

**Lists of Subjects in 14 CFR Part 97**

Air Traffic Control, Airports,  
Incorporation by reference, Navigation  
(Air).

Issued in Washington, DC, on February 16,  
2024.

**Thomas J. Nichols,**

*Manager, Aviation Safety, Flight Standards  
Service, Standards Section, Flight Procedures  
& Airspace Group, Flight Technologies &  
Procedures Division.*

**Adoption of the Amendment**

Accordingly, pursuant to the  
authority delegated to me, 14 CFR part  
97 is amended by establishing,  
amending, suspending, or removing  
Standard Instrument Approach  
Procedures and/or Takeoff Minimums  
and Obstacle Departure Procedures  
effective at 0901 UTC on the dates  
specified, as follows:

**PART 97—STANDARD INSTRUMENT  
APPROACH PROCEDURES**

■ 1. The authority citation for part 97  
continues to read as follows:

**Authority:** 49 U.S.C. 106(f), 106(g), 40103,  
40106, 40113, 40114, 40120, 44502, 44514,  
44701, 44719, 44721–44722.

■ 2. Part 97 is amended to read as  
follows:

*Effective 21 March 2024*

Batesville, AR, BVX, RNAV (GPS) RWY 8,  
Amdt 1E  
Clarksville, AR, H35, RNAV (GPS) RWY 9,  
Orig–D  
Malvern, AR, M78, RNAV (GPS) RWY 22,  
Orig–D  
Key West, FL, EYW, RADAR 1, Amdt 5A,  
CANCELED  
Ankeny, IA, IKV, RNAV (GPS) RWY 18,  
Amdt 2A  
Forest City, IA, FXY, RNAV (GPS) RWY 33,  
Orig–D  
Perry, IA, KPRO, RNAV (GPS) RWY 14, Orig–  
B  
Perry, IA, PRO, RNAV (GPS) RWY 14, Orig,  
SUSPENDED  
Perry, IA, KPRO, RNAV (GPS) RWY 32,  
Amdt 1B  
Perry, IA, PRO, RNAV (GPS) RWY 32, Orig,  
SUSPENDED  
Storm Lake, IA, SLB, RNAV (GPS) RWY 17,  
Orig–D  
Indianapolis, IN, KMJ, RNAV (GPS) RWY  
16, Amdt 1C  
Indianapolis, IN, 2R2, RNAV (GPS) RWY 18,  
Amdt 1E  
Indianapolis, IN, HFY, RNAV (GPS) RWY 19,  
Amdt 1D  
New Castle, IN, UWL, NDB RWY 10, Amdt  
1  
New Castle, IN, UWL, RNAV (GPS) RWY 10,  
Amdt 1  
New Castle, IN, UWL, RNAV (GPS) RWY 28,  
Amdt 1  
Sturgis, MI, KIRS, RNAV (GPS) RWY 19,  
Amdt 1D  
Anaconda, MT, 3U3, RNAV (GPS)–B, Orig

Anaconda, MT, 3U3, VOR–A, Amdt 2  
Omaha, NE, OMA, RNAV (GPS) Y RWY 36,  
Amdt 2B  
Superior, NE, 12K, RNAV (GPS) RWY 14,  
Orig–B  
Lakewood, NJ, N12, RNAV (GPS) RWY 6,  
Amdt 1A  
Lakewood, NJ, N12, RNAV (GPS) RWY 24,  
Amdt 1B  
Somerville, NJ, SMQ, RNAV (GPS) RWY 30,  
Amdt 2B  
Somerville, NJ, SMQ, VOR RWY 8, Amdt 12C  
Lancaster, OH, LHQ, RNAV (GPS) RWY 10,  
Amdt 1  
Lancaster, OH, LHQ, RNAV (GPS) RWY 28,  
Amdt 2  
Wilmington, OH, ILN, ILS OR LOC RWY  
22R, ILS RWY 22R (SA CAT I), ILS RWY  
22R (CAT II), ILS RWY 22R (CAT III),  
Amdt 6B  
Wilmington, OH, ILN, RNAV (GPS) RWY  
22R, Amdt 1  
Zanesville, OH, ZZV, VOR RWY 4, Amdt 7,  
CANCELED  
Zanesville, OH, ZZV, VOR RWY 22, Amdt 4,  
CANCELED  
Sioux Falls, SD, FSD, RNAV (GPS) RWY 9,  
Orig–G  
Cowley/Lovell/Byron, WY, U68, NDB RWY  
9, Amdt 2B, CANCELED  
Cowley/Lovell/Byron, WY, U68, Takeoff  
Minimums and Obstacle DP, Amdt 3  
Greybull, WY, KGEY, Takeoff Minimums and  
Obstacle DP, Amdt 3

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**DEPARTMENT OF THE TREASURY****Bureau of the Fiscal Service****31 CFR Part 344**

**[FISCAL–2022–0002]**

**RIN 1530–AA25**

**U.S. Treasury Securities—State and  
Local Government Series**

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

**ACTION:** Final rule.

**SUMMARY:** The Department of the  
Treasury (Treasury) is issuing this final  
rule to amend the regulations governing  
State and Local Government Series  
(SLGS) securities. SLGS securities are  
non-marketable Treasury securities that  
are available for purchase only by  
issuers of tax-advantaged securities. The  
final rule amends the SLGS regulations  
to prevent impermissible uses of the  
SLGS program, most notably the use of  
program flexibilities by tax-advantaged  
entities, usually a state or local  
government, investing in SLGS  
securities to create impermissible cost-  
free options. The final rule amends the  
existing regulations to prevent such  
activity. In addition, the final rule

makes administrative changes to  
increase efficiencies in the program.

**DATES:** This final rule is effective August  
26, 2024.

**FOR FURTHER INFORMATION CONTACT:**

Mike Goodwin, Division Director, Jared  
Waters, Program Manager, Brian Metz,  
Senior Counsel, or Elizabeth Spears,  
Senior Counsel, via email at [SLGS@fiscal.treasury.gov](mailto:SLGS@fiscal.treasury.gov), by telephone at (304)  
480–5299, or via U.S. Mail at Bureau of  
the Fiscal Service, P.O. Box 396,  
Parkersburg, WV 26106–1328.

**SUPPLEMENTARY INFORMATION:****I. Overview of Rulemaking**

On September 30, 2022, Treasury  
published a notice of proposed  
rulemaking (NPRM) with request for  
comments (87 FR 59353, September 30,  
2022), proposing amendments to the  
regulations governing U.S. Treasury  
securities of the State and Local  
Government Series (SLGS). The  
proposed amendments addressed  
certain practices of investors in SLGS  
securities that Treasury considers to be  
an inappropriate use of the SLGS  
securities program. The comment period  
ended on November 29, 2022, and  
Treasury received two comment letters.  
After careful consideration of the  
comments, Treasury is now issuing a  
final rule.

The NPRM proposed amendments to  
the SLGS regulations to address  
impermissible uses of the SLGS  
program, most notably the misuse of  
program flexibilities by tax-advantaged  
entities, usually a state or local  
government, investing in SLGS  
securities to create impermissible cost-  
free options. The NPRM proposed  
amendments designed to stop such  
activity. Additionally, the NPRM  
proposed administrative changes to  
increase efficiencies in the program.

In the final rule, Treasury is adopting  
all but one of the proposed  
amendments. In response to the public  
comments, Treasury is providing  
additional detail and clarification  
herein.

The following discussion provides  
background on previous related  
rulemakings, explains the NPRM's  
proposed amendments, addresses the  
public comments on those proposed  
amendments, and describes the final  
rule.

**II. Background**

SLGS securities are a type of non-  
marketable Treasury security that is  
available for purchase by state and local  
governments and other issuers (as  
defined in 31 CFR 344.1) of tax-  
advantaged bonds (Issuers). SLGS

securities have been issued by Treasury since 1972. The purpose of the SLGS program is to assist state and local government Issuers in complying with yield restriction and rebate requirements applicable to tax-advantaged bonds under the Internal Revenue Code.

