

presentation topic. The time allowed for each presenter will depend on the number of presentation requests.

Registration information (including name, title, firm name, address, telephone, and fax number) and requests for presentation (including specific topic) should be submitted to the listed contact person by Friday, August 13, 1999. Space is limited, therefore, interested parties are encouraged to register early. Special accommodations due to disability should be submitted at least 7 days in advance.

Transcripts of the meeting may be requested in writing from the Freedom of Information Office (HFI-35), Food and Drug Administration, 5600 Fishers Lane, rm. 12A-16, Rockville, MD 20857, approximately 15 working days after the meeting at a cost of 10 cents per page.

Dated: July 28, 1999.

**Margaret M. Dotzel,**

*Acting Associate Commissioner for Policy.*

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## DEPARTMENT OF THE TREASURY

### Fiscal Service

### 31 CFR Part 375

#### Marketable Treasury Securities Redemption Operations

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

**ACTION:** Proposed rule.

**SUMMARY:** The Department of the Treasury ("Treasury", "We", or "Us") is publishing for comment proposed rules setting out the terms and conditions by which we may redeem outstanding, unmaturing marketable Treasury securities. While we have not decided to conduct redemption operations, we are publishing this proposed rule to obtain comments on the mechanism by which we might conduct such operations. By establishing the mechanism in advance, we would be able to conduct redemption operations in a more timely and efficient way should such a decision be made.

We would establish a new part in the Code of Federal Regulations for this purpose. The proposed rules describe a process by which an entity may submit competitive offers to sell us securities. The proposed rules also describe how we would announce the redemption operation results and the requirements for delivering securities to us and receiving payment.

Redemption operations would help us better manage our financing needs, promote more efficient capital markets, and may lower financing costs for taxpayers.

**DATES:** Submit comments on or before October 4, 1999.

**ADDRESSES:** You may send us hardcopy comments at: Government Securities Regulations Staff, Bureau of the Public Debt, 999 E Street NW., Room 315, Washington, DC 20239-0001. You may also send us comments by e-mail at govsecreg@bpd.treas.gov. When sending comments by e-mail, please use an ASCII file format and provide your full name and mailing address. Comments received will be available for public inspection and downloading from the Internet and for public inspection and copying at the Treasury Department Library, FOIA Collection, Room 5030, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC 20220. To visit the library, call (202) 622-0990 for an appointment.

This proposed amendment is also available for downloading from Public Debt's web site at the following address: [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov).

**FOR FURTHER INFORMATION CONTACT:** Lori Santamarena (Acting Executive Director) or Chuck Andreatta (Senior Financial Advisor), Bureau of the Public Debt, Government Securities Regulations Staff, (202) 691-3632.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

The government's improved fiscal position has caused Treasury's borrowing needs to decline significantly, and we have been adjusting the government's borrowing program accordingly. Our adjustments to date have distributed the required cuts in borrowing across various maturities and sectors of the federal debt. In this environment, we began examining the concept of purchasing outstanding Treasury securities in the market. No decisions have been made to use a debt buy-back program, but having the infrastructure available to be able to use this tool would provide Treasury additional flexibility.

Debt buy-backs could provide us with greater flexibility to manage the government's debt and to respond to our improved fiscal condition. First, buy-backs could enhance market liquidity by allowing us to maintain regular issuance of new benchmark securities across the maturity spectrum, in greater volume than otherwise. Over the long term, this enhanced liquidity could reduce the

government's interest expense and promote more efficient capital markets.

Second, buy-backs could enhance our ability to exert control over the maturity structure of the debt. Without a debt buy-back program, further reductions in Treasury new issue sizes and frequencies could be necessary. A buy-back program, however, would provide us the option of managing the maturity structure of the debt by selectively targeting the maturities of debt to be repurchased.

Third, buy-backs could be used as a cash management tool, absorbing excess cash in periods such as late April when tax revenues greatly exceed immediate spending needs.

