Minerals Leases'' established procedures for obtaining refunds and credits of excess payments and clarified what payments are not subject to Section 10's requirements. Unit agreement revisions are covered in this rule under ''Transactions not subject to section 10''.

This rule also provides for a de minimis exception to the MMS approval process. On February 23, 1996 (61 FR 7016), MMS published a document raising the de minimis reporting requirements from $250 to $2,500. By raising the de minimis level, companies may now recover overpayments below the de minimis amount from future royalty payments. This change will reduce administrative costs for MMS and companies.

6. The Appeals Process

Comments Received—''Current appeals process is too long.''

Action Taken or Planned—MMS has made several administrative processing changes to streamline the appeal process. One change was transferring decisionmaking on routine appeals from the Appeals Division to the Royalty Management Program. This has reduced the Appeals Division's workload by 20 percent and freed up staff to work on more complex cases.

Other efforts included the initiation of several pilot programs to look at additional streamlining possibilities. One pilot program was aimed at decreasing the time and expense incurred by MMS in its preparation of an appellant's administrative record. A second pilot program involved reformatting the decisionmaking process to speed the issuance of shorter, more timely decisions. The third pilot program will test the use of alternative dispute resolution mechanisms to resolve many of the administrative appeals.

Spinoff projects from these pilot efforts are still ongoing and will result in further changes to the appeals process in the future. We are engaged in a concentrated effort, during the spring and summer of 1996, to resolve all of the older, active appeals on the docket. Also, the Royalty Policy Committee has established an Appeals/Settlement/ADR subcommittee which should provide MMS with additional advice on ways to improve the process of resolving disputes involving royalty collections.

Timetable—The first two pilots were put in place the latter half of 1994, and the third pilot began the end of February 1995.

Further administrative streamlining changes and possibly regulatory changes by MMS are anticipated for calendar year 1996.

7. Other MMS Regulatory Actions

—MMS is evaluating comments received on the proposed rule to establish liability for royalty due on Federal and Indian leases, and to establish responsibility to pay and report royalty and other payments.

—MMS published an advance notice of proposed rulemaking on valuation of oil from Federal and Indian leases and is evaluating the comments received from industry, States, and Indian tribes on this notice.

Dated: May 13, 1996.

Cynthia Quarterman,

Director, Minerals Management Service.

[FR Doc. 96–12545 Filed 5–17–96; 8:45 am]

BILLING CODE 4310–MR–M

DEPARTMENT OF THE TREASURY

Office of the Assistant Secretary for Financial Markets

Fiscal Service

31 CFR Part 356

Amendments to the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes and Bonds

AGENCY: Office of the Assistant Secretary for Financial Markets, Treasury.

ACTION: Advance Notice of Proposed Rulemaking.

SUMMARY: The Secretary of the Treasury (Secretary) is authorized under Chapter 31 of Title 31, United States Code, to issue United States obligations and to offer them for sale under such terms and conditions as the Secretary may prescribe. The Department of the Treasury (Department or Treasury) is issuing this Advance Notice of Proposed Rulemaking to solicit comments on the design details, terms and conditions, and other features of a new type of marketable book-entry security the Treasury intends to issue, inflation-protection notes or bonds, with a return linked to the inflation rate in prices or wages. The Treasury is specifically interested in comments concerning choice of index, structure of the security, auction technique, offering sizes, and maturities. The Treasury also invites comments on other specific issues raised, as well as on any other issues relevant to the new type of security.

DATES: Comments must be received on or before June 19, 1996.

ADDRESSES: Comments should be sent to: the Government Securities Regulations Staff, Bureau of the Public Debt, 999 E Street NW., Room 515, Washington, DC 20239. Comments received will be available for public inspection and copying at the Treasury Department Library, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue NW., Washington, DC 20220.

FOR FURTHER INFORMATION CONTACT: Norman Carleton, Director, Office of Federal Finance Policy Analysis, Office of the Assistant Secretary for Financial Markets, at 202–622–2680. In addition, the Treasury plans to hold a series of investor meetings in New York, Washington, DC, Chicago, Boston, San Francisco, and possibly other cities in late May and in June 1996 to discuss the new securities, answer questions, and solicit comments. To request information about attending any of these meetings, contact the Office of Financing, Bureau of the Public Debt, at 202–219–3350.