Generally, the arbitrage requirements under the Internal Revenue Code provide that with certain exceptions, the proceeds of a tax-advantaged bond may not be invested at a yield that is materially higher than the yield on the bond (26 CFR 1.148–2). In the limited circumstances in which bond proceeds may be invested above the bond yield, the bond issuer generally is required to rebate to the Federal Government any earnings in excess of the bond yield.

SLGS securities may only be purchased with eligible funds (defined in 31 CFR 344.1). For SLGS Time Deposit securities (defined in 31 CFR 344.4) that bear interest, purchasers may generally select any maturity period from 30 days to 40 years and any interest rate that does not exceed the applicable SLGS rate for that maturity published in the daily SLGS rate table. Since 2005, the maximum SLGS rates have been set at the current Treasury borrowing rate less one basis point. Purchasers of SLGS securities have the flexibility to structure the securities with specified payment dates and yields.

In 1996, Treasury amended the regulations governing SLGS securities to eliminate certain requirements that had been introduced at various times since 1972, and to make the program a more flexible and competitive investment vehicle for Issuers (61 FR 55690, October 28, 1996). Under the 1996 regulations, Treasury also added a provision to permit Issuers to subscribe for SLGS securities and subsequently cancel the subscription, without a penalty, under certain circumstances. This additional flexibility led to unintended consequences in the SLGS program, primarily the creation of cost-free options.

Subsequently, in a series of regulatory amendments, Treasury has instructed that Issuers cannot use the flexibilities in the program, such as the ability to subscribe for SLGS and marketable securities and to select interest rates and maturities on SLGS securities, in a manner that either creates a cost-free option or is not necessary for the Issuer's compliance with yield restriction and rebate requirements. In 1997, Treasury amended the regulations to prohibit the use of the SLGS program to create a cost-free option in certain circumstances (62 FR 46444, September

3, 1997). Treasury stated in the preamble to the rulemaking that it was inappropriate to use the SLGS securities program as an option and provided examples of unacceptable practices. These practices included, among others, subscribing for SLGS securities for an advance refunding escrow and simultaneously purchasing marketable securities for the same escrow, with the plan that the marketable securities would be sold if interest rates declined or the SLGS subscription would be canceled if interest rates did not decline.

In 2004, Treasury proposed further amendments. In a proposed rule published in September 2004 (69 FR 58756, September 30, 2004) (2004 NPRM), Treasury indicated that it had become aware of several other practices involving SLGS securities that are also inappropriate uses of the securities and contrary to the purpose of the program. Several regulatory amendments were proposed to address these practices and other miscellaneous items. The 2004 NPRM addressed the redemption before maturity or sale of securities to reinvest at a higher yield, as well as the cancellation of subscriptions for the purchase of SLGS securities and re-subscribing at a higher yield when interest rate movements were favorable.

The 2004 NPRM reiterated that Treasury views the practice of requesting redemption of SLGS securities before maturity to take advantage of relatively infrequent updates to SLGS interest rates as an inappropriate use of SLGS securities. Even if undertaken to eliminate negative arbitrage (where bond proceeds have been invested at a yield that is less than the yield on the Issuer's bond), Treasury considers the practice to be a cost-free option and inconsistent with the purpose of the SLGS program. Treasury noted that there is a direct cost of such actions to Treasury because Treasury is not being compensated for the value of the option; that the practice results in volatility in Treasury's cash balances and increases the difficulty of cash balance forecasting and thereby increases Treasury's borrowing costs; and that there are administrative costs. The 2004 NPRM proposed a new provision making it impermissible to purchase a SLGS security with a maturity longer than is reasonably necessary to accomplish a governmental purpose of the Issuer. After reviewing the public comments and considering other measures being taken to stop the creation of cost-free options, Treasury decided not to implement the rule against purchasing securities with maturities longer than reasonably

necessary to accomplish a governmental purpose.

The 2005 final rule (70 FR 37904, June 30, 2005) addressed several inappropriate practices that provided SLGS investors cost-free options or arbitrage opportunities that are not available in marketable securities. Those practices imposed substantial costs on the Federal Government. The amendments in the 2005 final rule were intended to make investments in SLGS securities more closely resemble investment opportunities available in Treasury marketable securities.

While implementation of the 2005 final rule put an end to many of the impermissible practices, Treasury still observed misuses within the SLGS program whereby program flexibilities were used to create cost-free options. For these reasons, the September 30, 2022 NPRM proposed the amendments described below to eliminate certain practices that persisted after Treasury's previous rule amendments. Treasury intends these amendments to also address new, yet similar, types of transactions that may also create impermissible cost-free options. Treasury believes that the amendments proposed in the NPRM retain sufficient flexibility for Issuers to appropriately select maturities and interest payment dates (a principal reason that SLGS securities are an attractive investment vehicle for Issuers) without creating cost-free options.

The final rule amendments will apply only to SLGS subscriptions started on or after August 26, 2024, the effective date of the final rule.

### III. Proposals, Comments, and Final Rule

Treasury received two public comment letters on the NPRM: one from a nonprofit organization and bar association representing attorneys who work in the municipal bond market, and one from an independent municipal advisory firm. In general, the commenters objected to proposed rule amendments that would reduce flexibilities in the program. Commenters expressed concern that certain of the proposed amendments were vague or insufficiently clear. The commenters also made certain suggestions pertaining to items outside of the scope of the NPRM's proposed amendments. Comments within the scope of the NPRM are addressed below.

#### *A. Proposals To Address Impermissible Use of Flexibilities in the Program To Create Cost-Free Options*

In the NPRM, Treasury explained that, despite prior rule amendments to

explicitly prohibit the creation of cost-free options within the SLGS program, it has observed misuse where purchasers buy long-term SLGS securities and then redeem the security before maturity when interest rates move in a favorable manner to capture a redemption premium. To eliminate the creation of cost-free options, Treasury proposed imposing a requirement that the term of the SLGS security subscribed for is no longer than reasonably necessary for the Issuer's governmental purpose (as defined in § 344.1 of the proposed rule) for its purchase of the security and that Issuers must hold Time Deposit securities for a minimum amount of time before requesting an early redemption.

#### 1. No Maturity Longer Than Necessary

To eliminate the cost-free option, the final rule adds a new restriction on maturity lengths in § 344.2(f)(1)(iv) that will be evidenced by a duration certification under § 344.2(e)(3) requiring the Issuer to certify that the length of the maturity of a SLGS security subscribed for is no longer than reasonably necessary for the underlying governmental purpose of the investment. To further explain what it considers to be the creation of an impermissible a cost-free option, Treasury is amending the non-exhaustive list of impermissible transactions in § 344.2(f)(1) by adding a new functional description. This description exhibits an impermissible practice of purchasing or redeeming prior to maturity a SLGS security with a term that is longer than is reasonably necessary to accomplish the governmental purpose.

Creating a subscription in the SLGSafe system (the secure internet site through which subscribers submit SLGS securities transactions) currently requires several certifications before a subscription can be completed; however, there is currently not a certification on the term of the SLGS security. The NPRM proposed a new duration certification which is intended to address a practice where an Issuer, in response to the direction of interest rates, purchases a SLGS security with a term longer than necessary for its governmental purpose, and then redeems the security before maturity to collect a premium.

The current rule at § 344.2(e) requires the Issuer or its agent to make: (1) an agent certification, and (2) a yield certification upon submitting a subscription for purchase of SLGS securities. Both certifications are currently incorporated into the subscription process within the SLGSafe

system. The new duration certification will be added to the existing certifications in SLGSafe and will not require any additional paperwork or other administrative burden. Demand Deposit securities (as defined in 31 CFR 344.7) have a maturity of one day and will not be subject to the duration certification.

Treasury received comments from both commenters on the proposed duration certification. One commenter expressed concern that the duration certification requirement is vague and may cause confusion, while the other commenter requested further details on the process by which an Issuer would fulfill the certification requirement and requested that the requirement not impose an additional cost or burden on the Issuer.

