**DEPARTMENT OF THE TREASURY**

**Fiscal Service**

**31 CFR Part 356**

## Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (Department of the Treasury Circular, Public Debt Series No. 1–93)

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

**ACTION:** Proposed rule.

**SUMMARY:** The Department of the Treasury (''Treasury'' or ''Department'') is proposing for comment an amendment to 31 CFR Part 356 (Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds). This proposed amendment includes changes necessary to make fungible stripped interest components for Treasury inflation-indexed securities, which the Department began issuing in January 1997. In addition, the proposed amendment makes certain technical clarifications and conforming changes.

**DATES:** Comments must be received on or before February 6, 1998.

**ADDRESSES:** Written comments should be sent to: Government Securities Regulations Staff, Bureau of the Public Debt, 999 E Street N.W., Room 515, Washington, D.C. 20239–0001. Comments may also be sent via the Internet to the Government Securities Regulations Staff at govsecreg@bpd.treas.gov. When sending comments via the Internet, please use an ASCII file format and provide your full name and mailing address. Comments received will be available for public inspection and downloading from the Internet and for public inspection and copying at the Treasury Department Library, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220.

This proposed amendment has also been made available for downloading from Public Debt's web site at the following address: www.publicdebt.treas.gov.

**FOR FURTHER INFORMATION CONTACT:** Ken Papaj (Director), Chuck Andreatta or Kurt Eidemiller (Government Securities Specialists), Department of the Treasury, Bureau of the Public Debt, Government Securities Regulations Staff (202) 219–3632.

**SUPPLEMENTARY INFORMATION:**

### I. Background

31 CFR Part 356, also referred to as the uniform offering circular, sets out the terms and conditions for the sale and issuance by the Department of the Treasury to the public of marketable Treasury bills, notes, and bonds. The uniform offering circular, in conjunction with offering announcements, represents a comprehensive statement of those terms and conditions.[1]

In January 1997, the Department began issuing a new type of marketable security, referred to as a Treasury inflation-indexed security,[2] whose principal value is adjusted for inflation as measured by the United States Government.[3] The Department believes the issuance of these new securities will reduce interest costs to the Treasury over the long term and broaden the types of debt instruments available to investors in U.S. financial markets.

*A. Inflation-Indexed STRIPS*

Inflation-indexed securities are eligible for the STRIPS (Separate Trading of Registered Interest and Principal of Securities) program immediately upon their issuance by the Treasury. STRIPS is the Department's program under which eligible securities are authorized to be separated into principal and interest components (interest components are also referred to as ''TINTS''). Such components are maintained in book-entry accounts, and transferred separately in the Treasury/Reserve Automated Debt Entry System (''TRADES'' or the commercial book-entry system). Unlike TINTS from fixed-principal securities, interest components stripped from an inflation-indexed security are currently not fungible (i.e., they are not interchangeable) with interest components stripped from a different inflation-indexed security, even if the components have the same maturity (payment) date.[4]

Making such stripped interest components fungible (i.e., interchangeable and having the same CUSIP number) is a more complicated process than it is for fixed-principal interest components because of the way in which inflation-indexed securities adjust for inflation. Interest payments and the inflation-adjusted principal amount paid at maturity are calculated based on the amount of inflation, as measured by changes in the CPI,[5] that has occurred since the original issue date of the security.

Although the CPI is announced monthly, a unique ''reference CPI'' can be calculated for any particular date using an interpolative process described in Appendix B of the uniform offering circular.[6] Each inflation-indexed security has a unique reference CPI value applicable to the security's original issue date.[7] This is the starting point for measuring inflation for the period the security is outstanding. To calculate interest payments or the principal value at maturity of an inflation-indexed security, the par amount is adjusted for inflation by application of an ''index ratio,'' which is the ratio of the reference CPI applicable to the interest payment or maturity date divided by the reference CPI applicable to the original issue date. Stripped principal and interest components with the same maturity date that are created from securities with different issue dates have different index ratios at maturity. This makes providing for fungibility of the interest components somewhat complicated.

