

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 351

Offering of United States Savings Bonds, Series EE

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

ACTION: Final rule.

SUMMARY: This final rule changes the interest rate determination for United States Savings Bonds of Series EE issued May 1, 2005, or thereafter.

DATES: Effective: May 1, 2005.

ADDRESSES: You can download this final rule at the following Internet addresses: <http://www.publicdebt.treas.gov> or <http://www.gpoaccess.gov/ecfr>.

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SUPPLEMENTARY INFORMATION: This final rule changes the interest rate determination for United States Savings Bonds of Series EE. Effective May 1, 2005, the interest rate for a Series EE bond issued on or after that date will be a fixed rate of interest determined by the Secretary of the Treasury or the Secretary's designee. The fixed rate will be announced each May 1 and November 1. The most recently announced fixed rate will apply to Series EE savings bonds purchased during the six months following the announcement (or for any other period of time announced by the Secretary). The fixed rate will be established for the life of the bond, including the extended maturity period, unless the Secretary announces a different fixed rate or we amend the terms and conditions prior to the beginning of the extended maturity period. All other Series EE terms and conditions remain unchanged. These changes do not affect bonds that were purchased before May 1, 2005.

The fixed rate replaces the current variable rate for Series EE bonds. Currently, a new variable rate is announced each May 1 and November 1, and applies to bonds during the first semiannual rate period beginning on or after the effective date of the rate.

Consequently, a Series EE savings bond purchased prior to May 1, 2005,

earned a new rate of interest every six months. A Series EE savings bond purchased on or after May 1, 2005, will have one rate of interest that continues for the life of the bond (although a different rate or method of determining the rate may be used for any extended maturity period).

Treasury periodically re-assesses each United States savings bond program and re-examines their pricing models. After the most recent re-examination, Treasury concluded that a change to the Series EE savings bond pricing model is necessary to reflect the unique characteristics of Series EE savings bonds, as well as to harmonize the price with the pricing models used for other series of savings bonds. The change will benefit investors by the establishment of a predetermined rate that will provide greater certainty as to the amount of interest that the bond will earn.

Procedural Requirements

This final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, a regulatory assessment is not required.

Because this final rule relates to matters of public contract and procedures for United States securities, notice and public procedure and delayed effective date requirements 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 in 31 CFR Part 351

Bonds, Federal Reserve System, Government securities.

■ Accordingly, for the reasons set out in the preamble, 31 CFR chapter II, subchapter B, is amended as follows:

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

■ 1. 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.

■ 2. Revise the third sentence of § 351.0 to read as follows:

§ 351.0 What does this part cover?

* * * The current offer was effective May 1, 2005, and will continue until terminated by the Secretary.

■ 3. Revise the undesignated center heading located prior to § 351.29 to read as follows:

Series EE Savings Bonds With Issue Dates of May 1, 1997, Through April 1, 2005

■ 4. Revise the section heading for § 351.29, and the heading for § 351.29(a)(2), to read as follows:

§ 351.29 What are the maturity periods of bonds with issue dates of May 1, 1997, through April 1, 2005?

(a) * * *

(2) *Bonds with issue dates of June 1, 2003, through April 1, 2005.* * * *

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■ 5. Revise the heading for § 351.30 to read as follows:

§ 351.30 What are interest rates and monthly accruals for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, during the original maturity period?

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■ 6. Revise the heading and the first sentence of § 351.31 to read as follows:

§ 351.31 What is the interest penalty for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005, that are redeemed less than 5 years after the issue date?

If you redeem a Series EE savings bond with an issue date of May 1, 1997, through April 1, 2005, less than five years following the issue date, we reduce the overall earning period from the issue date by three months.

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■ 7. Revise the heading of § 351.32 to read as follows:

§ 351.32 How are redemption values calculated for Series EE bonds with issue dates of May 1, 1997, through April 1, 2005?

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■ 8. Revise the heading of § 351.33 to read as follows:

§ 351.33 What are interest rates and redemption values for Series EE bonds issued May 1, 1997, through April 1, 2005, during an extended maturity period?

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■ 9. Add an undesignated center heading prior to § 351.34, to read as follows:

Series EE Savings Bonds With Issue Dates of May 1, 2005, or Thereafter

■ 10. Add § 351.34 to read as follows:

§ 351.34 What are the maturity periods of Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *Original maturity.* Bonds reach original maturity at 20 years after the issue date.

(b) *Final maturity.* Bonds reach final maturity at 30 years after the issue date. Bonds cease to earn interest at final maturity.

■ 11. Add § 351.35 to read as follows:

§ 351.35 What do I need to know about interest rates, penalties, and redemption values for Series EE bonds with issue dates of May 1, 2005, or thereafter?

(a) *Fixed rate or fixed rate of interest.* Fixed rate or fixed rate of interest means the rate of interest for a Series EE savings bond with an issue date of May 1, 2005, or thereafter, established by the Secretary or the Secretary's designee.

(b) *Determination of fixed rate of interest.* (1) The Secretary or the Secretary's designee determines the fixed rate of interest, which is established for the life of the bond, including the extended maturity period, unless, prior to the beginning of such maturity period, the Secretary either announces a different fixed rate applicable to the extended maturity period, or we expressly amend the terms and conditions applicable to the extended maturity period.

(2) The Secretary's determination of rates of interest and savings bond

redemption values is final and conclusive.

(c) *Announcement of fixed rate.* (1) The Secretary or the Secretary's designee will furnish a fixed rate of interest in announcements published each May 1 and November 1. The effective date of the rates will be the first day of the month of the announcement.

(2) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day; however, the effective date of the rates remains the first day of the month of the announcement.

(3) The Secretary may announce rates at any other time.

(4) The most recently announced fixed rate applies only to bonds purchased during the six months following the announcement, or for any other period of time announced by the Secretary.

(d) *Monthly accruals.* Interest accrues on the first day of each month; that is, we add the interest earned on a bond during any given month to its value at the beginning of the following month.

The accrued interest compounds semiannually.

(e) *Interest penalty for Series EE bonds redeemed less than 5 years after issue date.* If you redeem a bond with an issue date of May 1, 2005, or thereafter, less than five years following the issue date, we reduce the overall earning period from the issue date by three months. However, the redemption value of a bond subject to the 3-month interest penalty shall not be reduced below the issue price. This penalty does not apply to bonds redeemed 5 years or more after the issue date.

(f) *Redemption value of Series EE bonds at original maturity.*

(1) *Definitive bond.* At original maturity, the redemption value of a definitive bond shall not be less than the face amount/denomination of the bond.

(2) *Book-entry bond.* At original maturity, the redemption value of a book-entry bond shall not be less than double the purchase price of the bond.

Dated: March 29, 2005.

Donald V. Hammond,

Fiscal Assistant Secretary.

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