In addition, although not a primary reason for conducting buy-backs, we may occasionally be able to reduce the government's interest expense by purchasing "off-the-run" debt and replacing it with lower-yield "on-the-run" debt.<sup>1</sup>

##### II. Analysis

In a buy-back operation (a "redemption operation" in the proposed rule), we would redeem securities by purchasing them from current owners. The most equitable method for determining redemption prices is through a process in which market participants submit competitive offers to sell particular Treasury securities to the Treasury. We welcome comments about this proposed methodology.

Under the proposal, we would announce our intention to purchase specified Treasury securities, including the approximate total amount that we want to buy, and the deadlines for offers and settlement. We would accept offers on a multiple-price basis—that is, we would determine and accept the most attractive offers and each successful offeror would receive the price at which it offered securities. We could decide to buy back less than the announced amount if market conditions warranted.

For the reasons set forth below, we propose that the entities that have a trading relationship with the Federal Reserve Bank of New York (primary dealers) be eligible to submit offers. Other entities could submit offers through the primary dealers or an intermediary that has a relationship with a primary dealer.

Restricting direct offers to primary dealers would permit us to use the

<sup>1</sup> A Treasury security is "on-the-run" when it is the newest security issue of its maturity (e.g., in October the two-year note issued September 30 would be "on-the-run" while the two-year note issued August 31 would be "off-the-run"). An on-the-run security is normally the most liquid issue for that maturity.

Federal Reserve Bank of New York's existing electronic systems for executing open market transactions and facilitate transfers of securities to Treasury at settlement. No customer lists would be required under these proposed rules.

Redemption operation announcements would be in the form of an official Treasury press release, supplemented by a posting on the Bureau of the Public Debt's website ([www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)) and on-line broadcast messages over the Federal Reserve's Fedline OM (Open Market) system. The Treasury securities eligible for redemption and the privately held amount of each security would be included in the redemption operation announcement.

To expedite tender processing and calculation and announcement of redemption operation results, we would accept competitive offers only. Price-based offers would be most convenient for redemption operation participants since the eligible securities already would be trading in the secondary market on a price basis.

The price format would be consistent with that already used by the Federal Reserve's open market operations. See § 375.13(b). The only limitation on the dollar amount of offers is that the total amount of offers from a submitter for any particular security could not exceed the total outstanding privately held amount of that security.

Calculation of redemption operation results would occur at the Federal Reserve Bank of New York, acting as Treasury's fiscal agent, using a methodology determined by Treasury. There would be no limitation on the number of offers for each security. We also would not limit the aggregate amount of offers for securities that Treasury would accept from any one submitter.<sup>2</sup>

It is possible that, in a particular redemption operation, the calculations could result in our redeeming only one security. We also would not set any limits on the amount or percentage of the outstanding amount of a security that could be redeemed. It is possible, therefore, that following a redemption operation or redemption operations, the privately held amount still outstanding of a particular security could be very small.

Once the redemption operation calculations have been completed, Treasury would announce the results through an official press release, including a listing of the amount of each

security we accept for redemption. We would also post the results to Public Debt's website and other on-line broadcast messages. The Federal Reserve Bank of New York would transmit results messages to the submitters who participated in the redemption operation. A results message would inform a submitter only of the acceptance or rejection of the offers it submitted. Submitters would in turn notify customers of successful offers in the redemption operation.

Settlement would occur on the business day after the deadline for submission of offers (tenders). Successful submitters would transfer the securities they submitted offers for in the redemption operation to Treasury, via the Federal Reserve Bank of New York. This next-day delivery requirement follows current market convention for other Treasury securities transactions. The settlement amount would include any accrued interest payable by Treasury through the settlement date. We request specific comment on this proposed requirement or any other settlement-related issues.

The securities delivered may be in either book-entry (electronic) or definitive (paper) form. Those delivering book-entry securities would transfer via Fedwire the correct par amount of securities against payment for the correct settlement amount to the account specified on the redemption operation announcement. A submitter planning to deliver definitive securities would be required to contact the Federal Reserve Bank of New York within two hours of the announcement of the redemption operation results and make arrangements for delivery.