SUPPLEMENTARY INFORMATION: The Treasury Department intends to issue a new type of marketable book-entry security with a nominal return linked to the inflation rate in prices or wages, as officially published by the United States Government. The Treasury is considering various indices for this purpose, including the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics (BLS) of the Department of Labor, the core CPI (CPI-U, excluding food and energy, as published by the BLS), the Gross Domestic Product (GDP) deflator published by the Bureau of Economic Analysis (BEA) of the Department of Commerce, and the Employment Cost Index—Private Industry (ECI) also published by BLS. Through this notice, the Treasury is soliciting comments on the design details of the planned inflation-protection securities and on which index (those mentioned above or another index) would be most likely to result in the broadest market for the new securities. At the end of this notice is a hypothetical term sheet with proposed formulas applicable to one of the structures being considered for the new security.

This advance notice of proposed rulemaking is not an offering of securities, and any of the currently contemplated features of inflation-protection securities that are described in this notice may change. The terms and conditions of particular securities that may be offered will be set forth in

the Uniform Offering Circular (31 CFR Part 356) and the applicable offering announcement.

The Department intends to issue inflation-protection notes or bonds in order to save on interest costs and to broaden the types of debt instruments available to investors in U.S. financial markets. Because the Treasury, rather than the investor, would bear the inflation risk on an inflation-protection security, the Department expects that the prices at which it would sell this new type of security would capture some or all of the inflation risk premium charged by investors on conventional Treasury securities. In other words, investors should be willing to pay extra for a security on which the issuer, rather than the investor, bears the risk of higher than expected inflation. Consequently, the expected interest costs to the Treasury of inflation-protection securities should be lower than those on conventional Treasury securities.

In addition, inflation-protection securities may prove to be attractive investments to investors who do not now invest in Treasury securities to any significant extent. For example, certain pension funds that currently invest in bonds other than Treasury securities because of the higher yields on private fixed-income securities may find Treasury inflation-protection notes or bonds useful to include in their portfolios. The new securities would offer explicit inflation protection to investors, which has heretofore been unavailable in a Treasury debt instrument. This inflation protection could prove attractive for investments for retirement. Also, because the path of changes in market prices of inflation-protection securities would be markedly different from that of the market price of conventional fixed-income instruments or equity investments, inflation-protection securities could be useful for achieving some portfolio diversification. This broadening of the market for Treasury securities should also result in lower overall interest costs for the Treasury over time.

Indexation Methodology. A design of the inflation-protection securities that is currently being considered is modeled, with some modifications, on the Real Return Bonds currently issued by the Government of Canada. The Department is soliciting comments about this choice of model and the specific details described below and in the hypothetical term sheet, as well as the formulas in the appendix.

For this particular structure, the principal amount of the inflation-protection security is adjusted for inflation, so that the adjusted value remains the same in constant dollars. This is achieved by multiplying the principal value of the security at issuance by an index ratio. The index ratio is the reference index number applicable for the valuation day divided by the reference index number applicable for the issue date.

Because the reporting of a monthly price or wage series index number for a particular month by necessity takes place after the month has ended and because the market needs to determine accrued interest on a daily basis, there has to be a lag in the indexation of the security. For this structure, if it is based on a monthly index that is reported in the following month, the indexation of the principal on the first day of any month is based on the index number for the third preceding month. For example, the index number applicable to the first day of December is the one reported for September. For other days of the month, a linear interpolation is made between the index number for the third preceding month and the one for the second preceding month (in this example, October). Using the third preceding month as the reference month is the minimum lag that enables interpolation between the index number for that month and the following month.

Under this structure, interest is payable semiannually. Interest payments are a fixed percentage of the value of the inflation-adjusted principal, in current dollars, for the date on which it is paid.

Alternative Structures. The Treasury has given the most study to the Canadian model for inflation-protection securities, which in turn is a modification of the United Kingdom's index-linked gilts. However, alternative structures are possible, and the Treasury is asking for comment on whether alternative structures might be more desirable for U.S. financial markets.

One alternative structure is a zero-coupon inflation-indexed security. This type of security could prove to be quite volatile in price, but, if held to maturity, this structure would provide the greatest certainty about its return, since there would be no reinvestment risk associated with coupon payments.