Treasury has considered these comments and has determined that implementation of the duration certification is necessary to help stop inappropriate uses of the program. The duration certification requires that the term of the security subscribed for must be "reasonably" necessary for the Issuer's governmental purpose (as defined in § 344.1). The duration certification requirement provides needed clarity but also allows for some limited flexibility in matching the security term to the governmental purpose. At the time of subscription, Issuers should have a reasonable understanding of their maturity requirements for a particular subscription. Additionally, by incorporating the duration certification into the existing subscription process, in which other required certifications (§ 344.2(e)) already exist, there is no additional burden or expense for Issuers. In this final rule, Treasury has updated the duration certification language in § 344.2(e) to better match the requirement in § 344.2(f)(1).

#### 2. Impermissible Practices

Transactions that impermissibly take advantage of the flexibilities afforded to Issuers in the SLGS program to create cost-free options are prohibited. The final rule includes additional examples of impermissible practices in § 344.2(f)(2). However, the list of examples in the regulation is non-exhaustive. These restrictions are necessary to curb the use of the SLGS program as a cost-free option. Previous efforts to eliminate the creation of cost-free options within the program have not adequately addressed these activities, and no alternatives have been identified that would be workable to achieve this goal.

There were no comments on the proposed addition of examples of impermissible practices, and accordingly Treasury adopts the amendment as proposed.

#### 3. Increase in Minimum Holding Period Before Notification for Early Redemption of Time Deposit Securities

In the NPRM, Treasury proposed requiring a minimum 14-day holding period after a Time Deposit security has been issued and before the Issuer may request an early redemption of a Time Deposit note or bond. Treasury is adopting this change as proposed. Under the current regulations, the Issuer may request early redemption of a Time Deposit security as early as the day after Treasury issues the SLGS security. While a request for early redemption may be submitted as soon as the day after issue, a Time Deposit security that is a certificate of indebtedness of 30 days or more has a minimum 25-day holding period for redemption, and a Time Deposit security that is a note or bond has a minimum 30-day holding period for redemption. Treasury is not amending these minimum holding periods for redemption; however, Treasury is increasing the holding period, as proposed, prior to an Issuer being permitted to request an early redemption of a Time Deposit security that is a note or bond. In other words, the minimum holding period for requesting early redemption is increased, while the minimum holding period for early redemption remains the same. For example, currently a Time Deposit security that is a note or bond issued on the first day of a month may not be early redeemed prior to the 31st of that month, and notice of the early redemption may be submitted as early as the second day of that month. Under the final rule, that same Time Deposit security still may not be early redeemed prior to the 31st of the month of issuance, but notice of early redemption may not be submitted until the 15th day of that month (after the minimum 14-day holding period).

Because the interest rate used to calculate a premium or discount on an early redemption of a Time Deposit security is fixed as of the date that the early redemption of the security is requested, there are currently opportunities for Issuers to use the early redemption flexibility to generate premiums within the SLGS program. Treasury considers this to be the creation of a cost-free option and therefore impermissible. Increasing the minimum holding period before an Issuer may request early redemption will deter the creation of this type of

impermissible cost-free option by increasing the interest rate risk to a more meaningful level than exists under current regulations. It is Treasury's view that even more than *de minimis* risk to the Issuer does not change the fact that this is still a cost-free option and, either with or without risk, is an impermissible practice.

One commenter expressed concern that the minimum holding period could have an unintended negative impact on Issuers whose circumstances have changed or may require cash proceeds sooner than the proposed 14-day minimum holding period. Treasury believes this concern is misplaced, because Treasury is not changing the length of time that a Time Deposit security must be held prior to early redemption. The change is only to the amount of time that the security must be held prior to the Issuer making the request for early redemption. Therefore, Treasury adopts the amendment as proposed.

#### 4. Specifying the Maturity of Time Deposit Securities

The NPRM proposed requiring that all Issuers must provide a maturity date at the start of a subscription, rather than by the time of completion of the subscription. The NPRM proposed that when starting a Time Deposit security subscription under § 344.5(b)(5) and completing a subscription under § 344.5(e)(2), the Issuer must separately itemize the maturity date(s) by individual Time Deposit security. If necessary, Issuers could still adjust the maturities of each of the Time Deposit securities, within certain parameters as described below.

One commenter expressed concern that adding this requirement could cause a problem for Issuers that know the minimum settlement requirement, but do not know the full details at the time of starting the subscription. The commenter's concern appears to be that this requirement may be overly burdensome and result in additional potential errors in the subscription details.

The NPRM did not propose adding additional requirements to the overall information necessary to issue a SLGS security. Specifying the term of a Time Deposit security has always been a requirement prior to issuance of that security in the SLGSafe system. Treasury is merely adjusting the time at which the security information must be provided from the time of issuance to the start of a SLGS subscription. Consequently, there is no additional burden placed upon an Issuer as to the type of information that must be

provided to Treasury. Further, with respect to the risk of potential errors in the information that will be needed to start the SLGS subscription, SLGSafe will continue to include flexibility for the Issuer to adjust the initial established term of the security, within certain limits, to better match the projected needs of the Issuer that may change in the time between the start of the subscription and the issuance of the security. If the Issuer's circumstances change such that the built-in flexibilities are inadequate to address the needed correction, the Issuer may contact Treasury and request a waiver under the rules to allow for an adjustment to the maturity date. Treasury will carefully review the waiver request and any relevant supporting information, as it currently does with waiver requests, to ensure that there is no creation of an impermissible cost-free option. The request should explain any time exigencies so that Treasury can timely reply to the request. Therefore, Treasury adopts the rule amendment as proposed.

#### 5. Limiting Maturity Adjustments on Time Deposit Securities

The NPRM proposed limiting Issuer adjustments to the maturity of a Time Deposit security before issuance. While this flexibility is an attractive feature of the SLGS program, it is also a flexibility where Treasury has observed repeated misuses of the program to create cost-free options. The NPRM proposed a new restriction that the Issuer cannot change the maturity date on a Time Deposit security by more than 30 days for certificates of indebtedness, six months for notes, and one year for bonds. The proposed rule amendments retain the Issuer's flexibility in setting the maturity of SLGS securities, while removing the ability to alter maturities beyond the time required to accomplish a governmental purpose. The flexibility retained in this provision will allow appropriate amendments to subscriptions for the purchase of SLGS securities while curbing efforts to create impermissible cost-free options.

One commenter requested that Treasury provide clear direction on the permissible and impermissible adjustments that may be made to the maturity of a Time Deposit security prior to issuance. Treasury believes the final rule provides clarity regarding these terms.

For example, an Issuer that subscribes for a certificate of indebtedness Time Deposit security with a maturity of 60 days may amend the maturity of that security prior to issuance by either lengthening or shortening the term by up to 30 days, such that the amended

term may be any length between 30 days and 90 days, subject to other applicable rule requirements. A certificate of indebtedness subscribed for with a term of 360 days may be amended prior to issuance such that the term may be any length between 330 days and 390 days, subject to other applicable rule requirements. An Issuer that subscribes for a note Time Deposit security with a term of 5 years may amend the maturity prior to issuance by either lengthening or shortening the term by up to 6 months, such that the term may be any length between 4 years and 6 months, and 5 years and 6 months, subject to other applicable rule requirements. An Issuer that subscribes for a bond Time Deposit security with a term of 15 years may amend the maturity prior to issuance by either lengthening or shortening the term by up to 1 year, such that the term may be any length between 14 years and 16 years, subject to other applicable rule requirements.

The amount that a maturity can be adjusted is based on the term of the Time Deposit security as originally subscribed for, not the term of the resulting security after adjustment. For example, a note Time Deposit originally subscribed for with a term of 9 years and 7 months could be adjusted to a term of 10 years and 1 month. Even though the resulting security after adjustment is a bond Time Deposit security, the restriction on the amount of the adjustment is based on the Time Deposit security prior to any adjustment, which was a note Time Deposit security in this example.