We encourage comments on any aspect of this proposed rule to ensure that we address the concerns of market participants and Treasury. In addition, this proposed rule has been drafted using plain language. We specifically request comment on the clarity of this rule and how we can make it easier to understand.

### III. Procedural Requirements

This proposed rule is not a "significant regulatory action" under Executive Order 12866. Although we are issuing this proposed rule in proposed form to benefit from public comment, the notice and public procedures requirements of the Administrative Procedure Act do not apply, under 5 U.S.C. 553(a)(2).

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

### List of Subjects in 31 CFR Part 375

Bonds, Federal Reserve System, Government securities, Securities.

For the reasons stated in the preamble, the Treasury proposes to amend 31 CFR chapter II, subchapter B, by adding new part 375 to read as follows:

### PART 375—MARKETABLE TREASURY SECURITIES REDEMPTION OPERATIONS

#### Subpart A—General Information

Sec.

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375.20 When will the Treasury decide on which offers to accept?

375.21 When and how will the Treasury announce the redemption operation results?

375.22 Will I receive any additional information and, if I am submitting offers for others, do I have to provide confirmations?

375.23 How does the securities delivery process work?

#### Subpart D—Miscellaneous Provisions

375.30 Does the Treasury have any discretion in this process?

375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?

**Authority:** 5 U.S.C. 301; 31 U.S.C. 3111; 12 U.S.C. 391.

#### Subpart A—General Information

**§ 375.0 What authority does the Treasury have to redeem its securities?**

Section 3111 of Title 31 of the United States Code authorizes the Secretary of the Treasury to use money received from the sale of an obligation and other money in the general fund of the Treasury to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of

<sup>2</sup>In other words, there is no limitation similar to the "35-percent limit" on awards in the auction process. See 31 CFR 356.22(b).

the United States Government. For the purposes of this part, we will refer to these outstanding obligations as "securities."

**§ 375.1 Where are the rules for the redemption operation located?**

The provisions in this part and the redemption operation announcement govern the redemption of marketable Treasury securities under 31 U.S.C. 3111. (See § 375.10.)

**§ 375.2 What special definitions apply to this rule?**

The definitions in 31 CFR part 356 govern this part except as follows:

*Accrued interest* means an amount payable by the Treasury as part of the settlement amount for the interest income earned between the last interest payment date and the settlement date.

*Bank* means the Federal Reserve Bank of New York.

*Customer* means a person or entity on whose behalf a submitter has been directed to submit an offer of a specified amount of securities in a specific redemption operation.

*Definitive security* means a security that is issued and maintained as a certificate. Definitive securities are in either registered or bearer form.

*Minimum offer amount* means the smallest par amount of a security that may be offered to the Treasury. We will state the minimum offer amount in the redemption operation announcement.

*Multiple* means the smallest additional par amount of a security that may be offered to the Treasury. We will state the multiple in the redemption operation announcement.

*Offer* means an offer to deliver for redemption a stated par amount of a specific security to the Treasury at a stated price.

*Price* means the price of a security as offered by a submitter or its customer and excludes accrued interest.

*Privately held amount* means the total amount outstanding of a security eligible for redemption less holdings of the Federal Reserve System and Federal Government accounts.

*Redemption amount* means the maximum par amount of securities that we are planning to redeem through a redemption operation. We will state the redemption amount in the redemption operation announcement.

*Redemption operation* means a competitive process by which the Treasury accepts offers of marketable Treasury securities that by their terms are not immediately payable.

*Security* means an outstanding unmatured obligation of the United States Government that the Secretary is

authorized to buy, redeem or refund under section 3111 of Title 31 of the United States Code.

*Settlement* means full and complete delivery of and payment for securities redeemed.

*Settlement amount* means the par amount of each security that we redeem, multiplied by the price we accept in a redemption operation, plus any accrued interest.

*Settlement date* means the date specified in the redemption operation announcement on which you must deliver a security to the Treasury for payment.

*Submitter* means an entity submitting offers directly to the Treasury for its own account, for the account of others, or both. (See § 375.11(a).)

*Tender* means a computer transmission or document submitted in a redemption operation that contains one or more offers.

