

sale or exchange of the taxpayer's principal residence that does not include the gain in the taxpayer's gross income.

(c) *Application of election to closed years.* A taxpayer who would otherwise qualify under §§ 1.121-1 through 1.121-4 to exclude gain from a sale or exchange of a principal residence on or after May 7, 1997, may elect to apply section 121(d)(9) and this section for any years for which a claim for refund is barred by operation of any law or rule of law by filing an amended return before November 11, 2004.

(d) *Example.* The provisions of this section are illustrated by the following example:

*Example.* B purchases a house in Virginia in 2003 that he uses as his principal residence for 3 years. For 8 years, from 2006 through 2014, B serves on qualified official extended duty as a member of the Foreign Service of the United States in Brazil. In 2015 B sells the house. B did not use the house as his principal residence for 2 of the 5 years preceding the sale. Under section 121(d)(9) and this section, however, B may elect to suspend the running of the 5-year period of ownership and use during his 8-year period of service with the Foreign Service in Brazil. If B makes the election, the 8-year period is not counted in determining whether B used the house for 2 of the 5 years preceding the sale. Therefore, B may exclude the gain from the sale of the house under section 121.

(e) *Effective date.* This section is applicable for sales and exchanges on or after May 7, 1997.

**Nancy Jardini,**

*Acting Deputy Commissioner for Services and Enforcement.*

Approved: July 29, 2004.

**Gregory F. Jenner,**

*Acting Assistant Secretary of the Treasury.*

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**BILLING CODE 4830-01-P**

## DEPARTMENT OF THE TREASURY

### Fiscal Service

#### 31 CFR Parts 351, 359, and 363

#### Regulations Governing Treasury Securities, New Treasury Direct System

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

**ACTION:** Final rule.

**SUMMARY:** New Treasury Direct (also referred to as TreasuryDirect) is a book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. This rule describes a new security, the non-interest-bearing

New Treasury Direct certificate of indebtedness (C of I), whose sole purpose is to permit investors to accumulate the purchase price of other eligible securities, currently Series I and Series EE U.S. Savings Bonds in New Treasury Direct.

In addition, when the regulations for New Treasury Direct were first published, we delayed the effective date for certain provisions in the rule. The remaining provisions with delayed effective dates are hereby made effective upon publication of this rule.

**DATES:** Effective: The amendments to parts 351, 359, and 363 are effective August 16, 2004.

The provisions of 363.24(e), (f), (g), (h), (m) and 363.69(d), (e), (f), (g), published at 67 FR 64286 (October 17, 2002), with a stayed date, are effective August 16, 2004.

**ADDRESSES:** You can download this final rule at the following Internet addresses:

<http://www.publicdebt.treas.gov> or

<http://www.gpoaccess.gov/ecfr>.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:** New Treasury Direct is an account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. Treasury is offering to New Treasury Direct account holders a new security, a New Treasury Direct certificate of indebtedness (C of I), a non-interest bearing, short-term security whose sole purpose is to permit investors to accumulate the purchase price of other eligible Treasury securities in New Treasury Direct. Currently, electronic Series EE and Series I savings bonds are offered through New Treasury Direct. Until now, customers could only purchase these bonds by authorizing a debit of their financial institution checking or savings account for the full purchase price.

For many years, Treasury has also offered paper savings bond products through a payroll savings plan that

permits investors to accumulate the purchase price of a savings bond over time through payroll deductions. Participating employers are responsible for accumulating and accounting for employees' deductions until they reach the full purchase price of a bond. The introduction of the C of I enables Treasury to provide an electronic alternative to the traditional payroll savings plan by permitting an account holder to purchase a non-interest bearing C of I as a means to accumulate the purchase price of an electronic security in New Treasury Direct. This greatly reduces the burden on employers, who will simply forward the deductions to Treasury via the ACH method. The cost of handling and accounting for deductions has often dissuaded businesses from offering a payroll deduction program for buying savings bonds. With this new feature, employees can direct their employers to send funds to their New Treasury Direct account to be invested in a C of I until they have accumulated the purchase price of other eligible securities.