Additionally, Time Deposit securities whose maturities are adjusted more than once prior to issuance remain subject to the adjustment restriction based on the term of the security originally subscribed for, not on the term after the adjustments. For example, where a Time Deposit security was originally subscribed for with a term of 10 years, the maturity can be adjusted multiple times within SLGSafe prior to issuance; however, regardless of any maturity adjustments prior to issuance, the maximum term of the security remains 10 years and 6 months, and the minimum term remains 9 years and 6 months. Treasury reiterates that in addition to complying with these adjustment restrictions, the final maturity chosen must be no longer than reasonably necessary for the underlying governmental purpose of the investment, as required by the new duration certification described above.

While this provision permits changes to the term of a Time Deposit security, Treasury emphasizes that such flexibilities are intended to address

situations when there is a change related to the governmental purpose after a subscription is started and prior to the issuance of the security, such as changes in projections of when the funds will be needed to meet disbursement or payment needs. Such flexibility is not provided for the purpose of adjusting maturities in response to movements in interest rates, anticipated movements in interest rates, or for any reason other than a change in circumstances that requires an adjustment to the maturity date. A change made to the maturity date for any other reason, even if the change complies with the adjustment restrictions described in this section, is prohibited under the final rule as the creation of an impermissible cost-free option.

#### 6. Changing Principal Amounts on Time Deposit Securities

Treasury's current regulation provides that the aggregate principal amount originally specified in a SLGS subscription cannot be changed by more than 10 percent. The NPRM proposed to apply the 10 percent limit to each Time Deposit security rather than to a SLGS subscription as a whole. The "limiting maturity adjustments on Time Deposit Securities" proposed amendment would be ineffective if Issuers could simply "shift" subscribed for amounts from one Time Deposit security to another Time Deposit security with a significantly different maturity date.

Both commenters expressed concerns about the proposed change. One commenter noted that it could cause problems for Issuers that subscribe for SLGS securities when the minimum settlement amount is known but the full details for the subscription are not known at the time of starting a subscription. The other commenter expressed concern that this change would negatively impact the flexibility of Issuers to adjust subscriptions at the Time Deposit security level prior to issuance. The commenter also stated that maximum flexibility in refining subscriptions allows for optimal utilization of the SLGS program.

Even with the proposed amendment, appropriate flexibilities for Issuers remain. The current requirement on the amount that a SLGS subscription as a whole may be adjusted (+/- 10%) is not being amended. The amendment requires that the Time Deposit security specific information that is required in all subscriptions prior to issue date, must be provided at the start of a SLGS subscription. The amendment is tailored to avoid the creation of impermissible cost-free options. Further, if the

circumstances of an Issuer change such that the remaining flexibility is inadequate to address a necessary correction, the Issuer can contact Treasury and request a waiver under the rules to allow for a larger adjustment to the principal amount on the specific Time Deposit securities required. Therefore, Treasury adopts amendment as proposed.

#### 7. Changing Principal Amounts on Demand Deposit Securities

In the NPRM, Treasury did not propose any amendments pertaining to the principal amounts for Demand Deposit securities. Accordingly, there were no comments relating to the rule as it pertains to Demand Deposit securities, and they will remain subject to the current rule that the aggregate principal amount may not be changed by more than 10 percent above or below the amount originally specified in the subscription.

#### B. Proposals To Address Administrative Updates and Changes to the Program

##### 1. Purpose of the SLGS Program

In the NPRM, Treasury proposed reinserting language that the purpose of the SLGS program is "to assist in complying with applicable provisions of the Internal Revenue Code" as it appeared prior to the amendments made in 2005. At that time, Treasury updated the stated purpose of the SLGS program based on commentors' views that it was vague. However, the 2005 amendment was perceived as causing confusion among Issuers that interpreted the amendment to mean that the program could be used for broader, unintended purposes, such as eliminating negative arbitrage, in contravention of the rule against cost-free options.

Treasury received no comments on the proposed amendment to § 344.0(a) stating the purpose of the SLGS program and adopts the amendment as proposed.

##### 2. Definitions Updates

The NPRM proposed amendments to certain definitions used in the SLGS program, including revisions to some existing definitions and the addition of new definitions to help clarify various provisions in the rules.

The NPRM proposed amending the definition of "business day" in § 344.1 to clarify which days normal processing of SLGS securities transactions will occur. Treasury received no comments on the proposed amendment and adopts the change as proposed.

The NPRM proposed amending the definition of "Issuer" in § 344.1 to update the definition to better align

with the IRS arbitrage regulations.

Treasury received no comments on the proposed amendment and adopts the change as proposed.

The NPRM proposed amending the definition of "eligible source of funds" to better align with the relevant portions of the Internal Revenue Code and the Income Tax Regulations. Treasury received no comments on the proposed amendment and adopts the change as proposed.

The NPRM proposed adding a definition of "cost-free option" in § 344.1 that states that "the use of any provision(s) in the SLGS program to exploit movements in interest rates, including, but not limited to, those designed to provide marginal flexibility to Issuers in structuring their SLGS investments" constitutes a cost-free option, which is prohibited in the rules. One commenter expressed concern that the definition may be overly broad and suggested stating that the definition of a cost-free option is specific to SLGS and other Treasury obligations. Treasury intentionally drafted the definition of cost-free option broadly to encompass all situations in which impermissible actions could be taken by Issuers to exploit the movement in interest rates. Past behavior by Issuers supports this broad definition. These misuses have primarily arisen through the creation of inappropriate cost-free options. Treasury notes, however, that the definitions set out in § 344.1 are specific to the SLGS program and do not purport to apply outside of part 344. Therefore, Treasury adopts the addition of the definition of cost-free option as proposed.

In the NPRM, Treasury proposed adding a definition of "marketable security" in § 344.1 that closely aligns with the example published in the SLGS Frequently Asked Questions. Treasury received no comments on the proposed amendment and adopts the addition of the definition of marketable security as proposed.

The NPRM proposed adding a definition of "tax-advantaged bond" in § 344.1 that corresponds with the definition of the types of bonds to which the relevant portions of the Internal Revenue Code and the Income Tax Regulations (generally 26 U.S.C. 148 and 26 CFR 1.148-0 through 1.148-11) apply. Treasury received no comments on the proposed amendment and adopts the addition of the definition of tax-advantaged bond as proposed.

The NPRM proposed adding a definition of "governmental purpose" in § 344.1 clarifying that using the SLGS program to create cost-free options is not a permitted governmental purpose.

Treasury received no comments on the proposed amendment and adopts the addition of the definition of governmental purpose as proposed.

### 3. Certification of Eligibility To Purchase

The NPRM proposed adding a new § 344.2(e)(4) that would add a certification on the Issuer's eligibility to purchase SLGS securities. This certification would require the Issuer to notify Treasury if, at any point while SLGS securities are outstanding, the issuer becomes ineligible to purchase SLGS securities or the funds used to purchase SLGS securities are no longer "an eligible source of funds." The notification requirement would apply to all outstanding SLGS securities (*e.g.*, Time Deposit, Demand Deposit, and special 90-day certificates of indebtedness). Once Treasury receives notification that funds used to purchase a SLGS security are no longer "an eligible source of funds," reinvestment of those funds after maturity into another SLGS security will not be permitted. Because Demand Deposit SLGS are one-day certificates of indebtedness that are automatically rolled over each day until redemption is requested, Treasury will deem the notification to be a request to redeem those outstanding Demand Deposit securities that are affected by the ineligibility under § 344.9, as amended. The Issuer would not be required to early redeem Time Deposit securities that are outstanding at the time of the notification because Time Deposit securities are longer-term securities that would have been purchased with an eligible source of funds at the time of issuance. Likewise, special 90-day certificates of indebtedness purchased with funds that are no longer considered "an eligible source of funds" would be redeemed either upon maturity (*i.e.*, would not be rolled into a new special 90-day certificate of indebtedness) or upon reversion to Demand Deposit securities and would not have to be early redeemed.

