 2041 through depositories designated by the Treasury to accept such deposit on its behalf.

1 **II. Investment of Registry Funds**

2 A. **Centralized Administration (CRIS).** Where, by order of the Court, funds on
3 deposit with the Court are to be placed in some form of interest-bearing account or invested
4 in a court-approved, interest-bearing instrument in accordance with Rule 67 of the Federal
5 Rules of Civil Procedure (incorporated by Rules 7067 and 9014(c) of the Federal Rules of
6 Bankruptcy Procedure), the Court Registry Investment System ("CRIS"), administered by the
7 Administrative Office of the United States Courts under 28 U.S.C. § 2045, shall be the only
8 investment mechanism authorized.
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11 B. **Disputed Ownership Fund.** Interpleader funds deposited with the court under 28
12 U.S.C. § 1335 meet the IRS definition of a "Disputed Ownership Fund" (DOF), a taxable
13 entity that requires tax administration. *See* 26 C.F.R. § 1.468B-9(b)(1). Unless otherwise
14 ordered by the court, any such deposit shall be invested in the DOF established within the
15 CRIS and administered by the Administrative Office of the United States Courts, which shall
16 be responsible for meeting all DOF tax administration requirements. If the presiding judge
17 determines that other funds deposited with the court meet the IRS definition of a DOF, the
18 judge may enter an order reflecting that determination and requiring investment in the CRIS
19 DOF, except that if the funds deposited with the court will require complex administration
20 such as periodic withdrawals for expenses of individual cases or proceedings, then the CRIS
21 DOF is not set up to administer such funds. In that event, the judge must (i) appoint a special
22 administrator for a case or proceeding, before authorizing payment of such expenses out of the
23 fund, who must be a person other than the Clerk or the Administrative Office of the United
24 States Courts, and (ii) specify which portions of this General Order, or other terms of
25 compensation and administration, apply to the special administrator. On appointment of a
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1 special administrator authorized to incur expenses on behalf of a DOF in a case or proceeding,
2 the funds held in the CRIS or the CRIS DOF attributable to that case or proceeding must be
3 transferred to another investment account as directed by court order.
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5 **C. Custodian.** The Director of Administrative Office of the United States Courts is
6 designated as custodian for all CRIS funds. The Director or the Director's designee shall
7 perform the duties of custodian. Funds held in the CRIS remain subject to the control and
8 jurisdiction of the Court.
9

10 **D. Pooled Investments.** Money from each case or proceeding deposited in the CRIS
11 shall be "pooled" together with those on deposit with Treasury to the credit of other courts in
12 the CRIS and used to purchase Government Account Series securities through the Bureau of
13 Public Debt, which will be held at Treasury, in an account in the name and to the credit of the
14 Director of Administrative Office of the United States Courts. The pooled funds will be
15 invested and monitored in accordance with the duly established investment principles of that
16 office.
17

18 **E. Accounting Generally.** An account will be established in the CRIS pooled fund
19 titled in the name of the case or proceeding giving rise to the deposit invested in the fund.
20 Income generated from fund investments will be distributed to each case or proceeding based
21 on the ratio each account's principal and earnings has to the aggregate principal and income
22 total in the fund after the CRIS fee has been applied. Reports showing the interest earned,
23 the principal amounts contributed in each case or proceeding will be prepared and distributed
24 to each court participating in the CRIS, and made available to litigants and/or their counsel
25 upon request.
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1 **F. Accounting For Disputed Ownership Funds.** For each interpleader case, or other
2 proceeding involving funds that are determined to be a Disputed Ownership Fund, an
3 account shall be established in the CRIS Disputed Ownership Fund, titled in the name of the
4 case or proceeding giving rise to the deposit invested in the fund. Income generated from
5 fund investments will be distributed to each case or proceeding after the DOF fee has been
6 applied and tax withholdings have been deducted from the fund. Reports showing the
7 interest earned, and the principal amounts contributed, in each case or proceeding will be
8 available (*e.g.*, through the FedInvest/CMS application) for each court participating in the
9 CRIS, and made available to litigants and/or their counsel upon request.
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12 **III. Fees and Taxes**

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14 **A. CRIS Fee.** The custodian is authorized and directed by this Order to deduct the
15 CRIS fee, in dollar amounts that are duly authorized in accordance with applicable law, rules
16 and guidelines (*e.g.*, the Miscellaneous Fee Schedule, or the Guide to Judiciary Policy, if
17 applicable), on assets on deposit for all CRIS funds, excluding the funds held in the DOF, for
18 the management of investments in the CRIS. The custodian is authorized to assess the CRIS
19 fee from interest earnings to the pool before a pro rata distribution of earnings is made to
20 court cases or proceedings. The CRIS fee is set at an annualized 10 basis points (as of the
21 time this order has been prepared) on assets on deposit for all CRIS funds, excluding the case
22 funds held in the DOF.
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25 **B. DOF Fee.** In lieu of the CRIS fee, the custodian is authorized and directed by this
26 Order to deduct the DOF fee, in dollar amounts that are duly authorized in accordance with
27 applicable law, rules and guidelines (*e.g.*, the Miscellaneous Fee Schedule, or the Guide to
28 Judicial Policy, if applicable), on assets on deposit in the DOF for management of

1 investments and tax administration. The custodian is authorized to assess the DOF fee from
2 interest earnings to the pool before a pro rata distribution of earnings is made to court cases
3 or proceedings. The DOF fee is set at an annualized 20 basis points (as of the time this order
4 has been prepared) on assets on deposit in the DOF. The custodian is further authorized and
5 directed by this Order to withhold and pay federal taxes due on behalf of the DOF.
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7 8 **IV. Transition From Former Investment Procedure**

9 **A. Transfer Of Non-CRIS Funds To The CRIS.** The Clerk of Court is further
10 directed to develop a systematic method of redemption of all existing investments and their
11 transfer to the CRIS, if any existing investments are not already in the CRIS.

12 **B. No Existing Funds Treated As Disputed Ownership Funds.** Deposits to the CRIS
13 DOF will not be transferred from any existing CRIS Funds. Only deposits creating new
14 accounts from the effective date of this order that satisfy the IRS definition of “Disputed
15 Ownership Fund” will be placed in the CRIS DOF.
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17 **C. Being Excused From Transferring Funds To The CRIS.** Parties not wishing to
18 transfer registry deposits into the CRIS may seek leave to transfer them to the litigants or
19 their designees on proper motion and approval of the judge assigned to the specific case.
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21 **D. Prior Procedures Superseded.** This Order supersedes and abrogates all prior
22 orders of this Court regarding the deposit and investment of registry funds.

23 **E. Effective Date.** This order is generally effective on the date of entry, but DOF
24 provisions will become effective the date the CRIS DOF begins to accept deposits.
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27 Date: November 30, 2016



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SHERI BLUEBOND
Chief Bankruptcy Judge