Due to this complexity, inflation-indexed interest components were not made fungible when the securities were first offered in January 1997. As a result, while the rules currently permit inflation-indexed securities to be stripped into separate principal and interest components, interest components from the outstanding 5-year and 10-year inflation-indexed notes are not fungible even though some components would have the same maturity (payment) date. In the preamble to the final rule amendments to accommodate inflation-indexed securities, the Department stated that it would ''continue to work on making interest components fungible in a manner that is operationally feasible.''[8] The Department recognizes that making stripped inflation-indexed interest components fungible is important to

[1] The uniform offering circular was published as a final rule on January 5, 1993 (58 FR 412). The circular, as amended, is codified at 31 CFR Part 356.

[2] To date the Department has issued only inflation-indexed notes. 31 CFR Part 356 also accommodates offerings of inflation-indexed bonds, which the Department intends to begin issuing in 1998.

[3] 62 FR 846 (January 6, 1997).

[4] See 31 CFR 356.31(f).

[5] CPI refers to the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor.

[6] See 31 CFR Part 356, Appendix B, Section I, Paragraph B, for a detailed explanation of the indexing process and application of the index ratio and reference CPI.

[7] If the security's dated date is different from the original issue date, then the reference CPI for the dated date is used. See 31 CFR 356.2 for the definition of dated date. This preamble discussion assumes that the original issue date and the dated date are the same and therefore uses only the term original issue date.

[8] 62 FR 846, 848 (January 6, 1997).

developing a liquid market for these components.

Over the last several months, the Department has worked with market participants to develop a methodology that will enable interest components stripped from different inflation-indexed securities to be fungible. The Department requests comments from market participants on the following proposed methodology and any related aspects of this proposal. Specifically, comments are requested on any operational issues, including the time needed to make any necessary automated system changes, and the extent to which making inflation-indexed TINTS fungible would help in the continued development of a liquid market for inflation-indexed securities.

*B. Proposed Methodology for Fungible Inflation-Indexed STRIPS*

To make TINTS from different inflation-indexed securities fungible, the TINTS would be converted to a common reference CPI value of 100. This would be accomplished by calculating an ''adjusted value'' (see sections 356.2 and 356.31(c) of the proposed rule). The adjusted value of each TINT would be calculated by multiplying the par amount of the inflation-indexed security to be stripped by the security's semiannual interest rate, and then multiplying this amount by the ratio of 100 divided by the reference CPI for the security's original issue date. For example, an inflation-indexed security with a par amount of $1 million, an interest rate of 3½%, and an issue-date reference CPI of 162.00000 would have an adjustment factor for each TINT of $1 million × (0.035)/2 × (100/162), or $10,802.47. Inflation-indexed TINTS would be maintained in accounts and transferred at their ''adjusted value.'' This is in contrast to stripped principal components, which would be maintained and transferred at their par amount.

All inflation-indexed TINTS with the same maturity date would have the same CUSIP number, regardless of the underlying inflation-indexed security from which the interest components were stripped. Such TINTS would be considered to be the same security and would therefore be fungible. Fungibility would apply to TINTS only; stripped principal components would not be fungible. TINTS from inflation-indexed securities would not be fungible with any interest components stripped from fixed-principal securities.

By converting to adjusted values, all inflation-indexed TINTS having the same maturity date would become fungible. They would be bought and sold on the basis of their adjusted values, regardless of the underlying security from which they were stripped. Similarly, for purposes of reconstituting an inflation-indexed security from its separate stripped unmatured interest and principal components, an investor could obtain any needed TINTS at the adjusted value required for the particular inflation-indexed security to be reconstituted. For example, to reconstitute $1 million of an inflation-indexed security with an interest rate of 3½% and an issue-date reference CPI of 162.00000, a holder would submit to the Federal Reserve Bank of New York the principal component and all unmatured TINTS, each TINT having an adjusted value of $1 million × (0.035)/2 × (100/162), or $10,802.47.