One commenter on the proposed rule asked for additional detail on the process through which an Issuer would certify its eligibility to purchase SLGS securities. Additionally, the commenter suggested that the regulations would be enhanced by clarifying any timing requirements associated with the notification. Treasury anticipates incorporating the eligibility certification into the existing certification process within the SLGSafe system that is used to subscribe for the purchase of SLGS securities. Treasury further clarifies that an Issuer must notify Treasury when the

Issuer receives a "final adverse determination" letter from the IRS informing the Issuer that the funds status has changed and the funds are no longer considered proceeds from a tax-advantaged bond. If an Issuer has any question about a particular instance or IRS determination, that Issuer may contact Treasury with its specific details and seek further guidance on what, if anything, is required under the eligibility certification.

After considering this comment, Treasury has decided to adopt the amendment as proposed.

### 4. SLGS Rate Table

In the NPRM, Treasury proposed amending § 344.4(b)(1) to state that Treasury will post the SLGS rate table "by 10 a.m. Eastern Time each business day or as soon as practicable thereafter," to provide Treasury more flexibility in those rare instances where the SLGS rate table cannot be released to the public by 10 a.m. Eastern Time. The amendment would provide that if no SLGS rate table has been published by 11 a.m. Eastern Time, then the SLGS rate table for the preceding business day would apply.

One commenter on the proposed rule stated that the amendment to the time for posting the SLGS rate table would increase ambiguity surrounding the timing for when the SLGS rates may be published and could adversely affect Issuers that price bonds in the market before 11 a.m. Eastern Time. The commenter suggested that the provision should not be amended. Treasury appreciates the concerns expressed in the comment, and the proposal would maintain the general expectation that the SLGS Rate Table would be published by 10 a.m. each business day. However, there may be rare situations where it is not feasible for Treasury to post the SLGS rates by 10 a.m. (for example due to an operational issue such as internet connectivity), and the proposed amendment would provide Treasury limited flexibility in posting the rates shortly thereafter.

Additionally, the SLGS window remains open until 10 p.m. Eastern Time each business day and provides ample time for Issuers to finalize pricing and enter a subscription in the SLGSafe system. Therefore, Treasury adopts the amendment as proposed.

### 5. Lead Time for the Establishment of the Issue Date

The NPRM proposed amending the lead time for an Issuer to subscribe for SLGS securities from 60 to 45 calendar days. Moving the subscription date closer to the issue date would provide

more accurate pricing for SLGS securities and would narrow the window of time in which an impermissible cost-free option could be created. Since less than 4 percent of SLGS subscriptions are started more than 45 days in advance of issue date, the impact of the proposed reduction in subscription lead time on Issuers should be minimal.

Treasury received comments from both commenters suggesting that maintaining the existing 60-day lead time would benefit Issuers in bond pricing and issuance especially during times of an impending debt limit contingency. In light of the other amendments in the final rule that are designed to reduce the opportunity to create impermissible cost-free options, Treasury accepts these comments and is not amending the current 60-day lead time for subscriptions to be submitted in SLGSafe.

### 6. Subscription Process

The NPRM proposed amendments to update §§ 344.5(e) and 344.8(e), which detail the information necessary for an issuer to start and complete the subscription process for Time Deposit and Demand Deposit securities, respectively. Updates are required due to the changes implemented by this rule. These amendments will help reduce opportunities to create impermissible cost-free options.

One commenter stated that some Issuers that currently subscribe for SLGS in time to account for the minimum settlement requirement do not know the full details of their subscription at the time of initial subscription. The commenter noted that requiring these Issuers to provide full subscription details at the time of initial subscription may be overly burdensome and result in potential errors in subscription details.

The proposed amendments would not add new requirements to the overall information necessary to issue a SLGS security. The maturity date for a Time Deposit security has always been a requirement prior to issuance. Treasury is only adjusting the time at which the Time Deposit security information must be provided, from the time of issuance to the start of a SLGS subscription. Hence, there is no additional burden on an Issuer as to the type of information that must be provided to Treasury. As to the concern about potential errors, Treasury is building in flexibility to allow the Issuer to adjust the previously established maturity of each Time Deposit security to better match the projected needs of the Issuer prior to the issuance of that security. If there are

significant changes to an Issuer's circumstances and the SLGS program's flexibilities are inadequate to address the necessary changes, the Issuer can contact Treasury and request a waiver under the rules to allow for an adjustment to the Time Deposit security's maturity date. Therefore, Treasury adopts the amendment as proposed.

#### 7. Identification of the Tax-Advantaged Bond Issue

The NPRM noted that under the current rule, the underlying tax-advantaged bond issue must be identified when the Issuer "starts" and "completes" the subscription for SLGS securities. This requirement has been in the current regulation since the 2005 rule required the Issuer to enter a description of the Issuer's tax-exempt bond issue, such as "Water and Sewer Revenue Bonds Series 2004" (70 FR 37904, 37907, June 30, 2005). Subsequently, the Municipal Securities Rulemaking Board (MSRB) launched its Electronic Municipal Market Access (EMMA®) system, and EMMA has now become the official repository for municipal securities disclosures.

Given that EMMA generally contains information about state and local government bonds, the NPRM proposed requiring that if a bond issue is registered in EMMA, the Issuer must adhere to the naming convention supplied in the "issue description" field on the "Security Information" tab in EMMA at <https://emma.msrb.org> when describing the tax-advantaged bond in SLGSafe. If the EMMA website amends its naming convention, the Issuer would supply the updated registration as it is presented in EMMA or its successor system.

The Issuer would be able to input the "EMMA registration" into SLGSafe at the time the subscription is started, but that information could be changed or updated at any time. This would allow additional time for the Issuer to update the description field if the bond issue has not yet been registered with EMMA when the subscription is started. Coordinating the EMMA registration information with the underlying bond issuance field in SLGSafe will assist Treasury in determining if the amounts are an "eligible source of funds" that may be used to purchase SLGS securities.

One commenter on the proposed amendment expressed concern that the requirement to provide EMMA registration information may prevent Issuers from using the SLGS program because the requirement to identify a single bond issue eliminates Issuers'

ability to invest commingled debt service reserve funds. Treasury is not amending its rules to change which funds can be used to purchase SLGS securities, including comingled funds. If the funds qualify as an eligible source of funds, the proposed amendment does not change their eligibility. Treasury intends to provide capability within SLGSafe for an Issuer to enter EMMA information for multiple registrations if needed.

A commenter also raised concerns that in many instances, an escrow trustee will file the subscription for SLGS securities. Given the escrow trustee's limited role in most bond issues, the commenter suggested that the additional identification requirement may cause confusion or result in faulty subscriptions for SLGS securities. An escrow trustee, acting as an agent on behalf of the Issuer, should be privy to the information surrounding an EMMA registration. Therefore, Treasury believes that requiring an agent for the Issuer to provide this information during the subscription process should not be unduly burdensome or costly.

Another commenter expressed concern that Issuers may use naming conventions other than the EMMA registration's naming convention for use within their own records and that requiring Issuers to change their naming conventions to those used in the EMMA registration could cause problems. To implement this amendment, Treasury is requiring that the EMMA registration information be entered in the existing "Underlying Bond Issue" field within SLGSafe, while retaining flexibility for Issuers to continue current practices used when subscribing for SLGS securities. The amendment requires the same information, a description of the bond issuance, including the required EMMA description (where available), while allowing flexibility for the Issuer to include its own naming convention.

Finally, a commenter noted that there are instances when the name of the issue is incorrectly entered on EMMA. Because Treasury may use this information to identify the underlying bond issue, the EMMA information provided should appear exactly as it does in the EMMA system. If there are any updates or corrections in the EMMA system, an Issuer must update the EMMA information in SLGSafe as soon as possible.

For these reasons, Treasury adopts the amendment as proposed.

#### 8. Special Zero Interest Securities and Subscriptions on or Before December 27, 1976

The NPRM proposed removing subpart D of the current rule, as special zero interest securities were discontinued by Treasury on October 28, 1996, and all outstanding SLGS securities issued on or before December 27, 1976, matured by November 1, 2013. Treasury received no comments on this proposal and is removing §§ 344.5(e)(4) and 344.6(g) as proposed.

