

Rate set	For plans with a valuation date		Immediate annuity rate (percent)	Deferred annuities (percent)				
	On or after	Before		i_1	i_2	i_3	n_1	n_2
*	*		*	*	*	*	*	*
280	2-1-17	3-1-17	1.25	4.00	4.00	4.00	7	8

Issued in Washington, DC.
Deborah Chase Murphy,
Assistant General Counsel for Regulatory Affairs, Pension Benefit Guaranty Corporation.
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DEPARTMENT OF THE TREASURY
Fiscal Service
31 CFR Part 347
RIN 1530-AA13
Regulations Governing Retirement Savings Bonds

AGENCY: Bureau of the Fiscal Service, Fiscal Service, Treasury.
ACTION: Final rule.

SUMMARY: Currently, the Bureau of the Fiscal Service (Fiscal Service) of the United States Department of the Treasury (Treasury), issues nonmarketable, electronic retirement savings bonds to an individual retirement account (IRA) custodian designated by Fiscal Service to act as a custodian for Roth IRAs under Treasury’s myRA® program. In this Final Rule, Treasury offers nonmarketable, electronic retirement savings bonds for certain retirement savings programs established by states or certain of their political subdivisions (states). The bonds will be issued to a trustee or custodian (custodian) of a Roth IRA or traditional IRA designated by a state under its retirement savings program (whether or not the program provides for automatic enrollment). Interest will be earned at a rate available to federal employees invested in the Government Securities Investment Fund (G Fund) of the federal Thrift Savings Plan.

This offering does not affect the terms of retirement savings bonds issued to the custodian of Treasury’s retirement savings program, myRA®, which are held in participants’ Roth IRAs. More information on myRA® is available at www.myra.gov.

DATES: This Final Rule is effective January 19, 2017.

FOR FURTHER INFORMATION CONTACT:

Technical information: Gregory Till, myRA Bureau Director, at (202) 622-6970 or Gregory.Till@treasury.gov.

Legal information: Elizabeth Spears, Senior Counsel, at (304) 480-8647 or Lisa.Spears@fiscal.treasury.gov.

SUPPLEMENTARY INFORMATION:

I. Background

Approximately one third of private-sector employees in the United States lack access to a retirement savings plan through their employers.¹ To fill this gap, several states are establishing or considering establishing programs that will encourage employees to save for their retirement, including through individual retirement accounts into which employees are automatically enrolled and through other approaches (collectively referred to here as Auto-IRAs, whether or not they use automatic enrollment).² Under an Auto-IRA program, employee contributions are deposited into an IRA and invested in accordance with the design of the Auto-IRA program and the wishes of the participant. Generally, it is expected that an Auto-IRA program will offer a safe and low-cost investment option as an alternative to a risk-bearing diversified investment, such as a target date fund. In order to assist states in offering savers the option of a principal-protected investment, Fiscal Service will offer retirement savings bonds to state Auto-IRA programs. Fiscal Service reserves the right, however, to decline to issue retirement savings bonds to state Auto-IRA programs on a case-by-case basis, based on considerations such as the structure and reasonableness of associated fees, plans to control fees and expenses, whether participants have reasonable access to their funds, and oversight of providers designated to operate state Auto-IRA programs.

¹ *National Compensation Survey, Bureau of Labor Statistics (July 2016), Employee Benefits in the United States—March 2016* (<http://www.bls.gov/news.release/pdf/ebs2.pdf>). These data show that 66 percent of 114 million private-sector workers have access to a retirement plan through their employers. By extension, approximately 34 percent of the 114 million private-sector workers (39 million) do not have access to a retirement plan through work.

² The Department of Labor has published regulations relating to state payroll deduction savings programs. 81 FR 59464 (Aug. 30, 2016) and 81 FR 92639 (Dec. 20, 2016).

II. Section-by-Section Analysis

Subpart A—General Information

Section 347.0 Offering of securities. This section is amended to offer retirement savings bonds to Auto-IRA custodians for certain state retirement savings programs.

