

§ 558.485 Pyrantel tartrate.

(a) \* \* \*

(28) To 062240: 48 grams per pound, paragraph (e)(2) of this section.

\* \* \* \* \*

Dated: August 22, 1997.

Michael J. Blackwell,

Deputy Director, Center for Veterinary Medicine.

[FR Doc. 97-23245 Filed 9-2-97; 8:45 am]

BILLING CODE 4160-01-F

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 344

[Department of the Treasury Circular, Public Debt Series No. 3-72]

Regulations Governing United States Treasury Certificates of Indebtedness, Treasury Notes, and Treasury Bonds—State and Local Government Series

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

ACTION: Final rule.

SUMMARY: The Department of the Treasury (Department or Treasury) is issuing in final form an amendment to its regulations governing State and Local Government Series (SLGS) securities. It has been brought to the attention of the Department that the SLGS securities program can be misused when subscriptions for SLGS securities are used as a cost-free interest rate hedge or option (option) for speculation in open market securities. This final rule clarifies that the use of SLGS securities for option purposes is prohibited. The purpose of the SLGS securities program is to assist state and local government issuers of tax-exempt bonds in meeting certain Federal tax restrictions, not to provide a cost-free option.

Treasury is considering first, whether it would be consistent with the purposes of the SLGS securities program to allow SLGS securities to serve as options if Treasury were appropriately compensated and second, if the answer to the first question is affirmative, whether there is a practical way for the Department to charge for the use of SLGS securities as options. Neither question, however, has yet been answered. Unless Treasury does determine that it would be both advisable and practical to allow SLGS securities to serve as options if Treasury is appropriately compensated, the use of SLGS securities for such purpose will continue to be an inappropriate use of SLGS securities.

EFFECTIVE DATE: September 3, 1997.

FOR FURTHER INFORMATION CONTACT:

Howard Stevens, Director, Division of Special Investments at 304-480-7752, Jim Kramer-Wilt, Attorney/Adviser, Office of the Chief Counsel, at 304-480-5190 or Edward C. Gronseth, Deputy Chief Counsel, Office of the Chief Counsel, at 304-480-5192.

SUPPLEMENTARY INFORMATION:

1. Background

The SLGS securities program was established and is maintained to assist state and local government issuers in meeting yield restriction and rebate requirements applicable to tax-exempt bonds under the Internal Revenue Code. On October 28, 1996, the Department published revised regulations to make the SLGS securities program a more flexible and competitive investment vehicle for issuers. In response to requests by state and local government issuers to shorten the minimum time for subscribing for SLGS securities, the Treasury revised the regulations to permit an issuer to subscribe for SLGS securities up to 60 days prior to their scheduled issue date and then to cancel that subscription within five days of that issue date for subscriptions of \$10 million or less and within seven days for subscriptions of more than \$10 million, without penalty. The regulations also provide that an issuer canceling a SLGS securities subscription after that five/seven-day period is not subject to a monetary penalty, but is prohibited from subscribing for SLGS securities for a six month period.

The Department understands that the ability to cancel a SLGS securities subscription without a monetary penalty has led some market participants to conclude that they can both subscribe for SLGS securities and enter into a contract for the purchase of securities on the open market for the same defeasance transaction or fund deposit in order to create a cost-free option in connection with a defeasance escrow or fund.

The prices established by the Treasury for the SLGS securities do not include the cost of an option. The Treasury believes it is inappropriate for government bodies to use the SLGS securities program to create an option. Treasury is considering first, whether it would be consistent with the purposes of the SLGS securities program to allow SLGS securities to serve as options if Treasury were appropriately compensated and second, if the answer to the first question is affirmative, whether there is a practical way for the Department to charge for the use of

SLGS securities as options. Neither question, however, has yet been answered. Unless Treasury does determine that it would be both advisable and practical to allow SLGS securities to serve as options if Treasury is appropriately compensated, the use of SLGS securities for options will continue to be an inappropriate use of SLGS securities. The Department has therefore decided to amend the SLGS securities regulations to clarify that transactions in which issuers use SLGS securities to provide a cost-free interest rate hedge or option are prohibited.