The underlying principle of New Treasury Direct is to establish direct relationships with investors, enabling them to do business with Treasury online and conduct transactions without personal assistance from Treasury and its agents. The C of I supports Treasury's goal to provide the maximum convenience, flexibility, and investor self-sufficiency to New Treasury Direct investors. A C of I also allows account holders to consolidate funds from various sources for the purchase of another eligible security. A C of I is issued daily and has a one-day maturity with an automatic rollover at maturity, until the account holder redeems the C of I. The account holder may use the redemption proceeds to purchase an eligible security in New Treasury Direct, or may send the redemption proceeds by the ACH method to his or her account at a financial institution. The C of I is backed by the full faith and credit of the United States.

An account holder may purchase a C of I in four ways: (1) By directing his or her employer to send payroll funds to a New Treasury Direct account; (2) by directing his or her financial institution to send funds to his or her New Treasury Direct account; (3) by using the Buy Direct function of his or her New Treasury Direct account to authorize a debit from his or her account at a financial institution to purchase a C of I; and (4) by using the proceeds of a security redemption or payment to purchase a C of I.

The C of I expands the convenience and flexibility of New Treasury Direct and electronic securities for our customers. Employers will be able to significantly reduce their costs in administering savings bond payroll savings plans. The C of I also positions Treasury to offer customers a convenient way to reinvest interest or proceeds of maturing marketable securities when marketable securities are available in New Treasury Direct.

The account owner may direct purchases of securities to be paid for from his or her C of I holdings on a recurring basis or on a one-time basis. The account owner may redeem his or her C of I holdings, but may not transfer or deliver a C of I to another account owner (except to deliver a C of I from a minor linked account to the adult primary account of the former minor).

Upon the death of the account owner, his or her C of I will belong to the estate of the account owner. We will not be responsible for any redemptions of securities that were purchased using the redemption proceeds of a C of I after the death of the account owner prior to our receiving notice of the death.

The custodian of a minor may purchase a C of I within the minor's account. The minor's C of I is the property of the minor.

In addition, when the regulations for New Treasury Direct were first published, in 67 FR 64286 (October 17, 2002), we delayed the effective date for certain provisions in the rule. Certain functionalities of the system involving the granting of view and transact rights to other persons, and the ability to delete pending transactions, were not ready to be deployed at that time. In addition, the sections relating to minors were not ready to be deployed. By a later rule published at 69 FR 2507 (January 16, 2004), we deleted the delayed provisions relating to minors and replaced them with other provisions relating to minors that were effective upon publication. The remaining provisions with delayed effective dates become effective upon publication of this rule.

#### Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, a regulatory assessment is not required.

Because this final rule relates to matters of public contract and procedures for United States securities, notice and public procedure and delayed effective date requirements are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

As no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) does not apply.

We ask for no new collections of information in this final rule. Therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

#### List of Subjects

##### 31 CFR Part 351

Bonds, Federal Reserve system, Government securities.

##### 31 CFR Part 359

Bonds, Federal Reserve system, Government securities, Securities.

##### 31 CFR Part 363

Bonds, Electronic funds transfer, Federal Reserve system, Government securities, Securities.

■ Accordingly, for the reasons set out in the preamble, 31 CFR Chapter II, Subchapter B, is amended as follows:

#### PART 351—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES EE

■ 1. The authority citation for Part 351 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 2. Revise §§ 351.62, 351.63 and 351.64 to read as follows:

##### § 351.62 How is payment made for purchases of book-entry Series EE savings bonds?

You may only purchase book-entry Series EE savings bonds online through your New Treasury Direct account. You may pay for your securities through a debit to your designated account at a United States depository financial institution, or by applying the redemption proceeds of a certificate of indebtedness held in your New Treasury Direct account.