Section 347.1 Applicability. This section is amended to include the Auto-IRA custodians for state retirement savings programs under this part.

Section 347.2 Official agencies. This section clarifies that Fiscal Service is responsible for issuing retirement savings bonds to the Auto-IRA custodians and that states are responsible for administering their own Auto-IRA retirement savings programs.

Section 347.3 Definitions. Several new definitions, including “Auto-IRA,” “state Auto-IRA program,” “IRA,” “Custodian,” “State,” and “Auto-IRA custodian” have been added for ease of reference in Subpart C—Auto-IRA Programs and minor changes have been made to some existing definitions.

Subpart B—Treasury’s Retirement Savings Program

Miscellaneous changes have been made to the sections pertaining to retirement savings bonds issued to the custodian of Treasury’s retirement savings program, myRA®, which are held in participants’ Roth IRAs. These changes, which were made to accommodate revised definitions and other minor or technical revisions, do not affect the terms of these bonds. See, e.g., §§ 347.10 through 347.16.

Subpart C—Auto-IRA Programs

Section 347.30 Plan requirements for State Auto-IRA programs.

Subsection (a) of this new section specifies that retirement savings bonds will be issued to Auto-IRA custodians for certain state Auto-IRA programs, and that no other registrations under Subpart C are permitted. As defined in § 347.3, an Auto-IRA custodian is “an entity designated by a state (including, for the purpose of these regulations, certain political subdivisions of states) to act as the trustee or custodian for Auto-IRAs, in the form of Roth IRAs or traditional IRAs, for or opened on behalf of participants in a state Auto-IRA program.” Subsection (b) lists topics

that must be addressed by documentation that programs are required to provide and certify to Fiscal Service annually. The documentation must address: (1) Administration of retirement savings bonds, (2) account monitoring, (3) ability to transfer proceeds, (4) IRA withdrawals, (5) consumer protection, (6) state Auto-IRA program costs of administration, (7) oversight of Auto-IRA custodian, (8) pooling prohibitions, (9) default investments, and (10) consumer education. The Commissioner of the Fiscal Service may use the documentation, among other purposes, in exercising any of the rights reserved under § 347.37, which includes the right to require information addressing additional topics. Subsection (c) provides for a successor Auto-IRA custodian, if needed.

Section 347.31 Crediting of retirement savings bond. This new section requires each bond issued to an Auto-IRA custodian to be credited to an individual's IRA under a state Auto-IRA program.

Section 347.32 Annual additions to retirement savings bond. This new section provides that the initial contribution and additions to a bond on behalf of a participant are subject to the annual contribution limits provided under the Internal Revenue Code and regulations, and that the total value of a retirement savings bond held by an Auto-IRA custodian in an IRA on behalf of any participant cannot exceed \$15,000.00.

Section 347.33 Individual additions to retirement savings bond. This new section authorizes Fiscal Service to establish minimum amounts for initial and additional contributions to a retirement savings bond.

Section 347.34 Payment (redemption). Under this new section, an Auto-IRA custodian is responsible for making certain certifications as a condition of the issuance and redemption of a retirement savings bond. Subsection (a) explains how the Auto-IRA custodian will request that Fiscal Service make payment on matured retirement savings bonds as well as those that have been fully or partially redeemed. Under subsection (b), Fiscal Service will make payment on any bonds that it calls for redemption without the Auto-IRA custodian having to make a request. Under § 347.37(4), the Commissioner of the Fiscal Service may exercise discretion to call the bonds for redemption. This might occur for a variety of reasons, including, for example, in the event that a state Auto-IRA program changed significantly such

that ongoing use of retirement savings bonds is no longer consistent with these regulations, or in the event that a state Auto-IRA program might have failed to comply with program instructions identified by Fiscal Service or might have failed to provide or comply with documentation required pursuant to § 347.30. Subsection (b) clarifies how bonds called for redemption will be paid, which is in the same manner as bonds submitted for redemption under subsection (a).