When a TINT matures, its payment amount would be calculated by multiplying the adjusted value by the reference CPI for the maturity date, divided by 100. For example, for an adjusted value of $10,802.47 and a maturity-date reference CPI of 167.00000, the payment amount would be $10,802.47 × (167/100), or $18,040.12. The end result is that a holder of an inflation-indexed TINT stripped from a security of a given par amount would receive, except for a possible slight difference due to rounding procedures, a payment amount at maturity that is the same as the interest payment received by a holder of a fully-constituted security of the same par amount.[9]

*C. Payment Differences*

The possible difference in payment amount between a stripped interest component and an interest payment from a fully-constituted security results primarily from rounding the index ratio. The size of the differences is a function of both the interest rate of the fully-constituted security and the level of the CPI on the payment date. These differences are quite small. For example, for an inflation-indexed security with an interest (coupon) rate of 4% or less[10] and a reference CPI of 200 or less on the payment date, the maximum payment difference per $1 million of par is $0.11 (higher or lower). Over a range of securities offerings, these payment differences generally would be revenue neutral—they would benefit neither the Treasury nor STRIPS investors. Further, revising Treasury's rounding conventions would require market participants and the Department to modify their automated systems to accommodate this change. Since the payment differences are *de minimis* and revenue neutral, the costs of such systems changes would outweigh their benefits. Therefore, the Department has determined not to change its current rounding conventions to eliminate these differences.

*D. Minimum and Multiple Amounts for Stripping*

In order to make the calculation of adjusted values and payment amounts for inflation-indexed TINTS as precise as possible, adjusted values would be calculated—and transferred and maintained—to the penny (e.g., $10,802.47). Therefore, in effect there would be no required multiple amounts for inflation-indexed TINTS. This is in contrast to fixed-principal TINTS, which must be transferred and maintained in multiple amounts of $1,000. Some market participants that plan to participate in the inflation-indexed STRIPS market might need to modify their automated systems to accommodate holding Treasury securities to the penny (i.e., to two decimal places).

The minimum par amount of a fully-constituted inflation-indexed security that could be submitted to the Federal Reserve Bank of New York for stripping would be $1,000, with any larger amounts in multiples of $1,000. Except for the requirement that they be expressed to the penny, there would be no required minimum adjusted value for the resulting TINTS. This is in contrast to minimum and multiple stripping requirements for fixed-principal securities, under which, for any given interest rate, the fully-constituted security must be submitted in a specific minimum and multiple par amount in order to produce TINTS that are themselves in minimum and multiple amounts of $1,000.[11]

No changes are being proposed at this time to the current STRIPS program for fixed-principal securities. However, the Department will consider at a later date the desirability of making changes to the minimum and multiple requirements for fixed-principal TINTS similar to the proposed requirements for inflation-indexed TINTS, i.e., discontinuing the $1,000 minimum-to-hold and multiple requirement, and permitting fixed-principal TINTS to be held in amounts to the penny.

[9] In this example, a holder of $1 million of the fully-constituted security would receive an interest payment of $18,040.05.

[10] To date, the interest (coupon) rates on the two issues of Treasury inflation-indexed notes have been 3⅜% and 3⅝%.

[11] 31 CFR Part 356, Exhibit C includes a table that provides, for each interest rate from ⅛% to 20%, the corresponding minimum par amount of the fully-constituted security required to produce TINTS that are in multiples of $1,000.

*E. Index Contingencies*

The CPI is expressed in relative terms in relation to a particular time base reference period for which the level is set at 100. The current CPI reference period is 1982–84. The Department understands that, sometime during the next two years, the Bureau of Labor Statistics (BLS) plans to rebase the CPI to a 1993–95 base period. Once this new base period goes into effect, subsequent issuances of Treasury inflation-indexed securities would be issued using the new base period. In other words, the reference CPI of the original issue date will reflect the new reference period and thus will generally be a lower number than the issue-date reference CPIs of those inflation-indexed securities issued prior to the effective date of the new base reference period.