The following examples are illustrative of certain acceptable and unacceptable practices:

(1) In order to fund an escrow for an advance refunding, an issuer simultaneously enters into a purchase contract for open market securities and subscribes for SLGS securities, such that either purchase is sufficient to pay the cash flows on the outstanding bonds to be refunded but together, the purchases are greatly in excess of the amount necessary to pay the cash flows. The issuer plans that, if interest rates decline during the period between the date of subscribing for the SLGS securities and the requested date of issuance of the SLGS securities, the issuer will enter into an offsetting agreement to sell the open market securities and use the bond proceeds to purchase the SLGS securities to fund the escrow. If, however, interest rates do not decline in that period, the issuer plans to use the bond proceeds to purchase the open market securities to fund the escrow and cancel the SLGS securities subscription. This arrangement in effect allows the SLGS securities program to provide a cost-free option to the issuer, and this amendment to the regulation clarifies that such transactions are prohibited.

(2) The existing escrow for an advance refunding contains open market securities which produces a negative arbitrage. In order to reduce or eliminate this negative arbitrage, the issuer subscribes for SLGS securities at a yield higher than the yield on the existing escrow, but less than the permitted yield. At the same time, the issuer agrees to sell the open market securities in the existing escrow to a third party and use the proceeds to purchase the SLGS securities if interest rates decline between the date of subscribing for the SLGS securities and the requested date of issuance of the SLGS securities. The issuer and the third party further agree that if interest rates increase during this period, the issuer will cancel the SLGS securities subscription. This arrangement in effect allows the SLGS securities program to provide a cost-free

option to the issuer, and this amendment to the regulation clarifies that such a transaction is prohibited.

(3) Under the same facts as in Example 2, except that in this case, the agreement entered into by the issuer with a third party to sell the open market securities in order to obtain funds to purchase the SLGS securities is not conditioned upon changes in interest rates on Treasury securities. No option is created, and the issuer would not be prohibited from subscribing for SLGS securities.

(4) The issuer subscribes for SLGS securities fifteen days before the settlement date of its bonds at the maximum rates on such day, but the resulting yield in the escrow is less than the permitted yield. The rates on the SLGS securities rise over the next few days, and, within the time periods permitted for cancellation by these regulations, the issuer cancels the earlier subscription and resubscribes at the higher rates. This transaction is permissible.

(5) An issuer holds a portfolio of open market securities in an account that produces negative arbitrage. In order to reduce or eliminate this negative arbitrage, the issuer subscribes for SLGS securities for purchase in sixty days. At the same time, the issuer sells an option to purchase the portfolio of open market securities. If interest rates increase, the holder of the option will not exercise its option and the issuer will cancel the SLGS securities subscription. On the other hand, if interest rates decline, the option holder will exercise the option and the issuer will use the proceeds to purchase the SLGS securities. This arrangement uses the SLGS securities program to provide the issuer with a cost-free option and this amendment to the regulation clarifies that such transactions are prohibited.

**2. Section by Section Summary**

*Subpart A—General Information*

(1) 344.1(f)—This is a new paragraph titled Impermissible transactions which applies to all escrows and funds subject to yield or rebate restrictions. It is impermissible to subscribe for SLGS securities for deposit in an escrow or fund (such as a reserve or construction fund) if, at any time between the close of business on the date of subscription and the close of business on the date of issue, the amount of SLGS securities subscribed for, plus the amount of other securities, if any, already in such escrow or fund, plus the amount of other securities the government body has acquired, or has the right to acquire for deposit in such escrow or fund, exceeds

the total amount of securities needed for such escrow or fund. Securities held in the escrow or fund that are not subject to an agreement conditioned on changes in the interest rate on open market Treasury securities on or prior to the date of issue of the SLGS securities shall not be included in such computation. An adjustment in the initial subscription amount in accordance with 31 CFR § 344.3(b)(3)(ii) will not in and of itself make the transaction impermissible.

(2) 344.1(g)—This is the paragraph formerly numbered 344.1(f) and is amended to state that the Secretary may revoke the issuance of any security and may declare the subscriber ineligible thereafter to subscribe for SLGS securities if the subscriber uses SLGS securities in an impermissible manner as described in section 344.1(f), if the Secretary deems such action in the public interest.