Section 347.35 Computation of interest. This new section provides that the interest rate on the retirement savings bonds will track the annual percentage rate on securities in the Government Securities Investment Fund (G Fund) in the Thrift Savings Plan for federal employees and that interest will cease at maturity or call.

Section 347.36 Maturity. This new section provides that the maturity dates for the retirement savings bonds may differ for each bond. The longest possible maturity is 30 years (an original maturity period of 20 years and an extended maturity period of 10 years). A bond will mature at the earlier of 30 years from the date the bond is first issued to the Auto-IRA custodian on behalf of the participant or when its value reaches \$15,000.00.

Section 347.37 Reservation of rights. Under this new section, the Commissioner of the Fiscal Service reserves certain rights, including: (1) The right to require a senior official to certify program information to Fiscal Service before the retirement savings bonds are issued to an Auto-IRA custodian; (2) the right to refuse to issue retirement savings bonds to an Auto-IRA custodian in any particular case or class of cases; (3) the right to suspend or cease offering retirement savings bonds to an Auto-IRA custodian; (4) the right to call for redemption of any outstanding retirement savings bond (this might occur for a variety of reasons, including, for example, if a state Auto-IRA program has changed significantly such that ongoing use of retirement savings bonds is no longer consistent with these regulations, or if a state has failed to provide or comply with documentation required pursuant to § 347.30); or (5) the right to determine any appropriate remedy under this subpart.

Subpart D—Miscellaneous Provisions for Retirement Savings Bonds

Subpart D contains miscellaneous provisions (§§ 347.40 through 347.42) that apply to retirement savings bonds issued to the custodians, on behalf of

participants, in Treasury's and the states' programs.

III. Procedural Requirements

A. Administrative Procedure Act

Because this rule relates to United States securities, which are contracts between Treasury and the owners of the securities, this rule falls within the contract exception to the Administrative Procedures Act (APA) at 5 U.S.C. 553(a)(2). As a result, the notice, public comment, and delayed effective date provisions of the APA are inapplicable to this rule.

B. Congressional Review Act

This rule is not a major rule pursuant to the Congressional Review Act (CRA), 5 U.S.C. 801 *et seq.*

C. Paperwork Reduction Act

This final rule contains a new collection of information that is subject to the Paperwork Reduction Act (PRA), 44 U.S.C. 3501 *et seq.* Under the PRA, 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. The collection of information contained in this final rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)).

D. Regulatory Flexibility Act

The provisions of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, do not apply to this rule because, pursuant to 5 U.S.C. 553(a)(2), it is not required to be issued with notice and opportunity for public comment.

E. Executive Order 12866

This rule is not a significant regulatory action pursuant to Executive Order 12866.

List of Subjects in 31 CFR Part 347

Government securities, Savings bonds.

For the reasons set forth in the preamble, we amend 31 CFR part 347 as follows:

PART 347—REGULATIONS GOVERNING RETIREMENT SAVINGS BONDS

■ 1. The authority citation for part 347 continues to read as follows:

Authority: 5 U.S.C. 301; 12 U.S.C. 90; 31 U.S.C. 3105.

■ 2. Revise § 347.0 to read as follows:

§ 347.0 Offering of securities.

The Secretary of the Treasury (the Secretary), under the authority of Title 31, Chapter 31, offers retirement savings bonds to the IRA custodian for Treasury's retirement savings program and to the Auto-IRA custodians for certain state Auto-IRA programs. The nonmarketable bonds are issued to and held by the custodians, on behalf of participants, in Treasury's program and state programs. This offering will continue until terminated by the Secretary or the Secretary's designee. Treasury's Fiscal Assistant Secretary is authorized to act on behalf of the Secretary on all matters contained in these regulations. The Commissioner of the Fiscal Service, as designee of the Secretary, is delegated the responsibility to administer this part through the Bureau of the Fiscal Service (Fiscal Service).

■ 3. Revise § 347.1 to read as follows:

§ 347.1 Applicability.

The regulations in this part apply to retirement savings bonds issued, on behalf of participants, to the IRA custodian for Treasury's retirement savings program and to the Auto-IRA custodians for state Auto-IRA programs.