When this new reference period goes into effect, Treasury understands that BLS will continue to publish CPI figures for the 1982–84 base period as well as publish figures for the new 1993–95 base period. Interest payments, and principal payments at maturity, for unstripped inflation-indexed securities issued while the 1982–84 base period was in effect will continue to be calculated using reference CPI numbers derived from this base period.

Allowing inflation-indexed TINTS issued during one base reference period to be fungible with those issued during other base reference periods could enhance their liquidity. Fungibility could be achieved through, for example, the use of a conversion factor that would, in effect, transform the adjusted values of all inflation-indexed TINTS with 1982–84 base-period reference CPIs to values based on the 1993–95 base period. However, such a process would likely result in additional payment differences of a similar nature and magnitude as those described previously. As was the case with those payment differences, payment differences caused by the transformation of adjusted values to a new base period would generally be revenue neutral over a range of securities offerings. Since, for each rebasing, there would be a one-time conversion for those outstanding inflation-indexed securities, Treasury would provide this conversion factor to market participants so that they could modify their systems accordingly. The CPI has been rebased approximately every 10 years so, during the maturity period of a 30-year inflation-indexed bond, rebasing could occur two or three times. The Department solicits comment from market participants on whether the benefits of increased supply, and thus additional liquidity, of specific fungible inflation-indexed TINTS would justify the cost and inconvenience of having additional small payment discrepancies, possible automated system changes to accommodate a conversion factor, and increased complexity of the rules.

A different index contingency would occur if the Treasury were to replace the CPI with a different measure of inflation for the purpose of indexing securities because the CPI was discontinued or ''fundamentally'' altered as described in the preamble to the final rule amendment to accommodate inflation-indexed securities.[12] The Department is not aware of any plans to discontinue or fundamentally change the CPI, but it is important for market participants to understand the effect that such an event would have on outstanding inflation-indexed securities. The Department has determined that TINTS stripped from inflation-indexed securities issued under different indices would not be fungible.

*F. Fungibility of TINTS Created Prior to Effective Date of Amendment*

As of October 31, 1997, none of the currently outstanding inflation-indexed securities has been stripped. If these securities were to be stripped prior to the effective date of a final rule making inflation-indexed TINTS fungible, the resulting TINTS would be converted to fungible TINTS since it is the Department's goal, where possible, to make all TINTS from inflation-indexed securities fungible. Specifically, if a market participant decides to strip an inflation-indexed security prior to the effective date for making STRIPS fungible, Treasury will convert any outstanding inflation-indexed TINTS by retiring them and issuing new fungible inflation-indexed TINTS. If necessary, Treasury will provide public notice informing participants of the effective conversion date. Also, detailed instructions regarding the conversion to fungible STRIPS will be provided.

*G. Taxation*

There are no new tax issues related to making inflation-indexed TINTS fungible. The tax treatment as noted in current 31 CFR 356.32 applies.

**II. Section-by-Section Analysis**

This proposed amendment, when finalized, would include the necessary revisions to make fungible the stripped interest components of marketable Treasury inflation-indexed securities. This rule would amend sections 356.2 and 356.31 and add a new section IV to Appendix B of the uniform offering circular.

*A. Section 356.2—Definitions*

The term *adjusted value* has been added to the listing of definitions in § 356.2. This term refers specifically to interest components stripped from inflation-indexed securities.

*B. Section 356.31—STRIPS*

Changes have been made to § 356.31 to reflect the STRIPS program more completely. The section has been reorganized to distinguish more clearly the features of fixed-principal STRIPS from inflation-indexed STRIPS. Most of the significant modifications to this section have been made in paragraph (c), which only discusses inflation-indexed securities.