##### § 351.63 How are redemption payments made for my redeemed book-entry Series EE savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution. You may also direct that a payment be used to purchase a certificate of indebtedness to be held in your New Treasury Direct account.

##### § 351.64 What is the issue date of a book-entry Series EE savings bond?

The issue date of a book-entry Series EE savings bond is the first day of the month in which the security posts to the current holdings of the account owner.

#### PART 359—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES I

■ 3. The authority citation for part 359 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105.

■ 4. Revise §§ 359.47, 359.48 and 359.49 to read as follows:

##### § 359.47 How is payment made for purchases of book-entry Series I savings bonds?

You may only purchase book-entry Series I savings bonds online through your New Treasury Direct account. You may pay for your securities through a debit to your designated account at a United States depository financial institution, or by applying the redemption proceeds of a certificate of indebtedness held in your New Treasury Direct account.

##### § 359.48 How are redemption payments made for my redeemed book-entry Series I savings bonds?

We will make payments electronically by direct deposit, using the ACH method, to your designated account at a United States depository financial institution. You may also direct that a payment be used to purchase a certificate of indebtedness to be held in your New Treasury Direct account.

##### § 359.49 What is the issue date of a book-entry Series I savings bond?

The issue date of a book-entry Series I savings bond is the first day of the month in which the security posts to the current holdings of the account owner.

#### PART 363—REGULATIONS GOVERNING SECURITIES HELD IN THE NEW TREASURY DIRECT SYSTEM

■ 5. Revise the authority citation for part 363 to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3102, *et seq.*; 31 U.S.C. 3121, *et seq.*

■ 6. Revise § 363.3 to read as follows:

##### § 363.3 What Treasury securities may be held in New Treasury Direct?

Book-entry Series EE savings bonds, book-entry Series I savings bonds, and certificates of indebtedness may be held in New Treasury Direct.

■ 7. Amend § 363.6 by revising the definitions of "Interest on a savings bond", "Redemption of a savings bond", "Series EE savings bond", "Series I savings bond", and by adding the definition of "certificate of indebtedness", to read as follows:

**§ 363.6 What special terms do I need to know to understand this part?**

\* \* \* \* \*

*Certificate of Indebtedness* (certificate of indebtedness) is a one-day security held within your primary or linked account, including a minor account for which you are the custodian, that automatically matures and is rolled over each day until you request that it be redeemed.

\* \* \* \* \*

*Interest on a savings bond* means the difference between the purchase price and the redemption value of the bond.

\* \* \* \* \*

*Redemption of a savings bond* refers to the payment of principal and interest at final maturity, or prior to final maturity at the option of the owner. The owner may redeem all principal and interest or a portion of the principal and the proportionate amount of interest.

\* \* \* \* \*

*Series EE savings bond* is an accrual-type savings bond, issued either in definitive (paper) form or in book-entry form, that accrues interest on the principal based on rates determined by Treasury.

\* \* \* \* \*

*Series I savings bond* is a savings bond, issued either in definitive (paper) form or in book-entry form, that accrues interest in accordance with a formula that includes a fixed component and a component indexed to the rate of inflation.

\* \* \* \* \*

■ 8. Amend § 363.24 by adding paragraphs (q) and (r), to read as follows:

**§ 363.24 What transactions can I perform online through my New Treasury Direct account?**

\* \* \* \* \*

(q) You can purchase a certificate of indebtedness.

(r) You can redeem a partial or total amount of your certificate of indebtedness.

■ 9. Amend 363.27 by adding paragraphs (d)(8) and (e)(4), to read as follows:

**§ 363.27 What do I need to know about accounts for minors who have not had a legal guardian appointed by a court?**

(d) \* \* \*

(8) The custodian may purchase a certificate of indebtedness on behalf of the minor. The certificate of indebtedness is the property of the minor.

(e) \* \* \*

(4) The minor may gain control of his or her certificate of indebtedness by the custodian de-linking the account and transferring the certificate of

indebtedness to the minor's primary account, or the minor may request that Public Debt de-link the account and transfer the certificate of indebtedness to his or her primary account.