■ 4. Revise § 347.2 to read as follows:

§ 347.2 Official agencies.

(a) Fiscal Service is responsible for administering Treasury's retirement savings program and for issuing the retirement savings bonds to the IRA custodian for Treasury's retirement savings program and to the Auto-IRA custodians for certain state Auto-IRA programs. The states are responsible for administering their Auto-IRA retirement savings programs, including the designation of Auto-IRA custodians to perform all operational responsibilities associated with the retirement savings bonds issued by Fiscal Service.

(b) Communications concerning transactions relating to an individual's IRA should be addressed to the appropriate custodian.

■ 5. In § 347.3:

■ a. Redesignate paragraphs (a) through (g) as paragraphs (g) through (m);

■ b. Add new paragraphs (a) through (f); and

■ c. Revise newly redesignated paragraphs (g) through (j).

The additions and revisions read as follows:

§ 347.3 Definitions.

(a) *Auto-IRA* means an individual retirement account for or opened on behalf of a participant in a state retirement savings program (whether or

not the program provides for automatic enrollment).

(b) *State Auto-IRA program* means a state Auto-IRA retirement savings program.

(c) *IRA* means an individual retirement account.

(d) *Custodian* means a trustee or custodian of a Roth IRA or traditional IRA.

(e) *State* means any of the 50 states, the District of Columbia, Guam, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, or certain of their political subdivisions.

(f) *Auto-IRA custodian* means an entity designated by a state (including, for the purpose of these regulations, political subdivisions of states) to act as the trustee or custodian for Auto-IRAs, in the form of Roth IRAs or traditional IRAs, for or opened on behalf of participants in a state Auto-IRA program.

(g) *Retirement savings bond*, as used in this part, means an interest-bearing electronic United States savings bond issued to an Auto-IRA or IRA custodian.

(h) *IRA custodian* means an entity designated by Fiscal Service to act as a custodian for Roth IRAs opened by or on behalf of participants in Treasury's retirement savings program.

(i) *Individual* means a person eligible to have an IRA in Treasury's retirement savings program or in a state Auto-IRA program.

(j) *Participant* means an individual who has an IRA in Treasury's retirement savings program or in a state Auto-IRA program.

* * * * *

■ 6. Revise the heading of subpart B to read as follows:

Subpart B—Treasury's Retirement Savings Program

■ 7. Revise §§ 347.10 and 347.11 to read as follows:

§ 347.10 Authorized form of registration.

(a) Retirement savings bonds are issued to the IRA custodian for Treasury's retirement savings program. No other registrations under this subpart are permitted.

(b) In the event Fiscal Service designates a successor IRA custodian, Fiscal Service may reissue retirement savings bonds held by the predecessor custodian to the successor custodian.

§ 347.11 Crediting of retirement savings bond.

Each retirement savings bond issued to the IRA custodian must be credited

to a single Roth IRA established through Treasury's retirement savings program with the custodian.

■ 8. Remove the headings for subparts C, D, and E and transfer §§ 347.20, 347.21, 347.30, 347.40, and 347.41 to subpart B, and redesignate them as §§ 347.12 through 347.16, respectively.

■ 9. Revise newly redesignated §§ 347.12 through 347.16 to read as follows:

§ 347.12 Annual additions to retirement savings bond.

The amount that initially may be contributed or added to a retirement savings bond in a calendar year by the IRA custodian on behalf of any participant is limited by the applicable annual contribution limits provided under the Internal Revenue Code and regulations. The total value of a retirement savings bond that may be held by the IRA custodian in an IRA on behalf of any participant shall not exceed \$15,000.

§ 347.13 Individual additions to retirement savings bond.

Fiscal Service is authorized to establish minimum amounts for initial and additional contributions to a retirement savings bond under this subpart.

§ 347.14 Payment (redemption).