Specifically, new paragraph (c)(1) provides that the minimum and multiple par amount of an inflation-indexed security that may be stripped would be $1,000. New paragraph (c)(2), except for a revised title, is essentially the same as current paragraph (e), since the treatment of principal components stripped from inflation-indexed securities does not change under this proposal. New paragraph (c)(3) describes the calculation of the adjusted value for interest components; clarifies that interest components stripped from inflation-indexed securities would be maintained and transferred at their adjusted value; describes the fungibility of these components; and explains how the payment amount would be calculated from the adjusted value. New paragraph (d), which discusses reconstitution, is essentially the same as current paragraph (g) except that the sentence stating that interest components stripped from inflation-indexed securities are not interchangeable has been deleted. New paragraph (e) is the same as current paragraph (h).

*C. Appendix B to Part 356*

A new Section IV has been added to Appendix B to provide the formulas and an example for calculating the adjusted value and the payment amount for inflation-indexed TINTS. The previous Section IV has been renumbered as Section V.

*D. Exhibit C to Part 356*

The title of Exhibit C has been revised to indicate that the exhibit, which contains minimum par amounts of securities for stripping at various interest rates, applies only to fixed-principal STRIPS.

[12] 62 FR 846, 849 (January 6, 1997).

## III. Procedural Requirements

This proposed rule does not meet the criteria for a ''significant regulatory action'' pursuant to Executive Order 12866. Although this rule is being issued in proposed form to secure the benefit of public comment, 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 is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) do not apply.

There is no new collection of information contained in this proposed rule and, therefore, the Paperwork Reduction Act does not apply. The collections of information in 31 CFR Part 356 have been previously approved by the Office of Management and Budget under section 3507(d) of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35) under control number 1535–0112. Under this Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number.

**List of Subjects in 31 CFR Part 356**

Bonds, Federal Reserve System, Government securities, Securities.

Dated: December 1, 1997.

**Gerald Murphy,**

*Fiscal Assistant Secretary.*

For the reasons set forth in the preamble, 31 CFR Chapter II, Subchapter B, Part 356, is proposed to be amended as follows:

## PART 356—SALE AND ISSUE OF MARKETABLE BOOK-ENTRY TREASURY BILLS, NOTES, AND BONDS (DEPARTMENT OF THE TREASURY CIRCULAR, PUBLIC DEBT SERIES NO. 1–93)

1. The authority citation for part 356 continues to read as follows:

**Authority:** 5 U.S.C. 301; 31 U.S.C. 3102, *et seq.*; 12 U.S.C. 391.

2. Section 356.2 is amended by adding in alphabetical order the definition of ''Adjusted value'' to read as follows:

### § 356.2 Definitions.

* * * * *

*Adjusted value* means, for an interest component stripped from an inflation-indexed security, an amount derived by multiplying the semiannual interest rate by the par amount and then multiplying this value by 100 divided by the Reference CPI of the original issue date (or dated date, when the dated date is different from the original issue date). (See Appendix B, Section IV, to this part for an example of how to calculate the adjusted value for interest components stripped from an inflation-indexed security.)

* * * * *

3. Section 356.31 is revised to read as follows:

### § 356.31 STRIPS.

(a) *General.* A note or bond may be designated in the offering announcement as eligible for the STRIPS program. At the option of the holder, and generally at any time from its issue date until its call or maturity, any such security may be ''stripped,'' i.e., divided into separate principal and interest components. A short or long first interest payment and all interest payments within a callable period are not eligible to be stripped from the principal component. The CUSIP numbers and payment dates for the principal and interest components are provided in the offering announcement if not previously announced.

(b) *Treasury fixed-principal securities*—(1) *Minimum par amounts required for STRIPS.* For a fixed-principal security to be stripped into the components described above, the par amount of the security must be in an amount that, based on its interest rate, will produce a semiannual interest payment in a multiple of $1,000. Exhibit C to this part provides the minimum par amounts required to strip a fixed-principal security at various interest rates, as well as the corresponding interest payments. Amounts greater than the minimum par amount must be in multiples of that amount. The minimum par amount required to strip a particular security will be provided in the press release announcing the auction results.