*We* ("us") means the Secretary of the Treasury and his or her delegates, including the Treasury Department, Bureau of the Public Debt, and their representatives. The term also includes the Federal Reserve Bank of New York, acting as fiscal agent of the United States.

*You* means a prospective submitter in a redemption operation.

**§ 375.3 What is the role of the Federal Reserve Bank of New York in this process?**

As fiscal agent of the United States, the Federal Reserve Bank of New York performs various activities necessary to conduct a redemption operation under this part. These activities include but are not limited to:

- (a) Accepting and reviewing tenders;
- (b) Calculating redemption operation results;
- (c) Issuing notices of redemptions;
- (d) Accepting deliveries of Treasury securities at settlement; and
- (e) Processing the Treasury payment for securities delivered at settlement.

**Subpart B—Offering, Certifications, and Delivery**

**§ 375.10 What is the purpose of the redemption operation announcement?**

We provide public notice that we are redeeming Treasury securities by issuing a redemption operation announcement. This announcement lists the details of each proposed redemption operation, including the total redemption amount, the eligible securities, the total privately held amount of each eligible security, and the redemption operation and settlement dates. The redemption operation announcement and this part specify the

terms and conditions of a redemption operation. If anything in the redemption operation announcement differs from anything in this part, the redemption operation announcement will apply. Accordingly, you should read the applicable redemption operation announcement along with this part.

**§ 375.11 Who may participate in a redemption operation?**

(a) *Submitters*. To be a submitter, you must be an institution that the Federal Reserve Bank of New York has approved to conduct open market transactions with the Bank.

(b) *Others*. A person or entity other than a submitter may participate only if it arranges to have an offer or offers submitted on its behalf by a submitter.

**§ 375.12 How do I submit an offer?**

As a submitter, you must submit an offer in a tender to the Treasury via the Federal Reserve Bank of New York through its Trading Room Automated Processing System (TRAPS). You must submit any tenders in an approved format and the Bank must receive them prior to the closing time in the redemption operation announcement. If we do not receive your tenders timely, we will reject them. Tenders are binding on their submitter after the closing time specified in the redemption operation announcement. You are responsible for ensuring that the Federal Reserve Bank of New York receives your tenders on time. We will not be responsible in any way for any unauthorized tender submissions or for any delays, errors, or omissions in submitting tenders.

**§ 375.13 What requirements apply to offers?**

(a) *General*. You may only submit competitive offers (specifying a price). All offers must state the CUSIP number or security description, par amount, and price of each security offered. All offers must equal or exceed the minimum offer amount, and be in the multiple, stated in the redemption operation announcement.

(b) *Price format*. You must express offered prices in terms of price per \$100 of par with three decimals, e.g., 102.172. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6. For example, an offer of 102.172 means one hundred two and seventeen 32nds and two eighths of a 32nd, or in decimals, 102.5390625.

(c) *Maximum amount offered*. The total amount of your offers for any individual security may not exceed the total privately held amount of the

security. If it does, we will recognize only your lowest-priced offer, through successively higher-priced offers, until we reach the total privately held amount. A list of the privately held amount of each eligible security will appear in the redemption operation announcement.

(d) *Maximum number of offers.* There is no limit on the number of offers you may make of each eligible security. There is also no limit on the number of eligible securities you may offer.

**§ 375.14 Do I have to make any certifications?**

By submitting a tender offering a security or securities for sale, you certify that you are in compliance with this part and the redemption operation announcement.

**§ 375.15 Who is responsible for delivering securities?**

As a submitter, you are responsible for delivering any securities we accept in the redemption operation. (See § 375.23.) All securities you deliver must be free and clear of all liens, charges, claims, and any other restrictions.

**Subpart C—Determination of Redemption Operation Results; Settlement**

**§ 375.20 When will the Treasury decide on which offers to accept?**

We will determine which offers or portions of offers to accept after the closing time for receipt of tenders. All such determinations will be final.

**§ 375.21 When and how will the Treasury announce the redemption operation results?**

We will make an official announcement of the redemption operation results through a press release. For each security we redeem, the press release will include such information as the amounts offered and accepted, the highest price accepted, and the remaining privately held amount outstanding.