Payment of retirement savings bonds will be made to the IRA custodian upon the custodian's submission of a request for redemption to Fiscal Service. The custodian shall request the redemption of all retirement savings bonds at their respective maturity. The custodian shall request the full or partial redemption of a bond held on behalf of a participant upon the request of the participant or other authorized person entitled to amounts in the IRA. Retirement savings bond redemptions will be rounded to the nearest one cent.

§ 347.15 Computation of interest.

Retirement savings bonds under this subpart earn interest at the same annual percentage rate as securities issued to the Government Securities Investment Fund (G Fund) in the Thrift Savings Plan for federal employees. The Secretary calculates the G Fund interest rate pursuant to 5 U.S.C. 8438(e)(2). The retirement savings bond interest rate compounds daily at 1/360 of the annual percentage rate. Retirement savings bonds will cease to accrue interest on the date of their maturity.

§ 347.16 Maturity.

The maturity date for retirement savings bonds is indeterminate and may

be different for each bond issued, but shall not exceed the sum of an original maturity period of 20 years and an extended maturity period of 10 years. A retirement savings bond purchased by the IRA custodian on behalf of a participant will mature at the earlier of 30 years from the date the bond is first issued to the custodian on behalf of the participant or when its value reaches \$15,000.

■ 10. Add a new subpart C to read as follows:

Subpart C—Auto-IRA Programs

Sec.

347.30 Plan requirements for State Auto-IRA programs.

347.31 Crediting of retirement savings bond.

347.32 Annual additions to retirement savings bond.

347.33 Individual additions to retirement savings bond.

347.34 Payment (redemption).

347.35 Computation of interest.

347.36 Maturity.

347.37 Reservation of rights.

Subpart C—Auto-IRA Programs

§ 347.30 Plan requirements for State Auto-IRA programs.

(a) *Authorized form of registration.* Retirement savings bonds are issued to Auto-IRA custodians for state Auto-IRA programs. No other registrations under this subpart are permitted.

(b) *Documentation.* A state Auto-IRA program must provide documentation to Fiscal Service annually, in a form and manner acceptable to Fiscal Service, addressing the following topics:

(1) *Administration*—servicing of the retirement savings bonds, such as account maintenance, recordkeeping, and establishment of procedures for automatic payroll direct deposit contributions (or other funding means permitted under state Auto-IRA programs);

(2) *Account monitoring*—tracking and, when applicable, redeeming and reallocating retirement savings bond holdings (which may include investment diversification strategies) no later than when a retirement savings bond that may be held by the Auto-IRA custodian on behalf of a participant in a state Auto-IRA program reaches the \$15,000 maximum dollar threshold or 30 years, whichever occurs first;

(3) *Ability to transfer*—addressing how the state Auto-IRA program enables participants, at their discretion, to redeem their retirement savings bonds prior to maturity and transfer their retirement savings bond proceeds to another investment available in the State Auto-IRA program or to another provider, without imposing

unreasonable restrictions on voluntary investment diversification (which might occur through a transfer within or outside of a state Auto-IRA program);

(4) *Withdrawals*—addressing how the state Auto-IRA program enables participants, at their discretion, to make reasonable withdrawals from their Auto-IRAs;

(5) *Consumer protection*—addressing consumer protections in the program, including disclosures provided to participants;

(6) *Costs of administration*—describing any fees or other costs or expenses passed on to or otherwise borne by participants under the state Auto-IRA program (e.g., no more than reasonable administrative, custodial, asset management, or other fees, costs, or expenses);

(7) *Oversight*—addressing state Auto-IRA program oversight of Auto-IRA custodians and describing any protections in place for participants' funds invested in retirement savings bonds, including information relating to the protection of participants' funds in the event that the Auto-IRA custodian files for bankruptcy or otherwise experiences financial stress;

(8) *Pooling*—prohibiting the inclusion of retirement savings bonds as a component of another investment or asset category (such as a mutual fund or target-date fund);

(9) *Default investment*—obtaining, if applicable, Fiscal Service's further consent before any use of retirement savings bonds as a default, sole, or mandatory investment, even if temporary;

(10) *Consumer education*—describing plans to provide financial education to participants; and

(11) *Certification*—requiring a statement signed by an authorized senior official certifying that the documentation provided to Fiscal Service is accurate and complete, and that procedures are in place to timely notify Fiscal Service of any material changes in the future.