\* \* \* \* \*

■ 10. Revise §§ 363.36, 363.37 and 363.38 to read as follows:

**§ 363.36 What securities can I purchase and hold in my New Treasury Direct account?**

You can purchase and hold eligible Treasury securities in your account. Eligible securities are Series EE and I savings bonds and certificates of indebtedness.

**§ 363.37 How do I purchase eligible Treasury securities to be held in my New Treasury Direct account?**

Eligible Treasury securities may only be purchased online through your New Treasury Direct account. Payment for eligible securities other than certificates of indebtedness is made by a debit to your designated account at a United States depository financial institution using the ACH method, or using the redemption proceeds of your certificate of indebtedness.

**§ 363.38 What happens if my financial institution returns an ACH debit?**

If your designated financial institution returns an ACH debit, we reserve the right to reinitiate the debit at our option. We also reserve the right to reverse the transaction, thereby removing the security from your New Treasury Direct account. We are not responsible for any fees your financial institution may charge relating to returned ACH debits.

■ 11. Revise § 363.41 to read as follows:

**§ 363.41 What happens if an ACH payment is returned to Public Debt?**

We will notify you electronically of the returned payment. We will hold your payment until you provide us with instructions. Returned payments will not earn interest. We reserve the right to redirect a returned payment to the bank account at a financial institution that you have designated in your New Treasury Direct account as your primary bank account, if that account is different from the one that returned the payment to us. We are not responsible for any fees your financial institution may charge relating to returned ACH payments.

■ 12. Amend § 363.90 by adding paragraph (a)(6) and by revising paragraph (d) introductory text to read as follows:

**§ 363.90 What happens when a New Treasury Direct account owner dies and his or her estate is entitled to savings bonds held in the account?**

(a) \* \* \*

(6) If the value of the New Treasury Direct account greater than \$100,000, we will require probate.

(d) *Survivors' order of precedence for payment or transfer.* If there has been no administration, no administration is contemplated, no summary or small estate procedures have been used, and the total redemption value of the Treasury securities that are the property of the decedent's estate is \$100,000 or less, then the securities may be paid to the persons named in the following order of precedence:

\* \* \* \* \*

■ 13. Amend part 363 by adding Subpart D, to read as follows:

**Subpart D—Certificate of Indebtedness**

- Sec.
- 363.130 What does this subpart cover?
- 363.131 What is a New Treasury Direct certificate of indebtedness?
- 363.132 Can the sale of the certificate of indebtedness be suspended?
- 363.133 What happens to my certificate of indebtedness if the offering is terminated by the Secretary?
- 363.134 What regulations cover a certificate of indebtedness?
- 363.135 In what form is a certificate of indebtedness issued?
- 363.136 Do certificates of indebtedness pay interest?
- 363.137 What do I need to know about the registration of a certificate of indebtedness?
- 363.138 How do I purchase a certificate of indebtedness?
- 363.139 Is Treasury liable for the purchase of a certificate of indebtedness that is made in error?
- 363.140 When is a certificate of indebtedness issued?
- 363.141 How do I purchase a security using the redemption proceeds of my certificate of indebtedness?
- 363.142 May I redeem my certificate of indebtedness for cash?
- 363.143 What happens if an ACH payment used to purchase a certificate of indebtedness is later reversed?
- 363.144 May I delete a pending transaction involving a certificate of indebtedness?
- 363.145 May I transfer or deliver my certificate of indebtedness?
- 363.146 What happens to a certificate of indebtedness upon the death of the New Treasury Direct account owner?
- 363.147 Does Public Debt reserve the right to require that any transaction in a certificate of indebtedness be conducted offline?
- 363.148 What are the rules for judicial and administrative actions involving a certificate of indebtedness?