(2) *Principal components.* Principal components stripped from fixed-principal securities are maintained in accounts, and transferred, at their par amount. The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(3) *Interest components.* Interest components stripped from fixed-principal securities are maintained in accounts, and transferred, at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component.

(c) *Treasury inflation-indexed securities.* (1) *Minimum par amounts required for STRIPS.* The minimum par amount of an inflation-indexed security that may be stripped into the components described in paragraph (a) of this section is $1,000. Any par amount to be stripped above $1,000 must be in a multiple of $1,000.

(2) *Principal components.* Principal components stripped from inflation-indexed securities are maintained in accounts, and transferred, at their par amount. At maturity, the holder will receive the inflation-adjusted principal value or the par amount, whichever is greater. (See § 356.30.) The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(3) *Interest components.* Interest components stripped from inflation-indexed securities are maintained in accounts, and transferred, at their adjusted value, which is derived by multiplying the semiannual interest rate by the par amount and then multiplying this value by 100 divided by the Reference CPI of the original issue date (or dated date, when the dated date is different from the original issue date). See Appendix B, Section IV, to this part for an example of how to calculate an adjusted value. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component. At maturity, the payment to the holder will be derived by multiplying the adjusted value of the interest component by the Reference CPI of the maturity date, divided by 100. See Appendix B, Section IV, to this part for an example of how to calculate an actual payment amount from an adjusted value.

(d) *Reconstituting a security.* Stripped interest and principal components may be reconstituted, i.e., restored to their fully-constituted form. A principal component and all related unmatured interest components, in the appropriate minimum or multiple amounts or adjusted values, must be submitted together for reconstitution. Interest components stripped from inflation-

indexed securities are different from interest components stripped from fixed-principal securities and, accordingly, are not interchangeable for reconstitution purposes.

(e) *Applicable regulations.* Unless otherwise provided in this part, notes and bonds stripped into their STRIPS components are governed by subparts A, B, and D of part 357 of this chapter.

4. Appendix B to part 356 is amended by revising the list of section headings at the beginning of the appendix to read as follows:

**Appendix B to Part 356—Formulas and Tables**

I. Computation of Interest on Treasury Bonds and Notes.
II. Formulas for Conversion of Fixed-Principal Security Yields to Equivalent Prices.
III. Formulas for Conversion of Inflation-Indexed Security Yields to Equivalent Prices.
IV. Computation of Adjusted Values and Payment Amounts for Stripped Inflation-Indexed Interest Components.
V. Computation of Purchase Price, Discount Rate, and Investment Rate (Coupon-Equivalent Yield) for Treasury Bills.

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5. Appendix B to Part 356 is amended by redesignating Section IV as Section V and adding a new Section IV to read as follows:

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**IV. Computation of Adjusted Values and Payment Amounts for Stripped Inflation-Indexed Interest Components**

**Note:** Valuing an interest component stripped from an inflation-indexed security at its adjusted value enables this interest component to be interchangeable (fungible) with other interest components that have the same maturity date, regardless of the underlying inflation-indexed security from which the interest components were stripped. The adjusted value provides for fungibility of these various interest components when buying, selling, or transferring them, or when reconstituting an inflation-indexed security.

*Definitions*

C=the regular annual interest rate, payable semiannually, e.g., 3.625% (the decimal equivalent of a 3–⅝% interest rate)
Par=par amount of the security to be stripped
Ref $CPI_{Issue\ Date}$=reference CPI for the original issue date (or dated date, when the dated date is different from the original issue date) of the underlying (unstripped) security
Ref $CPI_{Date}$=reference CPI for the maturity date of the interest component
AV=adjusted value of the interest component
PA=payment amount at maturity by Treasury

*Formulas*

AV=Par (C/2)(100/Ref $CPI_{Issue\ Date}$) (rounded to 2 decimals with no intermediate rounding)
PA=AV (Ref $CPI_{Date}$/100) (rounded to 2 decimals with no intermediate rounding)

Example. A 10-year inflation-indexed note paying 3½% interest is issued on January 15, 1999, with the second interest payment on January 15, 2000. The Ref CPI on January 15, 1999 (Ref $CPI_{Issue\ Date}$) is 174.62783, and the Ref CPI on January 15, 2000 (Ref $CPI_{Date}$) is 179.86159. Calculate the adjusted value and the payment amount at maturity of the interest component.