In addition to general comments concerning the market for a zero-coupon inflation-protection security, the Treasury is soliciting comments about the use for this structure of an index, such as the GDP deflator, that is subject to retroactive revisions. Since the Treasury would only make one payment on a zero-coupon inflation-protection security, revisions would be less of a problem from the cash flow perspective than with a security that pays interest every six months. However, the use of an index that is revised retroactively may cause some impediments to trading the security and would complicate the applicable tax rules.

Another quite different structure is an inflation-protection security that pays out principal and interest at periodic intervals. Ignoring the lags, under this structure, each payment is equal in real terms, but the proportion of each payment representing principal and interest changes. In other words, this structure is similar to the cash flows of a home mortgage, and, more specifically, a price level adjusted mortgage. This structure may be appealing to investors desiring a flow of periodic payments that stay constant in real terms. It is also possible that this structure may be more appealing than a Canadian-type security to taxable investors concerned about receiving sufficient cash payments from the security to satisfy the tax on the income from the security.

Price or Wage Indices. The Treasury is requesting comments on which price or wage index is likely to result in the broadest market for inflation-protection securities. Specifically, the Department is considering (1) the CPI–U, (2) the core CPI, (3) the GDP deflator, and (4) the ECI. The Treasury also requests comments on whether another index would serve the desired purpose better.

The CPI–U is the best known measure of inflation, and, as such, is a logical candidate for indexing the securities. However, the CPI–U may not be the best index for certain investors. For example, pension funds' liabilities are more sensitive to change in wages than to changes in consumer prices.

The core CPI is a less volatile index than the CPI–U, and this may be appealing to investors. However, while energy and food prices eventually influence other prices, the core CPI could be criticized for not completely reflecting any trend that may develop in prices in the energy and food sectors.

The GDP deflator is a broad measure of price trends in the economy. As noted above, its use may be better suited to a zero-coupon inflation-protection security than to a note or bond paying semiannual coupons, because the GDP deflator, unlike the other indices under consideration, is subject to periodic revision.

Periodic revisions of an index pose three potential problems. The first is the need for finality in determining payment amounts. Second, the change in an index for a given period could be based on an index number for a previous period that has since been

revised. An indexation methodology designed to correct for revisions in previous values of the index would create additional complexity. Finally, even for a zero-coupon security, revisions may cause complications in the applicable tax rules throughout the life of the security. Revisions may be less of a problem for a security that makes only one payment at maturity than for one that pays interest every six months.

The ECI may appeal to pension funds, whose liabilities are more linked to wage, rather than price, inflation. In this regard, commenters are also asked to address whether the total compensation or the wages and salaries series of the ECI would be the most useful. Since the ECI is a quarterly index, the precise indexation methodology and the formulas in the appendix, which assume a monthly index, would need to be modified.

The Treasury is also requesting comments on whether a seasonally adjusted or non-seasonally adjusted series would be preferable. Seasonal adjustment smoothes out fluctuations, but seasonal factors are subject to revisions for a considerable period of time.

Calculation of the Price or Wage Series. From time to time, government statistical agencies, such as the BLS and the BEA, revise their methodology for calculating indices in order to improve their accuracy. Such revisions on a forward-going basis may affect the inflation rate as measured by the index and, therefore, the return to investors.

For a Canadian-type or level real payment inflation-protection security, revisions of a price or wage index number that has previously been reported, however, would not be used for calculations of principal value or interest payments. This is in order for there to be finality in determining payment amounts.

When a price or wage index is rebased to a different year, the Treasury would use the price or wage index series with the same base year(s) as when the security was first issued, as long as that series continues to be published. The reason for this is to maintain precision in the indexation of the security that may otherwise be lost due to rounding, a problem that becomes more acute if the price or wage index has increased significantly from the original base year(s) to the new one. The Department is specifically soliciting comments on this point.

In the case of an index series reported on a monthly basis in the following month, the Department is considering the following procedure for the Canadian-type security if the index is reported late. If the index number for a particular month is not reported by the last day of the following month, the Department would announce by the end of the next business day an index number based on the last twelve-month change in the index available. This number would be used for all subsequent calculations and would not be replaced by the actual price or wage index number when it is reported. Since the Treasury may use a price or wage series that is not seasonally adjusted, the Treasury welcomes comments on this procedure. The Department believes that this calculation would rarely, if ever, be necessary.