363.149 What evidence is required to establish the validity of judicial proceedings?

363.150 May a certificate of indebtedness be pledged or used as collateral?

363.151 Can Treasury suspend transactions in my certificate of indebtedness?

363.152 Does Public Debt make any reservations as to issue of certificates of indebtedness?

**§ 363.130 What does this subpart cover?**

This subpart is the offering of the certificate of indebtedness by the Secretary of the Treasury (Secretary), and will continue until suspended or terminated by the Secretary. This subpart is also the governing regulations for the certificate of indebtedness.

**§ 363.131 What is a New Treasury Direct certificate of indebtedness?**

A New Treasury Direct certificate of indebtedness (certificate of indebtedness) is a security held within your primary or linked account, including a minor account for which you are the custodian, that is issued daily, with a one-day maturity, that automatically rolls over at maturity until you request redemption. A certificate of indebtedness has a minimum purchase amount of one cent. The only purpose of a certificate of indebtedness is to accumulate funds for the purchase of another eligible security in the New Treasury Direct system. A certificate of indebtedness within a minor's account is the property of the minor alone.

**§ 363.132 Can the sale of the certificate of indebtedness be suspended?**

The Secretary may suspend and rescind the suspension of sales of the certificate of indebtedness by announcement at any time.

**§ 363.133 What happens to my certificate of indebtedness if the offering is terminated by the Secretary?**

Upon the termination of this offering by the Secretary, the certificate of indebtedness ceases to roll over; the proceeds will be paid by the ACH method to the bank account at a financial institution that you designated in your New Treasury Direct account as your primary bank account.

**§ 363.134 What regulations cover a certificate of indebtedness?**

The regulations in part 363 apply to a certificate of indebtedness. We expressly disclaim representations or warranties regarding a certificate of indebtedness that in any way conflict with these regulations and other applicable law.

**§ 363.135 In what form is a certificate of indebtedness issued?**

A certificate of indebtedness is issued in electronic form only in the New Treasury Direct system.

**§ 363.136 Do certificates of indebtedness pay interest?**

Certificates of indebtedness do not pay any interest. However, the Secretary may prescribe a rate of interest, or change the interest rate, for certificates of indebtedness by announcement at any time. The new rate would apply to certificates of indebtedness issued thereafter, as provided in the announcement. The Secretary's determination of the rate will be final.

**§ 363.137 What do I need to know about the registration of a certificate of indebtedness?**

A certificate of indebtedness is automatically registered in the single ownership form of registration in the New Treasury Direct account owner's name.

**§ 363.138 How do I purchase a certificate of indebtedness?**

You may purchase your certificate of indebtedness through one or more of the following four methods:

(a) payroll deduction, in which your employer sends funds through the ACH method to your New Treasury Direct account;

(b) deposit by your financial institution, in which your financial institution sends funds by the ACH method to your New Treasury Direct account on a recurring or one-time basis;

(c) through the Buy Direct function of your New Treasury Direct account, in which you direct us to debit funds from your account at a financial institution to purchase a certificate of indebtedness. This method is limited to no greater than \$25 per transaction; or

(d) by using the proceeds from the redemption or interest payment of a security to purchase a certificate of indebtedness.

**§ 363.139 Is Treasury liable for the purchase of a certificate of indebtedness that is made in error?**

We are not liable for any deposits of funds for the purchase of a certificate of indebtedness that are made in error by your financial institution or employer.

**§ 363.140 When is a certificate of indebtedness issued?**

A certificate of indebtedness is issued the business day after the purchase transaction is made.

**§ 363.141 How do I purchase a security using the redemption proceeds of my certificate of indebtedness?**

You may purchase an eligible security by redeeming all or a portion of your certificate of indebtedness and applying the proceeds toward the purchase of another eligible security. To do this, your certificate of indebtedness must be of sufficient value to cover the cost of the security. If you are paying for a security using the redemption proceeds of a certificate of indebtedness, you must pay the full amount of the purchase price of the security using the redemption proceeds.