#### 9. Debt Limit Contingency

##### a. Treasury's Discretion To Leave Demand Deposit Securities Invested or To Invest in Special 90-Day Certificates of Indebtedness

The NPRM noted that the current SLGS rules state that at any time the Secretary determines that issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit, Treasury must invest any unredeemed Demand Deposit securities in special 90-day certificates of indebtedness. Treasury proposed amending § 344.7(b) to provide the Secretary with the flexibility to exercise discretion to either leave the unredeemed Demand Deposit securities invested or to invest them in special 90-day certificates of indebtedness.

Treasury received no comments and therefore adopts the amendment as proposed.

##### b. Terms Applying to Invested Demand Deposit Securities

The NPRM proposed clarifying § 344.7(b)(1) to provide that Demand Deposit securities during a debt limit contingency remain subject to the normal terms and conditions that apply to Demand Deposit securities.

Treasury received no comments and therefore adopts the amendment as proposed.

##### c. Terms Applying to Special 90-Day Certificates of Indebtedness

The NPRM proposed to clarify § 344.7(b)(2) to provide that special 90-day certificates of indebtedness that are issued during a debt limit contingency remain subject to the same redemption rules as Demand Deposit securities. As proposed, Treasury would roll over special 90-day certificates of indebtedness, along with accrued interest, into new special 90-day certificates of indebtedness when a debt limit contingency period lasts longer than 90 days.



Treasury received no comments and therefore adopts the amendment as proposed.

#### d. End of a Debt Limit Contingency

The NPRM noted that the current SLGS rules provide that at the end of a debt limit contingency, the Issuer has the option to keep the special 90-day certificates of indebtedness until maturity, redeem them before maturity, or reinvest them in Demand Deposit securities. Treasury proposed to amend § 344.7(b)(2) to provide that when regular Treasury borrowing operations resume, Treasury would redeem any special 90-day certificates of indebtedness and reinvest the proceeds, along with accrued interest, in Demand Deposit securities. As a result, the Issuer would again hold the investment that the Issuer originally requested.

Treasury received no comments and therefore adopts the amendment as proposed.

#### 10. Notice Period for Redemption of Demand Deposit Securities

In the NPRM, Treasury noted that § 344.9(a) currently requires notice of one business day for redemption of Demand Deposit securities in the amount of \$10 million or less and notice of three business days for redemptions of more than \$10 million. To aid in Treasury's cash forecasting and cash management, Treasury proposed to amend § 344.9(a) to require notice of five business days for redemption of Demand Deposit securities and special 90-day certificates of indebtedness in the principal amount of \$500 million or more.

One commenter noted that the amendment would assist Treasury in its cash forecasting and cash management but could have complications for Issuers and limit Issuer flexibility. While Treasury recognizes that this amendment would slightly reduce the flexibility in redeeming Demand Deposit securities, it will provide material benefits to Treasury's cash forecasting and cash management processes, which require accurate projections of cash inflows and outflows. Furthermore, Treasury believes that for cash needs of \$500 million or more, Issuers will generally have sufficient notice and can provide the same to Treasury. Finally, in the event of an emergency, an issuer can request a waiver of this provision and ask that Treasury allow for a redemption of a Demand Deposit security with less notice.

Therefore, Treasury adopts the amendment as proposed.

#### C. Additional Comments Received Beyond the Scope of the Proposed Amendments

In addition to those comments discussed above, commenters recommended additional amendments to the SLGS program. Such comments are beyond the scope of the NPRM and are not addressed here.

Treasury notes that the delayed effective date of this final rule is intended to provide Issuers with sufficient time to review the final rule and make any necessary adjustments to their systems or processes.

### IV. Procedural Requirements

#### A. Executive Order 12866

This final rule is not a significant regulatory action for purposes of Executive Order 12866, dated September 30, 1993, as amended.

#### B. Administrative Procedure Act (APA)

Because this rule relates to United States securities, which are contracts between Treasury and the owner of the security, this rule falls within the contract exception to the APA, 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.

#### C. Regulatory Flexibility Act

This final rule relates to matters of public contract and procedures for United States securities. Therefore, under 5 U.S.C. 553(a)(2), the notice and public procedure requirements of the APA are inapplicable. Because a notice of proposed rulemaking is not required, the provisions of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, do not apply.

#### D. Paperwork Reduction Act (PRA)

Neither the proposed rule, nor the final rule contain any new collection of information subject to the Paperwork Reduction Act.

#### E. Congressional Review Act (CRA)

This rule is not a major rule pursuant to the CRA, 5 U.S.C. 801 *et seq.*, because it is a minor amendment that is not expected to lead to any of the results listed in 5 U.S.C. 804(2). This rule will take effect on August 26, 2024, after publication in the **Federal Register** and after we submit a copy of it to Congress and the Comptroller General.

#### List of Subjects in 31 CFR Part 344

Bonds, Government securities, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, we amend 31 CFR part 344 as follows:

### PART 344—U.S. TREASURY SECURITIES—STATE AND LOCAL GOVERNMENT SERIES

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

**Authority:** 26 U.S.C. 141 note; 31 U.S.C. 3102, 3103, 3104, and 3121.

- 2. Amend § 344.0 by:
  - a. Revising paragraph (a); and
  - b. Removing paragraph (b)(3).

The revision reads as follows:

#### § 344.0 What does this part cover?

(a) *What is the purpose of the SLGS securities offering?* The Secretary of the Treasury (the Secretary) offers for sale non-marketable State and Local Government Series (SLGS) securities to provide issuers of tax-advantaged bonds with investments from any eligible source of funds (as defined in § 344.1) to assist issuers in complying with applicable provisions of the Internal Revenue Code.

\* \* \* \* \*

- 3. Amend § 344.1 by:
  - a. Revising the definition of “Business day(s)”;
  - b. Adding in alphabetical order a definition for “Cost-free option”;
  - c. Revising the definition of “Eligible source of funds”;
  - d. Adding in alphabetical order a definition for “Governmental purpose”;
  - e. Revising the definition of “Issuer”;
  - f. Adding in alphabetical order definitions for “Marketable security” and “Tax-advantaged bond.”

The revisions and additions read as follows:

#### § 344.1 What special terms do I need to know to understand this part?

\* \* \* \* \*

*Business day(s)* means any day other than a Saturday or Sunday that the Federal Reserve Bank of New York is open for business.

*Cost-free option* means the use of any provision(s) in the SLGS program to exploit movements in interest rates, including, but not limited to, those designed to provide marginal flexibility to issuers in structuring their SLGS investments.

\* \* \* \* \*

*Eligible source of funds* means:

- (1) Any amounts that are gross proceeds of an issue of tax-advantaged bonds or are reasonably expected to become gross proceeds of such an issue of tax-advantaged bonds;
- (2) Any amounts that formerly were gross proceeds of a tax-advantaged bond



issue, but no longer are treated as gross proceeds of such issue as a result of the operation of the universal cap on the maximum amount treated as gross proceeds under 26 CFR 1.148-6(b)(2);

(3) Amounts held or to be held together with gross proceeds of one or more tax-advantaged bond issues in a refunding escrow, defeasance escrow, parity debt service reserve fund, or commingled fund (as defined in 26 CFR 1.148-1(b));

(4) Proceeds of a bond issue that is not an issue of tax-advantaged bonds but that refunds, or is refunded by, an issue of tax-advantaged bonds; or

(5) Any other amounts that are subject to yield limitations under the rules applicable to tax-advantaged bonds under the Internal Revenue Code (see title 26 of the U.S. Code and 26 CFR chapter I).

*Governmental purpose*, under this part, means the issuer's expected use of the invested funds, including but not limited to, financing a construction project, repaying a prior issue of bonds, or funding a debt service reserve. Such use must be consistent with the purposes of the Income Tax Regulations in 26 CFR part 1 under section 148 of the Internal Revenue Code. Generating gain on the proceeds of a bond issue through the use of a cost-free option in purchasing and redeeming SLGS is not a permitted governmental purpose.

*Issuer* refers to the government body or other entity that issues tax-advantaged bonds, or to a conduit borrower.