(c) *Successor custodian.* In the event a state Auto-IRA program designates a successor Auto-IRA custodian, that program may request that Fiscal Service reissue the retirement savings bonds held by the predecessor custodian to the successor custodian.

§ 347.31 Crediting of retirement savings bond.

Each retirement savings bond issued to an Auto-IRA custodian must be credited to an IRA under the state Auto-IRA program with the custodian.

§ 347.32 Annual additions to retirement savings bond.

The amount that initially may be contributed or added to a retirement savings bond in a calendar year by an Auto-IRA custodian on behalf of any participant is limited by the applicable annual contribution limits provided under the Internal Revenue Code and regulations. The total value of a retirement savings bond that may be held by an Auto-IRA custodian in an IRA on behalf of any participant shall not exceed \$15,000 for each state Auto-IRA program.

§ 347.33 Individual additions to retirement savings bond.

Fiscal Service is authorized to establish minimum amounts for initial and additional contributions to a retirement savings bond under this subpart.

§ 347.34 Payment (redemption).

The issuance and redemption of a retirement savings bond is conditioned on an Auto-IRA custodian certifying compliance with these regulations and with any additional program instructions identified by Fiscal Service that pertain to that bond.

(a) *Payment upon maturity.* Payment of retirement savings bonds will be made to an Auto-IRA custodian upon the custodian's submission of a request for redemption to Fiscal Service. The custodian shall request the redemption of all retirement savings bonds at their respective maturity. The custodian shall request the full or partial redemption of a bond held on behalf of a participant upon the request of the participant or other authorized person entitled to amounts in the IRA. Retirement savings bond redemptions will be rounded to the nearest one cent.

(b) *Payment upon call.* Final interest on any called bonds will be paid with the principal (amount contributed minus withdrawals taken) at redemption and rounded to the nearest one cent.

§ 347.35 Computation of interest.

Retirement savings bonds under this subpart earn interest at the same annual percentage rate as securities issued to the Government Securities Investment Fund (G Fund) in the Thrift Savings Plan for federal employees. The Secretary calculates the G Fund interest rate pursuant to 5 U.S.C. 8438(e)(2). The retirement savings bond interest rate compounds daily at 1/360 of the annual percentage rate. Retirement savings bonds will cease to accrue interest on the date of their maturity or call.

§ 347.36 Maturity.

The maturity date for retirement savings bonds is indeterminate and may be different for each bond issued, but shall not exceed the sum of an original maturity period of 20 years and an extended maturity period of 10 years. A retirement savings bond purchased by the Auto-IRA custodian on behalf of a participant will mature at the earlier of 30 years from the date the bond is first issued to the custodian on behalf of the participant or when its value reaches \$15,000.

§ 347.37 Reservation of rights.

The Commissioner of the Fiscal Service may decide, in his or her sole discretion, to take any of the following actions with respect to the retirement savings bonds offered under this subpart. Such actions are final. Specifically, the Commissioner reserves the right under this subpart:

(a) As a condition of Fiscal Service's issuance of retirement savings bonds to an Auto-IRA custodian under a state Auto-IRA program, to require a state Auto-IRA program to provide information to Fiscal Service concerning the state Auto-IRA program and retirement savings bonds offered under this subpart, including a certification by a senior official to the completeness and accuracy of the information requested;

(b) To refuse to issue retirement savings bonds to an Auto-IRA custodian in any particular case or class of cases;

(c) To suspend or cease offering retirement savings bonds to an Auto-IRA custodian;

(d) To call for redemption of any outstanding retirement savings bond; or

(e) To determine any appropriate remedy under this subpart.

■ 11. Redesignate subpart F (consisting of §§ 347.50, 347.51, and 347.52) as subpart D (consisting of §§ 347.40 through 347.42) and revise newly redesignated subpart D to read as follows:

Subpart D—Miscellaneous Provisions for Retirement Savings Bonds

Sec.