If the price or wage index for an inflation-protection security is discontinued while that security is outstanding, the Treasury would consult with the agency responsible for the index, and, based on such discussions, the Treasury would select an appropriate substitute index and methodology for linking the two series. Determinations of the Secretary in this regard would be final.

Finally, if the Federal Government commences publication of a new version of the index that is more appropriate for indexation than the one originally chosen, the Treasury expects it would then use the new version for indexing new inflation-protection securities. Concerning the introduction of a new version, the Treasury is requesting commenters to address whether the Treasury should also index outstanding inflation-protection securities to the new version starting from its introduction or whether outstanding securities should remain indexed to the original series as long as that series continues to be published.

Auction Technique. The Department is considering offering inflation-protection securities through a single-price auction. The exact type of auction has yet to be determined, and the Department is particularly interested in input from potential auction participants, as well as others, on this subject.

For a Canadian-type inflation-protection security, options include two types of single-price auctions where the Treasury asks for bids in terms of real yield to three decimal places. In the first case, the highest accepted yield would become the coupon, and the inflation-protection note or bond would be issued at par. In the second case, the Treasury would set a coupon after the auction in an increment of 0.125%, and the price of the security would be determined by the formulas in the appendix.

Also, the Treasury could announce a coupon on the security and accept bids in terms of price. However, this option runs counter to the Department's auction practice for its conventional Treasury securities, and, at least initially, it may be difficult to judge what would be the appropriate coupon.

Noncompetitive bids up to $5 million per bidder would be permitted for inflation-protection securities. In order to ensure that enough competitive bids are accepted to price the security fairly, the Treasury is considering whether all or part of the noncompetitive bids should be filled by issuing more securities than the originally announced public offering amount. The Department is requesting comments on this issue.

Given the pricing uncertainty inherent in any new type of security, the Treasury is requesting comments on whether the Treasury should announce prior to a single-price auction of an inflation-protection security that it retains, and may exercise, the option to award an amount greater or less than the announced public offering amount. The reason for awarding less stems from the use of the single-price auction technique and the unique nature of this new instrument. If there were an extremely long tail between the yield necessary to sell, for example, 95 percent of the announced size and the remaining 5 percent, awarding less would avoid issuing the security with an unreasonably high real yield. (In any case, the Secretary reserves the right, in any auction, to award an amount of securities greater or less than the offering amount. See 31 CFR 356.33)

The Department also welcomes comments on whether a single-price or a multiple-price auction would be more appropriate for inflation-protection securities.

The Treasury is also requesting commenters to address whether any of the auction rules for conventional Treasury securities are inappropriate for an offering of inflation-protection securities and specifically whether there should be a limit to the amount recognized at a single yield from a bidder or the amount awarded to a single bidder in an auction of inflation-protection securities.

Frequency. The Treasury contemplates issuance of inflation-protection securities on a regular quarterly cycle.

Reopenings. The Treasury could reopen an issue of an inflation-protection note or bond, though the flexibility to do this under changing market conditions is conditioned by tax issues involving the original issue discount rules that have yet to be

decided. A reopening would also be accomplished by an auction. The Department welcomes comments on whether bids on an issue that is being reopened should be in terms of real yield or price.

For a Canadian-type security, amounts bid at an auction for a reopened inflation-protection security would be in terms of original par amount, not the inflation-adjusted par amount. The Treasury would announce prior to the auction the index ratio necessary to convert the original par amount to the inflation-adjusted par value for the settlement date. This means that if the index ratio for the settlement date is 1.03, a $1,000 bid amount would translate into $1,030 inflation-adjusted par value. The Treasury is requesting comments on this procedure.

Also, the Treasury is requesting comments on whether reopenings of an issue would be important for market liquidity, or whether they would act as a constraint on prices, given the possibility of additional supply of the security in the next quarter.

Maturities. The Department's current thinking is that 10-year inflation-protection notes or 30-year inflation-protection bonds would be the most appropriate maturity sectors for this instrument. The Treasury is soliciting comments on which maturity sectors would be most in demand for inflation-protection notes or bonds.