(3) 344.1 (h), (i) & (j)—These paragraphs are renumbered 344.1 (i), (j) and (k) respectively.

(4) 344.3(b)(3)(iii)—This paragraph is amended to read that an interest rate cannot be changed to a rate that exceeds the maximum interest rate in the table that was in effect for a security of comparable maturity on the date the initial subscription was submitted, unless the issuer obtains a higher rate by canceling and resubscribing in compliance with the provisions of 344.3(b)(1).

*Procedural Requirements*

This final rule is not a significant regulatory action as defined in Executive Order 12866. Therefore, an assessment of anticipated benefits, costs and regulatory alternatives is not required.

This final rule relates to matters of public contract. The notice and public procedures requirements of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2). Since no notice of proposed rulemaking was required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et. seq.*) do not apply.

There are no collections of information required by this final rule, and, therefore, no approval pursuant to the Paperwork Reduction Act is required.

**List of Subjects in 31 CFR part 344**

Bonds, Government securities, Securities.

Dated: August 27, 1997.

**Gerald Murphy,**  
*Fiscal Assistant Secretary.*

For the reasons set forth in the preamble, part 344 of Title 31 of the Code of Federal Regulations is revised to read as follows:

**PART 344—REGULATIONS GOVERNING UNITED STATES TREASURY CERTIFICATES OF INDEBTEDNESS, TREASURY NOTES, AND TREASURY BONDS—STATE AND LOCAL GOVERNMENT SERIES**

1. The authority citation for part 344 continues to read:

**Authority:** 26 U.S.C. 141 note; 31 U.S.C. 3102.

2. Section 344.1 is amended by redesignating paragraphs (f) through (j) as (g) through (k), adding a new paragraph (f) and amending paragraph (g)(3) as follows:

**§ 344.1 General provisions.**

\* \* \* \* \*

(f) *Impermissible Transactions.* It is impermissible to subscribe for SLGS securities for deposit in a defeasance escrow or fund if, at any time between the close of business on the date of subscription and the close of business on the date of issue, the amount of SLGS securities subscribed for, plus the amount of other securities, if any, already in such escrow or fund, plus the amount of other securities the government body has acquired, or has the right to acquire for deposit in an escrow or fund, exceeds the total amount of securities needed to fund such escrow or fund. Securities held in the escrow or fund that are not subject to an agreement conditioned on changes in the interest rate on open market Treasury securities on or prior to the date of issue of the SLGS securities shall not be included in such computation. An adjustment in the subscription amount in accordance with 31 CFR 344.3(b)(3)(ii) will not in and of itself make the transaction impermissible.

(g) *Reservations.*

\* \* \* \* \*

(3) To revoke the issuance of any security, and to declare the subscriber ineligible thereafter to subscribe for securities under this offering if the Secretary deems such action in the public interest and if any security is issued on the basis of an improper certification, other misrepresentations (other than as the result of an inadvertent error) or in an impermissible transaction as set forth in § 344.1(f).

\* \* \* \* \*

3. Section 344.3 is amended by revising paragraph (b)(3)(iii) to read as follows:

§ 344.3 Subscription for purchase.

\* \* \* \* \*

- (b) \* \* \*
(3) \* \* \*

(iii) An interest rate cannot be changed to a rate that exceeds the maximum interest rate in the table that was in effect for a security of comparable maturity on the date the initial subscription was submitted, unless the issuer obtains a higher rate by canceling and resubscribing in compliance with the provisions of § 344.3(b)(1).

\* \* \* \* \*

[FR Doc. 97-23422 Filed 8-29-97; 12:14 pm]

BILLING CODE 4810-39-U

DEPARTMENT OF DEFENSE

Office of the Secretary

32 CFR Part 311

OSD Privacy Program

AGENCY: Office of the Secretary, DOD. ACTION: Final rule.

SUMMARY: In accordance with the Privacy Act of 1974, the Office of the Secretary of Defense (OSD) exempts a system of records, DFM&P 26, entitled Vietnamese Commandos Compensation Files, from certain provisions of 5 U.S.C. 552a. Exemption is needed to comply with the prohibition against disclosure of properly classified portions of this record system.