**§ 363.142 May I redeem my certificate of indebtedness for cash?**

You may redeem part or all of the value of your certificate of indebtedness at any time. The redemption proceeds will be deposited electronically using the ACH method into the account at your financial institution that you designated for the deposit of the proceeds.

**§ 363.143 What happens if an ACH payment used to purchase a certificate of indebtedness is later reversed?**

If an ACH payment used to purchase a certificate of indebtedness is later reversed, we reserve the right to reverse the purchase of the certificate of indebtedness. If the ACH reversal occurs after the certificate of indebtedness has been redeemed, we reserve the right to reverse previously processed security transactions, including securities that were purchased as gifts and securities that have been transferred or delivered from your account to the account of another New Treasury Direct account owner.

**§ 363.144 May I delete a pending transaction involving a certificate of indebtedness?**

(a) You may delete a pending purchase of a certificate of indebtedness initiated from your New Treasury Direct account.

(b) You may delete a pending purchase of a security using a certificate of indebtedness as payment.

(c) You may not delete a pending redemption of all or part of the value of a certificate of indebtedness.

**§ 363.145 May I transfer or deliver my certificate of indebtedness?**

A certificate of indebtedness is nontransferable. You may not deliver a certificate of indebtedness to another New Treasury Direct account as a gift.

**§ 363.146 What happens to a certificate of indebtedness upon the death of the New Treasury Direct account owner?**

(a) Upon the death of the New Treasury Direct account owner, a certificate of indebtedness is the property of the estate of the account owner. If any purchases of other eligible securities are made after the death of the owner using the redemption proceeds of a certificate of indebtedness as payment, we will consider the securities to be the property of the estate of the account owner, notwithstanding any registration on the security.

(b) We are not liable for the redemption of a security that was purchased using the redemption proceeds of a certificate of indebtedness as payment. We are not liable for the redemption of a certificate of indebtedness that may occur after the death of the account owner but prior to our receiving notice of the death of the account owner.

(c) If the estate is being administered, we will require appropriate proof of appointment for the legal representative of the estate. Letters of appointment must be dated within one year of submission. The legal representative of the estate must request payment of the certificate of indebtedness to the person(s) entitled. We will require ACH instructions. If the value of the New Treasury Direct account is greater than \$100,000, we will require probate.

(d) If the estate has been previously settled through judicial proceedings, the person(s) entitled must request payment of the certificate of indebtedness. We will require ACH instructions. We will require a certified copy of the court-approved final accounting for the estate, the court's decree of distribution, or other appropriate evidence.

(e) If there is no formal administration and no representative of the estate is to be appointed, the person(s) entitled under state law summary or small estates procedures may request payment of the certificate of indebtedness. We will require appropriate evidence. We will require ACH instructions.

(f) If there has been no administration, no summary or small estate procedures have been used, and the total redemption value of the Treasury securities that are the property of the decedent's estate is \$100,000 or less, then the certificate of indebtedness may be paid to the persons named in the following order of precedence:

(1) There is a surviving spouse and no surviving child or descendant of a deceased child: to the surviving spouse.

(2) There is a surviving spouse and a child or children of the decedent, or

descendants of deceased children: one-half to the surviving spouse and one-half to the child or children of the decedent, and the descendants of deceased children, by representation, or by agreement of all persons entitled in this class;

(3) There is no surviving spouse and there is a surviving child or descendant of deceased children: to the child or children of the decedent, and the descendants of deceased children, by representation.

(4) There are no surviving spouse, no surviving child, and no surviving descendants of deceased children: to the parents of the decedent, one-half to each, or in full to the survivor.

(5) There are no surviving spouse, no surviving child or surviving descendants of deceased children, and no surviving parents: to the brothers and sisters and descendants of deceased brothers and sisters by representation.

(6) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, and no brothers or sisters or descendants of deceased brothers and sisters: to other next of kin, as determined by the laws of the decedent's domicile at the time of death.