*Definitions*

C=3.50%
Par=$1,000,000
Ref $CPI_{Issue\ Date}$=174.62783
Ref $CPI_{Date}$=179.86159

*Resolution*

For a par amount of $1 million, the adjusted value of each stripped interest component is $1,000,000 (.035/2)(100/174.62783), or $10,021.31 (no intermediate rounding).

For an interest component maturing on January 15, 2000, the payment amount is $10,021.31×(179.86159/100), or $18,024.49 (no intermediate rounding).

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6. Exhibit C to Part 356 is amended by revising the heading to read as follows:

**Exhibit C to Part 356—Minimum Par Amounts for Fixed-Principal STRIPS**

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BILLING CODE 4810–39–P

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 51

**[FRL–5930–6]**

**RIN 2060–AG88**

### Preparation, Adoption, and Submittal of State Implementation Plans; Appendix M, Test Method 207

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule and notice of public hearing.

**SUMMARY:** The purpose of this proposed rule is to add a validated stationary source test method for the measurement of isocyanate emissions from stationary sources to the Code of Federal Regulations. This method, validated according to EPA Method 301 criteria, would be used to reliably collect and analyze gaseous isocyanate emissions from stationary sources such as flexible foam manufacturers, automobile paint spray booths, and the pressed board industry. Specifically, methylene diphenyl diisocyanate (MDI), methyl isocyanate (MI), hexamethylene 1,6-diisocyanate (HDI), and 2,4-toluene diisocyanate (TDI) are the gaseous pollutants in source emissions to be measured. The test method is entitled, ''A Method for Measuring Isocyanates in Stationary Source Emissions,'' and will be added to 40 CFR Part 51, Appendix M, as Test Method 207. This method will provide a tool for state and local governments, representatives of private industry, and the U.S. Government to reliably monitor stationary sources for isocyanate emissions with a validated stationary source method. Additionally, this method will allow the U.S. Environmental Protection Agency to comply with the requirements of the Clean Air Act Amendments of 1990 for monitoring these hazardous air pollutants. Prior to the development of this method, no other ''validated'' method has been available to monitor these highly reactive hazardous emissions. Isocyanates are used extensively in the production of polyurethane materials such as flexible foam, enamel wire coatings, paint formulations, and in binders for the pressed board industry. A public hearing will be held, if requested, to provide interested persons an opportunity for oral presentation of data, views, or arguments concerning the proposed method.

**DATES:** *Comments.* Comments must be received on or before February 23, 1998.

*Public Hearing.* If anyone contacts EPA requesting to speak at a public hearing by December 29, 1997, a public hearing will be held January 22, 1998 beginning at 10:00 a.m. Persons interested in attending the hearing should call the contact mentioned under **ADDRESSES** to verify that a meeting will be held.

*Request to Speak at Hearing.* Persons wishing to present oral testimony must contact EPA by December 29, 1997.

**ADDRESSES:** *Comments.* Comments should be submitted (in duplicate if possible) to: Central Docket Section (Mail Code: 6102), Attention: Docket Number A–96–06, U.S. Environmental Protection Agency, Room M–1500, First Floor, Waterside Mall, 401 M Street, S.W., Washington, D.C. 20460.

*Public Hearing.* If anyone contacts EPA requesting a public hearing, it will be held at EPA's Emission Measurement Center, Research Triangle Park, North Carolina. Persons interested in attending the hearing or wishing to present oral testimony should notify Frank Wilshire, Methods Branch (MD–44), Air