Amounts. The Department is requesting comments on the appropriate size of the initial auctions of inflation-protection notes or bonds. The Treasury intends to increase the size of the auctions from the initial levels over time.

Book-Entry Form and Systems. The inflation-protection securities would be offered only in book-entry form. They would be issued and maintained in the commercial book-entry system which is operated by the Federal Reserve Banks, acting as fiscal agents for the Treasury Department. The Treasury also would make inflation-protection securities available through TREASURY DIRECT, a system designed primarily to enable investors who do not intend to trade Treasury securities to hold their book-entry securities directly on the records of the Treasury.

Eligible amounts for holding and transferring would be in multiples of $1000 of original par value for a Canadian-type inflation-protection security. The Treasury is soliciting comments on any operational issues arising from the fact that the amount of an inflation-protection security held and transferred on the book-entry systems would be referred to in terms of the original par value, not the inflation-adjusted value.

Treasury Tax and Loan Accounts. The Treasury intends to make inflation-protection securities eligible as collateral for Treasury Tax and Loan Accounts. Valuation for collateral purposes would depend on the precise structure of the security.

Stripping. For a Canadian-type security, the Treasury would make inflation-protection securities eligible for stripping on the commercial book-entry system at some point after issuance of the new security had begun. This would not be operationally possible initially. Eligibility for stripping might extend only to inflation-protection securities issued after a future effective date.

Taxation. In general, a payment on an inflation-protection security or an increase in the principal amount of the security attributable to the inflation adjustment would be includible in taxable income for the year in which it occurs and would be treated as interest income. Interest payments on inflation-protection securities generally would have to be included in the owner's taxable income when received or as accrued, depending on the owner's method of accounting for tax purposes. For a zero-coupon inflation-protection security, the difference between the issue price and the original par amount would be interest that the holder would include as taxable income on a constant yield basis. The precise tax treatment in the event the principal decreases because of a decline in the price or wage index has yet to be determined. Other tax issues, including the reporting of income on the securities by brokers and other intermediaries (*i.e.*, custodians), also remain to be determined. Relevant tax issues would be announced before the first issue.

Minimum Guarantee. If the sum of all the interest payments and the inflation-adjusted principal value at maturity of the inflation-protection note or bond is less than the par value of the note or bond at issuance, the Treasury would make an additional payment at maturity for the difference.

After receipt and consideration of responses to this advance notice of proposed rulemaking, the Department intends to issue a final rule amending 31 CFR Part 356, ''Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds'' (Uniform Offering Circular). Because the rule would relate to public contracts and procedures for United States securities, the notice, public comment, and delayed effective date provisions of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

Hypothetical Term Sheet

Note: This hypothetical term sheet assumes that an inflation-protection note or bond would be linked to a price or wage index reported monthly and that the index number for each month is reported the following month.

Issuer: United States Treasury.

Issue: Inflation-protection note or bond.

Payment Dates: Inflation-adjusted principal on the security will be paid on the maturity date as specified in the offering announcement. Interest on the security is payable on a semiannual basis on the interest payment dates specified in the offering announcement through the date the principal becomes payable. In the event any principal or interest payment date is a Saturday, Sunday or other day on which the Federal Reserve Banks are not open for business, the amount is payable (without additional interest) on the next business day.

Maturities: Ten or thirty years.

Indexing Methodology: To calculate the value of the principal for a particular valuation date, the value of the principal at issuance is multiplied by the index ratio applicable to that valuation date. Semiannual coupon interest is determined by multiplying the value of the principal at issuance by the index ratio for the coupon payment date by one-half the stated rate of interest.

Index Ratio: The index ratio for any date is the ratio of the reference index number (reference INUM) applicable to such date to the reference INUM applicable to the original issue date.

Reference Inum: The reference INUM for the first day of any calendar month is the INUM for the third preceding calendar month. (For example, the reference INUM for December 1 is the INUM reported for September of the same year, which is released in October.) The reference INUM for any other day of the month is calculated by a linear interpolation between the reference INUM applicable to the first day of the month and the reference INUM applicable to the first day of the following month.

Any revisions that the agency responsible for the index makes to any INUM that has been previously released shall not be used in calculations of the value of Treasury inflation-protection securities.