(7) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, and no next of kin, as determined by the laws of the decedent's domicile at the time of death: to persons related to the decedent by marriage, *i.e.*, heirs of a spouse of the last decedent where the spouse predeceased that registrant.

(8) There are no surviving spouse, no surviving child or surviving descendants of deceased children, no surviving parents, no brothers or sisters or descendants of deceased brothers and sisters, no next of kin, as determined by the laws of the decedent's domicile at the time of death, and no persons related to the decedent by marriage: to the person who paid the burial and funeral expenses, or a creditor of the decedent's estate, but payment may be made only to the extent that the person has not been reimbursed.

(9) Escheat according to the applicable state law.

(g) When we make payments according to paragraph (f) of this section, we will make the payments by the ACH method to either a person individually, or individually and on behalf of all other persons entitled. We will require ACH instructions for payment. A person who receives payment of certificate of indebtedness

proceeds individually and on behalf of others agrees to make distribution of the proceeds to the other persons entitled by the law of the decedent's domicile. The provisions of this section are for our convenience and do not determine ownership of the securities or their proceeds. We may rely on information provided by the person who requests payment, and are not liable for any action taken in reliance on the information furnished.

**§ 363.147 Does Public Debt reserve the right to require that any transaction in a certificate of indebtedness be conducted offline?**

We reserve the right to require any transaction to be conducted offline using an approved form. Signatures on offline transactions must be certified or guaranteed as provided in instructions in § 363.43.

**§ 363.148 What are the rules for judicial and administrative actions involving a certificate of indebtedness?**

(a) We are not subject to and will not accept a notice of an adverse claim or notice of pending judicial proceedings involving a certificate of indebtedness.

(b) Treasury, Public Debt, and the Federal Reserve Banks are not proper defendants in a judicial proceeding involving competing claims to a certificate of indebtedness.

(c) We will pay the redemption proceeds of a certificate of indebtedness pursuant to a divorce decree that either disposes of the certificate of indebtedness or ratifies a property settlement agreement disposing of the certificate of indebtedness of either of the parties. If the divorce decree does not set out the terms of the property settlement agreement, we will require a certified copy of the agreement.

(d) We will recognize a final order entered by a court that affects ownership rights in a certificate of indebtedness only to the extent that the order is consistent with the provisions of this part. The owner of the certificate of indebtedness must be a party to the proceedings. We will require a certified copy of the court order.

(e) We will pay the redemption proceeds of a certificate of indebtedness pursuant to a valid levy to satisfy a money judgment against the owner of the certificate of indebtedness. Payment will be made only to the extent necessary to satisfy the money judgment.

(f) We will honor an IRS administrative levy under section 6331 of the Internal Revenue Code with respect to the owner.

(g) We will pay the redemption proceeds of a certificate of indebtedness

to a trustee in bankruptcy, a receiver of an insolvent's estate, a receiver in equity, or a similar court officer, if the original court order is against the owner. Payment will be made electronically through the ACH method to a U.S. depository financial institution account designated by the receiver or a similar court official.

**§ 363.149 What evidence is required to establish the validity of judicial proceedings?**

(a) We require certified copies of the final judgment, decree, or court order, and any necessary supplementary proceedings.

(b) A request for payment by a trustee in bankruptcy or a receiver of an insolvent's estate must be supported by evidence of appointment and qualification.

(c) A request for payment by a receiver in equity or a similar court officer (other than a receiver of an insolvent's estate) must be supported by a copy of an order that authorizes the redemption of the certificate of indebtedness.

**§ 363.150 May a certificate of indebtedness be pledged or used as collateral?**

A certificate of indebtedness may not be pledged or used as collateral for the performance of an obligation.

**§ 363.151 Can Treasury suspend transactions in my certificate of indebtedness?**

We reserve the right to suspend transactions in your certificate of indebtedness if we deem it to be in the best interests of the United States.

