

chronological order by "Date of Final Publication" to read as follows:

**§ 938.15 Approval of Pennsylvania regulatory program amendments.**  
\* \* \* \* \*

Original amendment submission date	Date of final publication	Citation/description
November 2, 1999	November 3, 2000	25 Pa. Code 86.1, 86.124, 86.152, 86.156, 86.160, 86.171, 86.182, 86.193, 86.194, 86.195, 86.201, and 86.202.

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**DEPARTMENT OF THE TREASURY**

**Fiscal Service**

**31 CFR Parts 306 and 356**

[Department of the Treasury Circular, Public Debt Series No. 1-93]

**Marketable Book-Entry Treasury Bills, Notes, and Bonds; Minimum Par Amounts Required for STRIPS**

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

**ACTION:** Final rule.

**SUMMARY:** The Department of the Treasury ("Treasury," "We," or "Us" is issuing in final form amendments to 31 CFR part 306 (General Regulations Governing U.S. Securities) and 31 CFR part 356 (Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds). The purpose of these amendments is to simplify and enhance market participants' ability to strip Treasury fixed-principal securities. "Stripping" a security means to separate it into its principal and interest components. The amendment modifies the minimum and multiple amounts that are required to strip Treasury fixed-principal securities by setting them each at \$1,000. It also eliminates the multiple requirement for the interest components that result from stripping, in effect making Treasury fixed-principal securities strippable "to the penny." Further, the amendment eliminates Exhibit C of this part, "Minimum Par Amounts for Fixed-Principal STRIPS," since this table will no longer be necessary. Finally, the amendment provides us the flexibility to designate a Treasury note or bond as strippable even if the note or bond was not originally designated as strippable by its offering announcement. This flexibility will allow us to make eligible for stripping outstanding five-year Treasury notes issued prior to September 30, 1997.

**EFFECTIVE DATE:** March 1, 2001, except for the amendment of § 356.31(a), which is effective November 3, 2000.

**ADDRESSES:** You may download this final rule from the Bureau of the Public Debt's Internet site at the following address: [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov). It is also available for public inspection and copying at the Treasury Department Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC, 20220. To visit the library, call (202) 622-0990 for an appointment.

**FOR FURTHER INFORMATION CONTACT:** Lori Santamorena (Executive Director) or Chuck Andreatta (Senior Financial Advisory), Bureau of the Public Debt, Government Securities Regulations Staff, (202) 691-3632, or e-mail us at [govsecreg@bpd.treas.gov](mailto:govsecreg@bpd.treas.gov).

**SUPPLEMENTARY INFORMATION:** 31 CFR part 356, also referred to as the uniform offering circular, sets out the terms and conditions for the sale and issuance to the public of marketable Treasury bills, notes, and bonds.<sup>1</sup> The uniform offering circular, in conjunction with offering announcements, represents a comprehensive statement of these terms and conditions.<sup>2</sup> This final rule modifies § 356.31, which pertains to STRIPS (Separate Trading of Registered Interest and Principal of Securities). It also eliminates Exhibit C ("Minimum Par Amounts for Fixed-Principal STRIPS"). In addition, this rule amends 31 CFR 306.128, which pertains to Treasury's discretion to supplement, amend, or revise regulations governing U.S. securities.

**Stripping Treasury Securities "To the Penny"**

The STRIPS program, which began in January 1985, allows holders of book-entry (electronic) Treasury notes and bonds to separate those securities into their separate principal and interest components. These components can

then be held and traded separately as zero-coupon securities. The interest components ("TINTs"), but not the principal components, are fungible (interchangeable). This means that TINTs with the same maturity date have the same identifying CUSIP number regardless of the underlying security from which they were stripped. Securities with the same CUSIP number are considered to be the same security.

Since its implementation, the STRIPS program has required that the par amount of a fully constituted Treasury fixed-principal<sup>3</sup> security to be stripped must be an amount that, based on the stated interest rate of the security, will produce a TINT of \$1,000 or a multiples of \$1,000. Any amount greater than this par amount must be in a multiple of that amount. Once a book-entry security has been separated, each interest and principal component can then be maintained and transferred in multiples of \$1,000. This \$1,000 minimum and multiple requirement conforms with the minimum and multiple requirement of fully constituted Treasury notes and bonds.

The \$1,000 multiple requirement for the TINTs, however, results in a wide disparity in the par amounts of fully constituted (unstripped) securities with different interest rates that are needed to produce TINTs in multiples of \$1,000. For example, a note or bond with an interest rate of 6 1/8 percent requires a minimum of \$1,600,000 of the fully constituted security for stripping in order for the resulting TINTs to be in a multiple of \$1,000. In this example, the resulting TINTs have payment amounts of \$49,000. By contrast, a note or bond with an interest rate of 6 1/4 percent requires only a minimum par amount of \$32,000 to be stripped, with resulting TINTs of \$1,000, which is the minimum amounts for TINTs.

When we implemented a process to make TINTs from inflation-indexed securities fungible on March 31, 1999,<sup>4</sup>

<sup>1</sup> Includes both fixed-principal and inflation-indexed Treasury securities.

<sup>2</sup> 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.