In the case that the INUM for a particular month is not reported by the last day of the following month, the Treasury will announce an index

number based on the last year-over-year inflation rate as measured by the chosen index. Any calculations of the Treasury's payment obligations on the inflation-protection security that need that month's INUM number will be based on the index number that the Treasury has announced.

If the applicable price or wage series is discontinued during the period the inflation-protection security is outstanding, the Treasury will, in consultation with the agency responsible for the series, determine an appropriate substitute index and methodology for linking the discontinued series with the new price or wage index series. Determinations of the Secretary in this regard will be final.

Strips: Eligible for the STRIPS program at a future date.

Taxation: Appreciation of the principal will be taxed as interest income in the period the appreciation occurs. Interest payments will be includible as interest income when received or as they accrue, depending on the taxpayer's method of accounting. Other tax details remain to be determined.

Auction Technique: Single-price auction. Options:

(1) Bidders bid for coupon, with bids expressed to three decimal places. The highest accepted yield becomes the coupon. Security is issued at par.

(2) Bidders bid real yield, with bids expressed to three decimal places. Coupon is set near the highest accepted real yield in increments of ⅛ of 1 percent. Price is determined by formula in the appendix using the highest accepted yield.

(3) Before the auction Treasury announces a coupon, securities are issued at lowest accepted price.

Minimum Guarantee: If the sum of all the interest payments and the inflation-adjusted principal is less than the par value of the security at time of issuance, the Treasury will pay an additional sum at maturity equal to the difference.

Minimums and Multiples to Bid, Hold, and Transfer: The minimum to bid, hold, and transfer is $1000 original principal value. Larger amounts must be in multiples of $1000.

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Appendix - Formulas

I. Reference INUM:

$$\text{Ref INUM}_{\text{Date}} = \text{Ref INUM}_{M} + \frac{t-1}{D}[\text{Ref INUM}_{M+1} - \text{Ref INUM}_{M}]$$

II. Index Ratio:

$$\text{Index Ratio}_{\text{Date}} = \frac{\text{Ref INUM}_{\text{Date}}}{\text{Ref INUM}_{\text{Base}}}$$

III. Real Price:

A. No initial partial semiannual coupon period:

$$RP = (C/2)a_{\overline{n}|} + 100v^{n}$$

B. With initial partial semiannual coupon period:

$$RP = \frac{C/2 + (C/2)a_{\overline{n}|} + 100v^{n}}{1 + (r/s)(i/2)} - [(s-r)/s](C/2)$$

IV. Settlement amount, including accrued interest, for $100 Original Principal:

$$SA = A + [\text{Index Ratio}_{\text{Date}} \times RP]$$

V. Accrued Interest:

$$A = [(s-r)/s] \times (C/2) \times \text{Index Ratio}_{\text{Date}}$$

VI. INUM not reported timely for month M:

$$\text{Ref INUM}_{M} = \text{INUM}_{M-1} \times \left[\frac{\text{INUM}_{M-1}}{\text{INUM}_{M-13}}\right]^{\frac{1}{12}}$$

Generalizing for last reported INUM issued N months prior to month M:

$$\text{Ref INUM}_{M} = \text{INUM}_{M-N} \times \left[\frac{\text{INUM}_{M-N}}{\text{INUM}_{M-N-12}}\right]^{\frac{N}{12}}$$

Definitions

RP = real price

SA = settlement amount, including accrued interest, in current dollars per $100 original principal

A = nominal accrued interest per $100 original principal

r = days from settlement date to next coupon date

s = days in current semiannual coupon period

i = real interest rate, compounded semiannually

C = real annual coupon, payable semiannually, in terms of real dollars paid on $100 initial, or real, principal of the security

n = number of full semiannual periods from settlement date to maturity date

v^n = $1/(1 + i/2)^n$

$a_{n\neg}$ = $(1 - v^n)/(i/2) = v + v^2 + v^3 + \ldots v^n$

Date = valuation date

D = the number of days in the month in which Date falls

t = the calendar day corresponding to Date

INUM = index number

Ref $INUM_M$ = reference INUM for the first day of the calendar month in which Date falls

Ref $INUM_{M+1}$ = reference INUM for the first day of the calendar month immediately following Date

Example[1]

