

**DEPARTMENT OF THE TREASURY****Fiscal Service****31 CFR Parts 321, 351, 352, 353, 359, and 360****United States Savings Bonds; Extension of Holding Period**

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

**ACTION:** Final rule.

**SUMMARY:** The purpose of this final rule is to amend regulations offering and governing United States Savings Bonds to require that owners hold their bonds 12 months before they are eligible for redemption instead of 6 months. This change affects Series EE and I United States Savings Bonds issued January 2003 or later. This change is being made to discourage investing in savings bonds for short terms, and to better align the effective return on savings bonds with short-term marketable Treasury security yields.

**EFFECTIVE DATE:** Effective February 1, 2003.

**ADDRESSES:** You can download this final rule and correction at the following Internet address: <http://www.publicdebt.treas.gov>.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:** Currently, investors must hold their Series EE and I United States Savings Bonds for 6 months before they can be redeemed. This Final Rule increases the holding period for U.S. Savings Bonds from 6 months to 12 months. This change affects Series EE and I United States Savings Bonds issued January 2003 or later. When EE and I bonds were introduced and first offered in January 1980 and September 1998, respectively, offering and governing regulations prohibited owners from redeeming these bonds before they were 6 months old. While owners have always been able to

cash their savings bonds prior to original maturity at the option of the owner or other person entitled to redemption, regulations have always prohibited redemption during an initial holding period to encourage retention and discourage the use of savings bonds as a short-term investment. The change will also address the anomaly that has resulted in yields for EE and I bonds redeemed six months after issue being greater than prevailing six-month Treasury security yields.

**Procedural Requirements**

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

This final rule relates to matters of public contract and procedures for United States securities. The notice and public procedures requirements and delayed effective date requirements of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

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

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

**List of Subjects****31 CFR Part 321**

Banks, Banking, Bonds.

**31 CFR Part 351**

Bonds, Government securities.

**31 CFR Part 352**

Bonds, Government securities.

**31 CFR Part 353**

Bonds, Electronic funds transfers, Government securities.

**31 CFR Part 359**

Bonds, Federal Reserve system, Government securities, Securities.

**31 CFR Part 360**

Bonds, Federal Reserve system, Government securities, Securities.

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

**PART 321—PAYMENTS BY BANKS AND OTHER FINANCIAL INSTITUTIONS OF UNITED STATES SAVINGS BONDS AND UNITED STATES SAVINGS NOTES (FREEDOM SHARES)**

1. The authority citation for part 321 continues to read as follows:

**Authority:** 2 U.S.C. 901; 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3126.

2. Section 321.8 is amended by redesignating paragraphs (a)(2) as paragraph (a)(3), revising paragraph (a)(1) and adding paragraph (a)(2) to read as follows:

**§ 321.8 Redemption-exchange of Series E and EE savings bonds and savings notes.**

(a) \* \* \*

(1) Series EE bonds bearing issue dates of December 1, 2002, or earlier, presented no earlier than six months from their issue dates;

(2) Series EE bonds bearing issue dates of February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and

\* \* \* \* \*

3. Revise § 321.9(a) to read as follows:

**§ 321.9 Specific limitations on payment authority.**

\* \* \* \* \*

(a)(1) If it is a Series EE bond or a Series I bond issued on December 1, 2002, or earlier, presented for payment prior to six months from its issue date; or

(2) If it is a Series EE bond or a Series I bond issued on February 1, 2003, or thereafter, presented for payment prior to 12 months from its issue date.

\* \* \* \* \*

**Appendix to Part 321 [Amended]**

4. Amend the Appendix to part 321 section (8)(a), by revising the second sentence to read as follows:

\* \* \* \* \*

8. *Redemption-exchange of Series E and EE savings bonds and savings notes.*

(a) *General.* \* \* \* Securities eligible for exchange are: (1) Series EE bonds issued December 1, 2002, or earlier, presented no earlier than six months from their issue dates; (2) Series EE bonds issued February 1, 2003, or thereafter, presented no earlier than 12 months from their issue dates; and (3) Series E bonds and savings notes presented no later than one year from the month in which they reached final maturity. \* \* \*

\* \* \* \* \*

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

5. The authority citation for part 351 continues to read as follows:

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

6. Amend § 351.2(d) by revising the first sentence and adding a new sentence after the first sentence to read as follows:

**§ 351.2 Description of bonds.**

\* \* \* \* \*

(d) *Redemption.* A Series EE bond issued on December 1, 2002, or earlier, may be redeemed after 6 months from its issue date. A Series EE bond issued on February 1, 2003, or thereafter, may be redeemed after 12 months from its issue date. \* \* \*

**PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH**

7. The authority citation for part 353 continues to read as follows:

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

8. Amend § 352.7(a) by revising the last sentence and adding a new sentence to read as follows:

**§ 352.7 Issues on exchange.**

(a) \* \* \* Series EE bonds issued on December 1, 2002, or earlier, become eligible for exchange six months after their issue dates. Series EE bonds issued on February 1, 2003, or thereafter, become eligible for exchange 12 months after their issue dates.

\* \* \* \* \*

**PART 353—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES EE AND HH**

9. The authority citation for part 353 continues to read as follows:

**Authority:** 5 U.S.C. 301; 12 U.S.C. 391; 31 U.S.C. 3105, 3125.

10. Revise § 353.35(b) to read as follows:

**§ 353.35 Payment (redemption).**

\* \* \* \* \*

(b) A Series EE bond issued on December 1, 2002, or earlier, will be paid at any time after 6 months from its issue date. A Series EE bond issued on February 1, 2003, or thereafter, will be paid at any time after 12 months from its issue date. Bonds will be paid at the current redemption value shown in Department of the Treasury Circular, Public Debt Series No. 1–80 (31 CFR part 351).

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

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

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

12. Revise § 359.6 to read as follows:

**§ 359.6 When may I redeem my Series I bond?**

(a) *Bonds issued on December 1, 2002, or earlier.* You may redeem your Series I savings bond issued on December 1,

2002, or earlier, at any time after six months from its issue date.

(b) Bonds issued on February 1, 2003, or thereafter. You may redeem your Series I savings bond issued on February 1, 2003, or thereafter, at any time after 12 months from its issue date.

**PART 360—REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS, SERIES I**

13. The authority citation for part 360 continues to read as follows:

**Authority:** 5 U.S.C. 301; 31 U.S.C. 3105 and 3125.

14. Revise § 360.35(b) to read as follows:

**§ 360.35 Payment (redemption).**

\* \* \* \* \*

(b) *Mandatory initial holding period.* A Series I bond issued on December 1, 2002, or earlier, will be paid at any time after six months from issue date. A Series I bond issued on February 1, 2003, or thereafter, will be paid at any time after 12 months from issue date. Bonds will be paid at the current redemption value determined in the manner described in Department of the Treasury Circular, Public Debt Series No. 1–98 (31 CFR part 359).

Dated: December 19, 2003.

**Donald V. Hammond,**

*Fiscal Assistant Secretary.*

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