<sup>3</sup> We use the term "fixed-principal" to distinguish such securities from Treasury "inflated-indexed" securities, whose principal amounts are adjusted periodically for inflation.

<sup>4</sup> 63 FR 35782 (June 30, 1998).

it was necessary for us to convert the payment values of the TINTs to "adjust values," which could be maintained and transferred "to the penny." At that time, we stated that we would "consider at a later date the desirability of making changes to the minimum and multiple requirements for fixed-principal TINTs, \* \* \* and permitting fixed-principal TINTs to be held in amounts to the penny."<sup>5</sup>

On November 1, 2000, we announced that, effective March 1, 2001, we will be changing the minimum and multiple requirements for stripping Treasury fixed-principal securities. We have decided to make these changes because elimination of the \$1,000 minimum and multiple requirements will make stripping easier. Market participants will no longer be required to deliver fully constituted securities in widely different amounts depending on the interest rate of the underlying security. By simplifying the requirements for STRIPS, our goal is to enhance the liquidity and efficiency of the STRIPS market.

#### Increasing the Number of Strippable Securities

Enhancing the liquidity of the STRIPS market is also our objective in modifying the STRIPS rules to permit us to designate a note or bond as strippable even if the note or bond was not originally designated as strippable by its offering announcement. When the STRIPS program was first implemented in 1985, only Treasury notes and bonds with maturities of 10 years or longer were eligible for stripping. At that time there was little market interest in stripping securities with maturities less than 10 years.

By 1997, however, interest in stripping shorter-term Treasury notes had developed. Consequently, on September 17, 1997, we announced that all Treasury notes issued on or after September 30, 1997, were eligible for STRIPS.

Because Treasury securities currently can be made eligible for STRIPS only by being designated as such in their offering announcements, we have not been able to make eligible for stripping outstanding shorter-term (five-year) notes that were issued prior to September 30, 1997. This amendment to the uniform offering circular will allow us to do so. As a result, we plan to announce that we are making eligible for stripping five-year notes issued prior to September 30, 1997, thereby allowing for an increase in the supply of TINTs that mature in the next two years.

#### Amendments, Revisions, and Deletions

Accordingly, we are amending the uniform offering circular's general paragraph on STRIPS, 356.31(a), so that we may designate Treasury notes and bonds as being eligible for stripping at a later date if they were not designated as being eligible in their offering announcement. We are also amending paragraph 356.31(b)(1), which provides the minimum par amount and multiple requirements for stripping Treasury fixed-principal securities, so that they may be stripped to the penny. We are also amending 31 CFR 306.128 in order to allow outstanding Treasury notes and bonds that we issued prior to the effective date of the uniform offering circular, March 1, 1993, to also be stripped to the penny. As a result of these amendments, we are removing Exhibit C to the uniform offering circular because this table is no longer necessary.

We are issuing this amendment in final form rather than proposed form in order to more quickly simplify and expand the STRIPS market. In addition, there is no negative impact on the holders of the issues of the securities affected. This change provides an additional feature that should enhance the marketability of these issues.

#### Procedural Requirements

This final rule is not a "significant regulatory action" under Executive Order 12866. The notice and public procedures and delayed effective date requirements of the Administrative Procedure Act also do not apply, under 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.

#### List of Subjects

Bonds, Federal Reserve System, Government securities, Securities.

For the reasons stated in the preamble, we amend 31 CFR Chapter II, Subchapter B, as follows:

#### PART 306—GENERAL REGULATIONS GOVERNING U.S. SECURITIES

1. The authority citation for part 306 continues to read as follows:

**Authority:** 31 U.S.C. Chapter 31; 5 U.S.C. 301; 12 U.S.C. 391.

2. Revise § 306.128 to read as follows:

#### § 306.128 Supplements, amendments or revisions.

The Secretary of the Treasury may at any time, or from time to time, prescribe additional supplemental, amendatory or revised regulations with respect to U.S.

securities. The Secretary also may lower the minimum and multiple requirements for stripping marketable Treasury notes and bonds issued prior to March 1, 1993, through an announcement as provided in § 356.31 of this title.

#### 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)

3. 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.

4. Amend § 356.31 as set forth below:

- Revise the first sentence in paragraph (a), and
- Revise paragraph (b)(1) to read as follows:

#### § 356.31 STRIPS.

(a) *General.* A note or bond may be designated in the offering announcement, or later by announcement by Treasury, as eligible for the STRIPS program. \* \* \*

(b) *Treasury fixed-principal securities—(1) Minimum par amounts required for STRIPS.* The minimum par amount of a fixed-principal 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.

\* \* \* \* \*

#### Exhibit C to Part 356 [Removed]

5. Remove Exhibit C to Part 356.

Dated: October 31, 2000.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

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#### ENVIRONMENTAL PROTECTION AGENCY

#### 40 CFR Part 52

[CA 241–0244a; FRL–6893–1]

#### Revisions to the California State Implementation Plan, Antelope Valley Air Pollution Control District

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

**ACTION:** Direct final rule.

**SUMMARY:** EPA is taking direct final action to approve revisions to the Antelope Valley Air Pollution Control

<sup>5</sup> 63 FR 35783 (June 30, 1998).