The Treasury issues a 30-year inflation-protection bond on July 15, 1996. The bonds have a par value of $100 and are issued at a discount to yield 3.1% (real). The bonds bear a 3% real coupon, payable on January 15 and July 15 of each year. The base price or wage index applicable to this bond is 120.[2] The settlement amount (SA) is calculated using real price formula III.A (for no partial initial semiannual coupon period) in the appendix:

$$n = 60$$

$$v^n = 1/(1 + i/2)^n = 1/(1 + .031/2)^{60}$$

$$= 0.39737847$$

$$a_{n\neg} = (1 - v^n)/(i/2)$$

$$= (1 - 0.39737847)/(.031/2)$$

$$= 38.87880825$$

$$\text{III.A} \quad SA = RP = (C/2)a_{n\neg} + 100v^n$$

$$= (3/2) \times 38.87880825 + 100 \times 0.39737847$$

$$= 98.05605959$$

April 15, 1997 is the settlement date for a reopening of this bond. The reference wage or price index number for this date is 132 and the additional supply is issued at a real yield of 3.4%. The settlement amount is calculated by

[1] The example shows the intermediate results rounded to eight decimal places, although the calculations were performed without intermediate rounding. In determining prices and accrued interest in actual auctions of Treasury securities, the Department rounds the final results. The price is rounded to three decimal places and the accrued interest amount to six decimal places, based on a par value of 100.

[2] If this were a real example, this number would have been derived using formula I. The index number for January 15 would have been an interpolation between the index number reported for October and the one reported for November.

first using formula V to calculate the nominal accrued interest since the last coupon payment, per $100 original principal.

$$\text{Index Ratio}_{\text{Date}} = \frac{\text{Ref INUM}_{\text{Date}}}{\text{Ref INUM}_{\text{Base}}} = \frac{132}{120} = 1.1$$

$n = 58$

$s = 181$

$r = 91$

V. $A = [(s-r)/s] \times (C/2) \times \text{Index Ratio}_{\text{Date}}$

$= [(181-91)/181] \times (3/2) \times 1.1$

$= 0.82044199$

The real price is calculated using formula III.B (for an initial partial semiannual coupon period):

$v^n = 1/(1 + .034/2)^{58} = 0.37617050$

$a_{n\neg} = (1 - 0.37617050)/(.034/2)$

$= 36.69585314$

$$\text{III.B} \quad RP = \frac{C/2 + (C/2)a_{n\neg} + 100v^n}{1 + (r/s)(i/2)} - [(s - r)/s](C/2)$$

$$RP = \frac{(3/2)+[(3/2) \times 36.69585314]+(100 \times 0.37617050)}{1 + (91/181) \times (.034/2)}$$

$$- [(181-91)/181] \times (3/2)$$

$= 92.61700426$

The settlement amount is calculated using formula IV:

IV. $SA = A + [\text{Index Ratio}_{\text{Date}} \times RP]$

$= 0.82044199 + (1.1 \times 92.61700426)$

$= 102.69914667$

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

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

Date: May 15, 1996.

Darcy Bradbury,

Assistant Secretary (Financial Markets).

[FR Doc. 96–12630 Filed 5–16–96; 11:00 am]

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ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 55

[FRL–5507–7]

RIN 2060–AG40 and AG39

Outer Continental Shelf Air Regulations Delegation Remand

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: The EPA is proposing revision to the outer continental shelf (OCS) regulations in response to a voluntary remand from the U.S. Court of Appeals for the District of Columbia Circuit. These regulations establish air pollution control requirements for certain sources located on the OCS.