347.40 Waiver of regulations.

347.41 Additional requirements; bond of indemnity.

347.42 Supplements, amendments, or revisions.

Subpart D—Miscellaneous Provisions for Retirement Savings Bonds**§ 347.40 Waiver of regulations.**

The Commissioner of the Fiscal Service may waive or modify any provision or provisions of the regulations in this part. He or she may do so in any particular case or class of

cases for the convenience of the United States or in order to relieve any person or persons of unnecessary hardship:

(a) If such action would not be inconsistent with law or equity;

(b) If it does not impair any material existing rights; and

(c) If he or she is satisfied that such action would not subject the United States to any substantial expense or liability.

§ 347.41 Additional requirements; bond of indemnity.

The Commissioner of the Fiscal Service may require:

(a) Such additional evidence to support a requested action as he or she may consider necessary or advisable; or

(b) A bond of indemnity, with or without surety, in any case in which he or she may consider such a bond necessary for the protection of the interests of the United States.

§ 347.42 Supplements, amendments, or revisions.

The Secretary may at any time, or from time to time, prescribe additional, supplemental, amendatory, or revised rules and regulations governing retirement savings bonds.

David A. Lebryk,

Fiscal Assistant Secretary.

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DEPARTMENT OF DEFENSE**Office of the Secretary****32 CFR Part 269**

[Docket ID: DOD-2016-OS-0045]

RIN 0790-ZA12

Civil Monetary Penalty Inflation Adjustment

AGENCY: Under Secretary of Defense (Comptroller), Department of Defense.

ACTION: Final rule.

SUMMARY: This final rule is being issued to adjust for inflation each civil monetary penalty (CMP) provided by law within the jurisdiction of the United States Department of Defense (Department of Defense). The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the 2015 Act), requires the head of each agency to adjust for inflation its CMP levels in effect as of November 2, 2015, under a revised methodology that

was effective for 2016 and for each year thereafter.

DATES: This rule is effective January 19, 2017 and is applicable beginning on January 13, 2017.

FOR FURTHER INFORMATION CONTACT: Brian Banal, 703-571-1652.

SUPPLEMENTARY INFORMATION:

Background Information

The Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101-410, 104 Stat. 890 (28 U.S.C. 2461, note), as amended by the Debt Collection Improvement Act of 1996, Public Law 104-134, April 26, 1996, and further amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the 2015 Act), Public Law 114-74, November 2, 2015, required agencies to annually adjust the level of CMPs for inflation to improve their effectiveness and maintain their deterrent effect. The 2015 Act required that not later than July 1, 2016, and not later than January 15 of every year thereafter, the head of each agency must adjust each CMP within its jurisdiction by the inflation adjustment described in the 2015 Act. The inflation adjustment is determined by increasing the maximum CMP or the range of minimum and maximum CMPs, as applicable, for each CMP by the cost-of-living adjustment, rounded to the nearest multiple of \$1. The cost-of-living adjustment is the percentage (if any) for each CMP by which the Consumer Price Index (CPI) for the month of October preceding the date of the adjustment (January 15), exceeds the CPI for the month of October in the previous calendar year.

The initial catch up adjustments for inflation to the Department of Defense's CMPs were published as an interim final rule in the **Federal Register** on May 26, 2016 (81 FR 33389-33391) and became effective on that date. The interim final rule was published as a final rule without change on September 12, 2016 (81 FR 62629-62631), effective that date. The revised methodology for agencies for 2017 and each year thereafter provides for the improvement of the effectiveness of CMPs and to maintain their deterrent effect. Effective 2017, agencies' annual adjustments for inflation to CMPs shall take effect not later than January 15. The Department of Defense is adjusting the level of all civil monetary penalties under its jurisdiction by the Office of Management and Budget (OMB) directed cost-of-living adjustment multiplier for 2017 of 1.01636 prescribed in OMB Memorandum M-17-11, "Implementation of the 2017