**§ 375.22 Will I receive any additional information and, if I am submitting offers for others, do I have to provide confirmations?**

(a) *Confirmations to submitters.* We will provide a confirmation of acceptance or rejection in the form of a results message to submitters of offers by the close of the business day of the redemption operation.

(b) *Confirmation of customer offers.* If you submit a successful offer for a customer, you are responsible for notifying that customer of the impending redemption.

**§ 375.23 How does the securities delivery process work?**

(a) *Deliveries of book-entry securities.* If any of the offers you submitted are accepted and you are delivering book-entry securities, you must transfer them in the correct par amount against the correct settlement amount on the settlement date. You must deliver the securities to the account specified in the redemption operation announcement.

(b) *Deliveries of definitive securities.* If any of the offers you submitted are accepted and you are delivering definitive securities, you must notify the Federal Reserve Bank of New York within two hours of the announcement of the redemption operation results. You must deliver them in the correct par amount on the settlement date. Registered securities must be properly assigned. Unless otherwise specified in the offering announcement, bearer securities must have all of their unmatured coupons attached. Deliver them to us at the address for the Federal Reserve Bank of New York provided in the redemption operation announcement. On the day the Bank receives them, it will credit the settlement amount to the depository institution's funds account you specified when you notified the Bank of your intention to deliver definitive securities.

**Subpart D—Miscellaneous Provisions**

**§ 375.30 Does the Treasury have any discretion in this process?**

- (a) We have the discretion to:
- (1) Accept or reject any offers or tenders submitted in a redemption operation;
  - (2) Redeem less than the amount of securities specified in the redemption operation announcement;
  - (3) Add to, change, or waive any provision of this part; or
  - (4) Change the terms and conditions of a redemption operation.
- (b) Our decisions under this part are final. We will provide a public notice if we change any redemption operation provisions, terms or conditions.

**§ 375.31 What could happen if someone does not fully comply with the redemption operation rules or fails to deliver securities?**

(a) *General.* If a person or entity fails to comply with any of the redemption operation rules in this part, we will consider the circumstances and take appropriate action. This could include barring the person or entity from participating in future redemption operations under this part and future auctions under 31 CFR part 356. We

also may refer the matter to an appropriate regulatory agency.

(b) *Liquidated damages.* If you fail to deliver securities on time, we may require you to pay liquidated damages of up to 1% of your settlement amount.

Dated: July 29, 1999.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

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**ENVIRONMENTAL PROTECTION AGENCY**

**40 CFR Part 52**

[DC25-2018b; FRL-6412-4]

**Approval and Promulgation of Air Quality Implementation Plans; District of Columbia; 15 Percent Plan for the Metropolitan Washington, D.C. Ozone Nonattainment Area**

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

**ACTION:** Proposed rule.

**SUMMARY:** We are proposing to convert our conditional approval of the District of Columbia's State Implementation Plan (SIP) revision to achieve a 15 percent reduction in volatile organic compound emissions (15% plan SIP revision) in the Metropolitan Washington, D.C. ozone nonattainment area to a full approval. In the "Rules and Regulations" section of this **Federal Register**, we are converting our conditional approval of the District's 15% plan SIP revision to a full approval as a direct final rule because we view this as a noncontroversial amendment and because we anticipate no adverse comments. A detailed rationale for the approval is set forth in the direct final rule. If we receive no adverse comments, we will not undertake further action on this proposed rule. If we receive adverse comments, we will withdraw the direct final rule, and it will not take effect. We will address all public comments in a subsequent final rule based on this proposed rule. We will not institute a second comment period on this action. Anyone interested in providing comments on this action should do so at this time.

**DATES:** Comments must be received in writing by September 7, 1999.

**ADDRESSES:** Written comments should be addressed to David L. Arnold, Chief, Ozone and Mobile Sources Branch, Mailcode 3AP21, U.S. Environmental Protection Agency, Region III, 1650 Arch Street, Philadelphia, Pennsylvania 19103. Copies of the documents relevant