In response to the requirements of section 328 of the Clean Air Act (Act), on September 4, 1992, EPA promulgated the OCS regulations setting up two regimes for controlling air pollution from OCS sources for the purposes of attaining and maintaining Federal air quality standards and to comply with certain Act requirements for preconstruction review of new and modified major sources. Sources located within 25 miles of the States' seaward boundaries (the 25-mile limit) must comply with regulations which are, in most respects, the same as the regulations for similar sources located on shore. Sources beyond the 25-mile limit are required to comply with Federal new source performance standards (NSPS), requirements for the prevention of significant deterioration (PSD), and national emission standards for hazardous air pollutants (NESHAP) related to attainment and maintenance of ambient air quality standards or the requirements of part C of title I of the Act. The Federal operating permits program and enhanced compliance monitoring regulatory requirements will also be incorporated into part 55 when they are promulgated. In promulgating the OCS regulations, EPA provided for delegation to State and local agencies the authority to implement and enforce the regulations for sources within the 25-mile limit. However, EPA did not provide for delegation of the authority to implement and enforce the regulations for sources located beyond the 25-mile limit. The Santa Barbara County Air Pollution Control District (APCD) filed a petition for review of the regulations on several issues, including the issue of delegation beyond the 25-mile limit. Upon EPA's request for a voluntary remand, the court remanded the delegation issue to EPA for reconsideration.

By this action, EPA is revising the OCS regulations to provide for delegation to State and local agencies the authority to implement and enforce the OCS regulations beyond the 25-mile limit. Delegation of the program to any specific State or local agency will be under separate action.

DATES: Written comments on the proposed action must be received by EPA at the address below on or before June 19, 1996.

ADDRESSES: Comments should be submitted to the public docket for this action is available for public inspection and copying between 8:00 a.m. and 4:00 p.m., Monday through Friday, at the Air and Radiation Docket and Information Center (6102), Attention Docket A–95–07, South Conference Center, Room 4, 401 M Street, SW, Washington, DC 20460. A reasonable fee for copying may be charged.

FOR FURTHER INFORMATION CONTACT: Mr. David Stonefield, U.S. EPA, MD–15, Research Triangle Park, NC 27711, telephone (919) 541–5350.

SUPPLEMENTARY INFORMATION:

I. Background and Purpose

A. Introduction

The Clean Air Act Amendments of 1990 (Pub. L. 101–549, 104 Stat. 2399 (1990)) added section 328 to the Act and transferred authority to regulate sources on part of the OCS from the Department of the Interior (DOI) to EPA. The DOI retained the authority to regulate OCS sources in the Gulf of Mexico west of 87.5 degrees longitude. As to the remaining portions of the OCS—the Atlantic, Pacific, and Arctic coasts and the Gulf of Mexico east of 87.5 degrees—section 328 requires EPA to establish requirements for the control of air pollution from OCS sources to attain and maintain Federal and State ambient air quality standards and to comply with the provisions of part C (for the prevention of significant deterioration) of title I of the Act. For sources within 25 miles of the States' seaward boundaries, those requirements must be the same as would be applicable if the source were located in the corresponding onshore area (COA). For sources beyond the 25-mile limit, the Administrator had discretion in determining the requirements. The EPA proposed (56 FR 63774, December 5, 1991) and promulgated (57 FR 40792, September 4, 1992) regulations to implement the requirements of section 328. The regulations require, among other things, that sources located beyond 25 miles of States' seaward boundaries meet applicable Federal pollution control requirements which include PSD, NSPS and NESHAP regulations to the extent that they are rationally related to protection of air quality standards or part C of title I of the Act (40 CFR 55.13). In addition, EPA stated in the preamble to the final rule that it would incorporate into the OCS rules the requirements of the Federal operating permits regulations (40 CFR part 71) and the enhanced monitoring regulations, when promulgated (57 FR 40803).

B. Delegation Authority

Section 328(a)(3) of the Act permits States adjacent to an OCS source to adopt and submit to EPA regulations for implementing and enforcing the requirements of that section. It requires that:

> [I]f the Administrator [of EPA] finds that the State regulations are adequate, the Administrator shall delegate to that State any authority the Administrator has under this Act to implement and enforce such requirements.

Therefore, in the OCS regulations, EPA included § 55.11 which authorizes the delegation of the implementation and enforcement authority to State and local agencies for OCS sources that are located within the 25-mile limit. However, in the preamble to the proposed and final rules, EPA stated that it would retain the authority to implement and enforce the OCS regulations for sources located beyond the 25-mile limit for two reasons. First, since the sources located beyond the 25-mile limit are subject only to Federal requirements, the State would have to adopt two OCS programs, one for sources within the 25-mile limit and one for sources beyond the limit. Second, it may be difficult to determine the appropriate agency to receive delegation for sources located beyond the 25-mile limit (56 FR 63784 and 57 FR 40801–802). Therefore, in the final