*Marketable security*, with reference to the types of securities that issuers are permitted to purchase with an eligible source of funds, means any security other than a SLGS security. Examples of marketable securities include Treasury securities (other than SLGS securities) and Federal agency securities.

*Tax-advantaged bond* means tax-advantaged bond as defined in 26 CFR 1.150-1(b).

\* \* \* \* \*

#### ■ 4. Amend § 344.2 by:

- a. Revising paragraph (d) and paragraph (e)(2)(i) introductory text;
- b. Adding paragraphs (e)(3) and (4);
- c. Revising paragraph (f)(1), the second sentence of paragraph (f)(2)(iv), and the first sentence of paragraph (f)(2)(v) introductory text;
- d. Adding paragraph (f)(2)(vii); and
- e. Revising the last sentence of paragraph (g).

The revisions and additions read as follows:

#### § 344.2 What general provisions apply to SLGS securities?

\* \* \* \* \*

(d) *Can SLGS securities be transferred?* No. SLGS securities issued as any one type, *i.e.*, Time Deposit or Demand Deposit, cannot be transferred for other securities of that type or any other type. Transfer of securities by sale, exchange, assignment, pledge, or otherwise is not permitted.

(e) \* \* \*

(2) \* \* \*

(i) *Purchase of SLGS securities.* Upon submitting a subscription, or performing any other transaction for a SLGS security, a subscriber must certify that:

\* \* \* \* \*

(3) *Duration certification.* For each subscription to purchase a Time Deposit SLGS security, the subscriber must certify that the term of the SLGS security subscribed for is no longer than is reasonably necessary to accomplish the issuer's governmental purpose for its purchase of the SLGS security.

(4) *Eligibility certification.* For each subscription to purchase a SLGS security, the subscriber must certify that if, at any point while SLGS securities are outstanding, the issuer becomes ineligible to purchase SLGS securities or the funds used to purchase SLGS securities are no longer an eligible source of funds, the issuer or agent thereof must, as soon as practicable, notify Treasury of such ineligibility. Such notification will be deemed to be a request for redemption of those outstanding Demand Deposit securities that are affected by the ineligibility.

(f) \* \* \*

(1) *Impermissible transactions.* (i) To use the SLGS program to create a cost-free option (while the examples in paragraph (f)(2) of this section may specifically use marketable securities for illustration, creating a cost-free option via any means is prohibited);

(ii) To purchase a SLGS security with any amount received from the sale or redemption (at the option of the holder) before maturity of any marketable security, if the yield on such SLGS security exceeds the yield at which such marketable security is sold or redeemed;

(iii) To invest any amount received from the redemption before maturity of a Time Deposit security (other than a Zero Percent Time Deposit security) at a yield that exceeds the yield that is used to determine the amount of redemption proceeds for such Time Deposit security; or

(iv) To purchase a SLGS security with a maturity that is longer than is reasonably necessary to accomplish the issuer's governmental purpose for its

purchase of the SLGS security or to purchase a SLGS security with an intention to redeem such SLGS security earlier than is reasonably necessary to accomplish the issuer's governmental purpose for its purchase of the SLGS security.

(2) \* \* \*

(iv) \* \* \* To reduce or eliminate this negative arbitrage, the issuer subscribes for SLGS securities for purchase in 45 days. \* \* \*

(v) \* \* \* On February 6, 2006, an issuer purchases a Time Deposit security using an eligible source of funds from a debt service reserve fund. \* \* \*

\* \* \* \* \*

(vii) *Purchase of SLGS security with maturity longer than reasonably necessary.* An issuer may purchase SLGS securities to facilitate compliance with arbitrage yield restrictions for investments of various types of proceeds of tax-advantaged bonds, including investments in refunding escrow funds, bond debt service reserve funds, or project construction funds, respectively. The determination of whether a maturity for a SLGS security is longer than is reasonably necessary depends on the issuer's governmental purpose for the issuance. Thus, the maturities of SLGS securities invested in a refunding escrow fund are reasonably necessary if they are no longer than those necessary to accomplish the defeasance of the underlying refunded bonds until the applicable redemption date or retirement date of the refunded bonds. Maturities of SLGS securities invested in a project construction fund are reasonably necessary if they are no longer than the reasonably expected construction period for the financed project, and early redemptions of such securities are reasonably necessary if they are reasonably related to construction draws for the financed project. Maturities of SLGS securities invested in a debt service reserve fund are reasonably necessary if they are no longer than the earlier of the permitted term of investments in that reserve fund under the bond documents or the term of the secured bonds. Early redemptions of SLGS securities with reasonably necessary maturities are permissible for the above bona fide business reasons, including changes in market interest rates. By contrast, the purchase of SLGS securities with maturities that are longer than the reasonably necessary maturities described above and associated early redemptions of those SLGS securities to obtain the funds within periods that would correspond to an issuer's bona fide governmental purpose for a SLGS

investment constitute impermissible practices under paragraph (f)(1)(iv) of this section. Thus, for example, if an issuer purchases SLGS securities to fund a refunding escrow to be used to defease and call refunded bonds at the first call date in five years, the issuer's purchase of SLGS securities with maturities beyond that five-year period and corresponding early redemptions of those SLGS securities within that five-year period constitute an impermissible use of the SLGS program.

(g) \* \* \* Fiscal Service's American Bankers Association (ABA) Routing Number can be found on Fiscal Service's website under the SLGS frequently asked questions (FAQs).

\* \* \* \* \*

■ 5. Amend § 344.3 by revising paragraph (e) to read as follows:

**§ 344.3 What provisions apply to the SLGSafe Service?**

\* \* \* \* \*

(e) *How do I apply for SLGSafe access?* Submit to Fiscal Service a completed SLGSafe Application for internet Access, which is found on Fiscal Service's website.

\* \* \* \* \*

■ 6. Amend § 344.4 by revising paragraph (b)(1) to read as follows:

**§ 344.4 What are Time Deposit securities?**

\* \* \* \* \*

(b) \* \* \*

(1) *When is the SLGS rate table released?* We release the SLGS rate table to the public by 10 a.m. Eastern time each business day or as soon as practicable thereafter. If the SLGS rate table is not available by 11 a.m. Eastern time on any given business day, the SLGS rate table for the preceding business day applies.

\* \* \* \* \*

■ 7. Amend § 344.5 by revising paragraphs (a), (b), (d), (e), and (f) to read as follows:

**§ 344.5 What other provisions apply to subscriptions for Time Deposit securities?**

(a) *When is my subscription due?* The subscriber must set the issue date for the securities in the subscription. The issue date must be a business day. The issue date cannot be more than 60 days after the date we receive the subscription. If the subscription is for \$10 million or less, we must receive a subscription at least 5 days before the issue date. If the subscription is for over \$10 million, we must receive the subscription at least 7 days before the issue date.

*Example 1 to paragraph (a):* If SLGS securities totaling \$10 million or less will be issued on May 16th, we must

receive the subscription no later than May 11th. If SLGS securities totaling more than \$10 million will be issued on May 16th, we must receive the subscription no later than May 9th. In all cases, if SLGS securities will be issued on May 16th, we will not accept the subscription before March 17th.

(b) *How do I start the subscription process?* A subscriber starts the subscription process by entering into SLGSafe the following information:

(1) The issue date;

(2) The total principal amount;

(3) The issuer's name and Taxpayer Identification Number;

(4) A description of the tax-advantaged bond issue;

(5) Separately itemized securities to be purchased, specifying principal amount, maturity date, interest rate, and first interest payment date (in the case of notes and bonds) for each; and

(6) The certifications required by § 344.2(e).

\* \* \* \* \*

(d) *How do I change a subscription?*

You can change a subscription on or before 3 p.m. Eastern time, on the issue date. Changes to a subscription are acceptable with the following exceptions:

(1) You cannot change the issue date; provided, however, you may change the issue date up to 7 days after the original issue date if you establish to the satisfaction of Treasury that such change is required as a result of circumstances that were unforeseen at the time of the subscription and are beyond the issuer's control (for example, a natural disaster);

(2) You cannot change the principal amount originally specified for any security in the subscription by more than ten percent;

(3) You cannot change an interest rate to exceed the maximum interest rate in the SLGS rate table that was in effect for a security of comparable maturity on the business day that you began the subscription process; and

(4) You cannot change the maturity date originally specified for any security in the subscription by more than 30 days for certificates of indebtedness, 6 months for notes, and 1 year for bonds.