**§ 363.152 Does Public Debt make any reservations as to issue of certificates of indebtedness?**

We may reject any application for the purchase of a certificate of indebtedness, in whole or in part. We may refuse to issue a certificate of indebtedness in any case or class of cases, if we deem the action to be in the public interest. Our action in any such respect is final.

Dated: August 11, 2004.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

[FR Doc. 04-18763 Filed 8-12-04; 12:13 pm]

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**DEPARTMENT OF HOMELAND SECURITY**

**Federal Emergency Management Agency**

**44 CFR Part 65**

**Changes in Flood Elevation Determinations**

**AGENCY:** Federal Emergency Management Agency (FEMA), Emergency Preparedness and Response Directorate, Department of Homeland Security.

**ACTION:** Final rule.

**SUMMARY:** Modified Base (1% annual-chance) Flood Elevations (BFEs) are finalized for the communities listed below. These modified BFEs will be used to calculate flood insurance premium rates for new buildings and their contents.

**EFFECTIVE DATES:** The effective dates for these modified BFEs are indicated on the following table and revise the Flood Insurance Rate Maps (FIRMs) in effect for the listed communities prior to this date.

**ADDRESSES:** The modified BFEs for each community are available for inspection at the office of the Chief Executive Officer of each community. The respective addresses are listed in the table below.

**FOR FURTHER INFORMATION CONTACT:** Doug Bellomo, P.E., Hazard Identification Section, Mitigation Division, Emergency Preparedness and Response Directorate, FEMA, 500 C Street SW., Washington, DC 20472, (202) 646-2903.

**SUPPLEMENTARY INFORMATION:** FEMA makes the final determinations listed below of the modified BFEs for each community listed. These modified BFEs have been published in newspapers of local circulation and ninety (90) days have elapsed since that publication.

The Mitigation Division Director of the Emergency Preparedness and Response Directorate has resolved any appeals resulting from this notification.

The modified BFEs are not listed for each community in this notice. However, this rule includes the address of the Chief Executive Officer of the community where the modified BFEs determinations are available for inspection.

The modified BFEs are made pursuant to Section 206 of the Flood Disaster Protection Act of 1973, 42 U.S.C. 4105, and are in accordance with the National Flood Insurance Act of 1968, 42 U.S.C. 4001 *et seq.*, and with 44 CFR Part 65.

For rating purposes, the currently effective community number is shown and must be used for all new policies and renewals.

The modified BFEs are the basis for the floodplain management measures that the community is required to either adopt or to show evidence of being already in effect in order to qualify or to remain qualified for participation in the National Flood Insurance Program (NFIP).

These modified BFEs, together with the floodplain management criteria required by 44 CFR 60.3, are the minimum that are required. They should not be construed to mean that the community must change any existing ordinances that are more stringent in their floodplain management requirements. The community may at any time enact stricter requirements of its own, or pursuant to policies established by other Federal, State, or regional entities.

These modified BFEs are used to meet the floodplain management requirements of the NFIP and are also used to calculate the appropriate flood insurance premium rates for new buildings built after these elevations are made final, and for the contents in these buildings.

The changes in BFEs are in accordance with 44 CFR 65.4.

**National Environmental Policy Act**

This rule is categorically excluded from the requirements of 44 CFR part 10, Environmental Consideration. No environmental impact assessment has been prepared.

**Regulatory Flexibility Act**

The Mitigation Division Director of the Emergency Preparedness and Response Directorate certifies that this rule is exempt from the requirements of the Regulatory Flexibility Act because modified BFEs are required by the Flood Disaster Protection Act of 1973, 42 U.S.C. 4105, and are required to maintain community eligibility in the NFIP. No regulatory flexibility analysis has been prepared.

**Regulatory Classification**

This final rule is not a significant regulatory action under the criteria of Section 3(f) of Executive Order 12866 of September 30, 1993, Regulatory Planning and Review, 58 FR 51735.

**Executive Order 12612, Federalism**

This rule involves no policies that have federalism implications under Executive Order 12612, Federalism, dated October 26, 1987.