DATES: Effective: August 25, 1997.

FOR FURTHER INFORMATION CONTACT: Mr. David Bosworth at (703) 695-0970.

SUPPLEMENTARY INFORMATION:

The proposed rule was published on June 25, 1997, at 62 FR 34187. No comments were received, therefore, the rule is being adopted as published.

Executive Order 12866. It has been determined that this Privacy Act rule for the Department of Defense does not constitute 'significant regulatory action'. Analysis of the rule indicates that it does not have an annual effect on the economy of \$100 million or more; does not create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; does not materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; does not raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in Executive Order 12866.

Regulatory Flexibility Act. It has been determined that this Privacy Act rule for the Department of Defense does not have significant economic impact on a substantial number of small entities because it is concerned only with the administration of Privacy Act systems of records within the Department of Defense.

Paperwork Reduction Act. It has been determined that this Privacy Act rule for the Department of Defense imposes no information requirements beyond the Department of Defense and that the information collected within the Department of Defense is necessary and consistent with 5 U.S.C. 552a, known as the Privacy Act, and 44 U.S.C. Chapter 35.

The proposed rule was published on June 25, 1997, at 62 FR 34187. No comments were received, therefore, the rule is being adopted as published.

List of Subjects in 32 CFR part 311

Privacy.

Accordingly, 32 CFR part 311 is amended as follows:

1. The authority citation for 32 CFR part 311 continues to read as follows:

Authority: Pub.L. 93-579, 88 Stat 1896 (5 U.S.C.552a).

2. Section 311.7 is amended by adding paragraphs (c)(10)(i) through (c)(10)(iii) to read as follows:

§ 311.7 Procedures for exemptions.

\* \* \* \* \*

(c) Specific exemptions. \* \* \*

(10) System identifier and name: DFM&P 26, Vietnamese Commando Compensation Files.

(i) Exemption: Information classified under E.O. 12958, as implemented by DoD 5200.1-R, may be exempt pursuant to 5 U.S.C. 552a(k)(1).

(ii) Authority: 5 U.S.C. 552a(k)(1).

(iii) Reasons: From subsection 5 U.S.C. 552a(d) because granting access to information that is properly classified pursuant to E.O. 12958, as implemented by DoD 5200.1-R, may cause damage to the national security.

Dated: August 28, 1997.

L. M. Bynum,

Alternate OSD Federal Register Liaison Officer, Department of Defense

[FR Doc. 97-23295 Filed 9-2-97; 8:45 am]

BILLING CODE 5000-04-F

DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 151

[CGD 97-015]

RIN 2115-AF43

Antarctic Treaty Environmental Protection Protocol

AGENCY: Coast Guard.

ACTION: Direct final rule; confirmation of effective date.

SUMMARY: On April 14, 1997, the Coast Guard published a direct final rule (62 FR 18043; CGD 97-015). This direct final rule notified the public of the Coast Guard's intent to establish regulations to implement the Antarctic Science, Tourism, and Conservation Act of 1996. These regulations should guide U.S. owned and/or operated vessels to properly prepare for voyages in the Antarctic. They also harmonize U.S. regulations with international standards, and improve preparedness to respond to a spill. The Coast Guard has not received an adverse comment, or notice of intent to submit an adverse comment, objecting to this rule as written. Therefore, this rule will go into effect as scheduled.

DATES: The effective date of the direct final rule is confirmed as September 30, 1997.

FOR FURTHER INFORMATION CONTACT: LCDR Ray Perry, Project Manager, Office of Environmental Standards (G-MSO), telephone (202) 267-2714.

Dated: August 22, 1997.

R.C. North,

Rear Admiral, U.S. Coast Guard, Assistant Commandant for Marine Safety and Environmental Protection.

[FR Doc. 97-23348 Filed 8-28-97; 3:15 pm]

BILLING CODE 4910-14-M

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[IL117-2; FRL 5886-9]

Approval and Promulgation of Implementation Plans; Illinois

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule; withdrawal.

SUMMARY: On July 14, 1997 (62 FR 37494), the EPA approved Illinois' July 14, 1997, submittal of Rate-of-Progress plans to reduce Volatile Organic Compounds emissions in the Chicago