(e) *How do I complete the subscription process?* The completed subscription must:

(1) Be dated and submitted electronically by an official authorized to make the purchase;

(2) Separately itemize securities specifying principal amount, maturity date, interest rate, and first interest payment date (in the case of notes and bonds) for each;

(3) Describe the bond issue. If the tax-advantaged bond issue referenced in paragraph (b)(4) of this section is, or will be, registered or disclosed in the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA®) system, describe the issue exactly as designated in the "issue description" field of EMMA®, or successor system;

(4) Include the issuer's address;

(5) Include information on the financial institution that will transmit the funds for the purchase of the securities and information on the financial institution that will receive security principal and interest payments;

(6) Not be more than ten percent above or below the aggregate principal amount originally specified in the subscription and not be more than ten percent above or below the originally subscribed for amount for each individual security;

(7) Not deviate from the original subscribed for maturity date specified for any security in the subscription by more than 30 days for certificates of indebtedness, 6 months for notes, and 1 year for bonds;

(8) Include the information required under paragraph (b) of this section, if not already provided; and

(9) Include the certifications required by § 344.2(e).

(f) *When must I complete the subscription?* We must receive a completed subscription on or before 3 p.m. Eastern time on the issue date.

■ 8. Amend § 344.6 by:

■ a. Revising paragraph (a)(3); and

■ b. Removing paragraph (g).

The revision reads as follows:

**§ 344.6 How do I redeem a Time Deposit security before maturity?**

(a) \* \* \*

(3) *Notes or bonds.* A note or bond can be redeemed, at the owner's option, no earlier than 30 days after the issue date. Any request for redemption received within 14 days of the issue date will be rejected.

\* \* \* \* \*

■ 9. Amend § 344.7 by revising paragraph (b) to read as follows:

**§ 344.7 What are Demand Deposit securities?**

\* \* \* \* \*

(b) *What happens to Demand Deposit securities during a debt limit contingency?* At any time the Secretary determines that issuance of obligations sufficient to conduct the orderly financing operations of the United States cannot be made without exceeding the statutory debt limit, we

may invest any unredeemed Demand Deposit securities in special 90-day certificates of indebtedness.

(1) Funds left invested in Demand Deposit securities remain subject to the normal terms and conditions for such securities as set forth in this part.

(2) Funds invested in 90-day certificates of indebtedness earn simple interest equal to the daily factor in effect at the time Demand Deposit security issuance is suspended, multiplied by the number of days outstanding. Ninety-day certificates of indebtedness are subject to the same request for redemption notification requirements as those for Demand Deposit securities and will be redeemed at par value plus accrued interest. If a 90-day certificate of indebtedness reaches maturity during a debt limit contingency, we will automatically roll it into a new 90-day certificate of indebtedness, along with accrued interest, that earns simple interest equal to the daily factor in effect at the time that the new 90-day certificate of indebtedness is issued, multiplied by the number of days outstanding. When regular Treasury borrowing operations resume, the 90-day certificates of indebtedness, along with accrued interest, will be reinvested in Demand Deposit securities.

■ 10. Amend § 344.8 by revising paragraphs (a), (b), and (e) to read as follows:

**§ 344.8 What other provisions apply to subscriptions for Demand Deposit securities?**

(a) *When is my subscription due?* The subscriber must set the issue date in the subscription. You cannot change the issue date to require issuance earlier or later than the issue date originally specified; provided, however, you may change the issue date up to 7 days after the original issue date if you establish to the satisfaction of Treasury that such change is required as a result of circumstances that were unforeseen at the time of the subscription and are beyond the issuer's control (for example, a natural disaster). The issue date must be a business day. The issue date cannot be more than 60 days after the date we receive the subscription. If the subscription is for \$10 million or less, we must receive the subscription at least 5 days before the issue date. If the subscription is for more than \$10 million, we must receive the subscription at least 7 days before the issue date.

(b) *How do I start the subscription process?* A subscriber starts the subscription process by entering into SLGSafe the following information:

(1) The issue date;

- (2) The total principal amount;
- (3) The issuer's name and Taxpayer Identification Number;
- (4) A description of the tax-advantaged bond issue; and
- (5) The certifications required by § 344.2(e)(1), if the subscription is submitted by an agent of the issuer.

\* \* \* \* \*

(e) *How do I complete the subscription process?* The completed subscription must:

- (1) Be dated and submitted electronically by an official authorized to make the purchase;
- (2) Describe the bond issue. If the tax-advantaged bond issue referenced in paragraph (b)(4) of this section is, or will be, registered or disclosed in the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA®) system, describe the issue exactly as designated in the "issue description" field of EMMA®, or successor system;
- (3) Include the issuer's address;
- (4) Include the information on the financial institution that will transmit the funds for the purchase of the securities;
- (5) Not be more than ten percent above or below the aggregate principal amount originally specified in the subscription;
- (6) Include the information required under paragraph (b) of this section, if not already provided; and
- (7) Include the certifications required by § 344.2(e)(1) (agent certification), (e)(2)(i) (yield certification), and (e)(4) (eligibility certification).

■ 11. Amend § 344.9 by revising paragraph (a) to read as follows:

**§ 344.9 How do I redeem a Demand Deposit security?**

(a) *When must I notify Treasury to redeem a security?* Demand Deposit securities can be redeemed at the owner's option, if we receive a request for redemption not less than:

- (1) One business day before the requested redemption date for total redemptions by an owner of \$10 million or less;
- (2) Three business days before the requested redemption date for total redemptions by an owner of more than \$10 million but less than \$500 million; and
- (3) Five business days before the requested redemption date for total redemptions by an owner of \$500 million or more.

\* \* \* \* \*

**Subpart D [Removed]**

■ 12. Remove subpart D.

By the Department of the Treasury.

**David Lebryk,**

*Fiscal Assistant Secretary.*

[FR Doc. 2024–04380 Filed 3–1–24; 8:45 am]

**BILLING CODE 4810–AS–P**

**DEPARTMENT OF VETERANS AFFAIRS**

**38 CFR Part 0**

**RIN 2900–AS04**

**Agency Ethics Officials**

**AGENCY:** Department of Veterans Affairs.

**ACTION:** Final rule.

**SUMMARY:** The Department of Veterans Affairs (VA) is amending its regulation governing Agency ethics officials to reflect that the Secretary designates these officials, to identify the employees who may serve in these roles, and to make other relevant nomenclature changes regarding employees and groups within the Office of General Counsel.

**DATES:** *Effective date:* This rule is effective March 4, 2024.

**FOR FURTHER INFORMATION CONTACT:** Tracianna L. Winston, Chief Counsel, Ethics Specialty Team, Office of the General Counsel (021), Department of Veterans Affairs, 810 Vermont Avenue NW, Washington, DC 20420, (202) 461–6269. (This is not a toll-free telephone number.)

**SUPPLEMENTARY INFORMATION:** Title 38 of the Code of Federal Regulations, Chapter I, Part 0 governs the Values, Standards of Ethical Conduct, and Related Responsibilities of VA employees. Subpart B, "General Provisions" includes 38 CFR 0.735–1 "Agency ethics officials" which is amended to provide updated information regarding the designation of agency ethics officials and the employees who may serve in these roles. The sections are also amended to reflect nomenclature changes to the names of certain Office of General Counsel offices and the employees in those offices.

Specifically, 38 CFR 0.735–1(a) is amended to reflect that the Secretary designates attorneys from the Office of General Counsel to serve as the Designated Agency Ethics Official (DAEO) and Alternate Designated Agency Ethics Official (ADAEO). Additionally, 38 CFR 0.735–1(b)(1) is amended to reflect nomenclature changes to the names of Office of General Counsel positions, including District Chief Counsels, and teams, including the Ethics Specialty Team.