

Source of Authority: Treasury Order 150-10.

To the extent that the authority previously exercised consistent with this order may require ratification, it is hereby affirmed and ratified.

This order supersedes Delegation Order No. 172 (Rev. 4), which was effective 12-31-96.

Approved: April 15, 1997.

James E. Donelson,

Acting Chief Compliance Officer.

[FR Doc. 97-14069 Filed 5-28-97; 8:45 am]

BILLING CODE 4830-01-U

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[SPR-104006-97]

Mark-to-Market Valuation Software

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Solicitation for comments.

SUMMARY: The IRS is soliciting comments on the scope, algorithms, and use of its new software to provide historic market values for certain financial instruments.

DATES: Comments are requested on or before July 28, 1997.

ADDRESSES: Send written comments to: Internal Revenue Service, Attn: CC:DOM:CORP:R (SPR-104006-97), room 5226, POB 7604, Ben Franklin Station, Washington, DC. 20044. Alternatively, respondents may hand deliver written comments to CC:DOM:CORP:R (SPR-104006-97), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW., Washington, DC., or may submit comments electronically via the IRS Internet site at: http://www.irs.ustreas.gov/prod/tax_regs/comments.html.

FOR FURTHER INFORMATION CONTACT: Suzanne J. Boulé at 212-298-2116 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Section 475 of the Internal Revenue Code requires that dealers in securities use a mark-to-market method of accounting. Under that method, inventory securities must be included in inventory at fair market value. For a security that is not inventory in the hands of the dealer and that is held at the close of a taxable year, the dealer must recognize gain or loss as if the security were sold for its fair market value on the last business day of that taxable year.

The IRS intends to implement mark-to-market valuation software to assist with the administration of section 475. The software is being developed by the Los Alamos National Laboratory under the supervision of the IRS's Office of Financial Products and Transactions. The software will be used to compute ranges of values for various financial instruments.

Comments

The IRS is soliciting comments from the public concerning this new software. Comments are invited concerning the scope, algorithms, use, and other aspects of the software.

Scope

The software can compute a range of values for interest rate swaps; currency swaps; path-independent caps, floors, and collars; path-dependent caps, floors, and collars; ndex-amortizing swaps; European options on any of the above; and American and mid-Atlantic (Bermudan) options on path-independent instruments. The IRS invites comments concerning which instruments should be included in the scope of the software for various historic periods.

Algorithms

The software uses models of the term structure of interest rates developed by Black, Derman, and Toy [1]; Black and Karasinski [2]; Heath, Jarrow, and Morton [3,4,5]; Ho and Lee [6]; and Hull and White [7]. These models are widely used in the financial products industry. The IRS invites comments concerning which models should be used by the software for various historic periods.

Use

The software uses models and financial data appropriate to the date as of which a financial instrument is to be valued. The models are calibrated to match market data for swaps, caps, floors, and swaptions on that date. For this purpose, the IRS has acquired extensive databases of historical interest rates, currency exchange rates, and interest rate and currency derivative data. The IRS invites comments concerning the use of the models, including the derivation of inputs to the models from these databases.

Credit Risk, Etc.

In industry practice, the values computed using the basic models are often adjusted to reflect credit risk and other factors. The IRS invites comments concerning which, if any, such adjustments are appropriate for valuations under section 475 and

concerning the methods by which any adjustments should be effected. More generally, the IRS invites comments identifying any reason why there might be differences between the values produced by the software and the values that should be taken into account under section 475. The IRS also invites suggestions regarding appropriate ways to reconcile those differences.

Batch Processing

The software currently supports on-line interactive processing of single instruments, and will soon support off-line batch processing of portfolios of instruments. The IRS invites comments on the implementation of batch processing.

Comments are requested on or before July 28, 1997. Written comments should be sent to: Internal Revenue Service, Attn: CC:DOM:CORP:R (SPR-104006-97), room 5226, POB 7604, Ben Franklin Station, Washington, DC. 20044. Alternatively, respondents may hand deliver written comments to CC:DOM:CORP:R (SPR-104006-97), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW., Washington, DC., or may submit comments electronically via the IRS Internet site at: http://www.irs.ustreas.gov/prod/tax_regs/comments.html.

If a respondent is submitting written comments, a signed original and eight (8) copies are requested. All comments will be available for public inspection and copying in their entirety.

References

1. Black, Fischer, Emanuel Derman and William Toy. "A One-Factor Model of Interest Rates and its Application to Treasury Bond Options." *Financial Analysts Journal* 46 (January-February 1990): 33-39.
2. Black, Fischer, and Piotr Karasinski. "Bond and Option Pricing When Short Rates are Lognormal." *Financial Analysts Journal* 47 (July-August 1991): 52-59.
3. Heath, David, Robert Jarrow and Andrew Morton. "Bond Pricing and the Term Structure of Interest Rates: A Discrete Time Approximation." *Journal of Financial and Quantitative Analysis* 25 (December 1990): 419-440.
4. Heath, David, Robert Jarrow and Andrew Morton. "Contingent Claim Valuation with a Random Evolution of Interest Rates." *Review of Futures Markets* 9 no. 1 (1990): 54-76.
5. Heath, David, Robert Jarrow and Andrew Morton. "Bond Pricing and the Term Structure of Interest Rates: A New Methodology for Contingent Claims Valuation." *Econometrica* 60 (January 1992): 77-105.

6. Ho, Thomas S. Y., and Sang-Bin Lee. "Term Structure Movements and Pricing Interest Rate Contingent Claims." *Journal of Finance* 41 (December 1986): 1011-1029.
7. Hull, John, and Alan White. "Pricing Interest Rate Derivative Securities." *Review of Financial Studies* 3 no. 4 (1990): 573-592.

Belinda S. McCafferty,

Director, Office of Financial Products and Transactions, Office of Assistant Commissioner (International).

[FR Doc. 97-14072 Filed 5-28-97; 8:45 am]

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DEPARTMENT OF THE TREASURY

Bureau of the Public Debt

Proposed Collection: Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). Currently the Bureau of the Public Debt within the Department of the Treasury is soliciting comments concerning the Report/Application For Relief on Account of Loss, Theft, or Destruction of United States Bearer Securities (Individuals).

DATES: Written comments should be received on or before July 29, 1997, to be assured of consideration.

ADDRESSES: Direct all written comments to Bureau of the Public Debt, Vicki S. Thorpe, 200 Third Street, Parkersburg, WV 26106-1328.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Vicki S. Thorpe, Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328, (304) 480-6553.

SUPPLEMENTARY INFORMATION:

Title: Report/Application For Relief on Account of Loss, Theft, or Destruction of United States Bearer Securities (Individuals).

OMB Number: 1535-0016.

Form Number: PD F 1022-1.

Abstract: The information is requested to establish ownership and support a request for relief because of the loss, theft, or destruction of United States Bearer Securities owned by individuals.

Current Actions: None.

Type of Review: Extension.

Affected Public: Individuals.

Estimated Number of Respondents: 100.

Estimated Time Per Respondent: 55 minutes.

Estimated Total Annual Burden Hours: 92.

Request for Comments

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: May 22, 1997.

Vicki S. Thorpe,

Manager, Graphics, Printing and Records Branch.

[FR Doc. 97-13991 Filed 5-28-97; 8:45 am]

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DEPARTMENT OF THE TREASURY

Bureau of the Public Debt

Proposed Collection: Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). Currently the Bureau of the Public Debt within the Department of the Treasury is soliciting comments concerning the Report/Application For Relief on Account of Loss, Theft, or Destruction of United States Bearer Securities (Organizations).

DATES: Written comments should be received on or before July 29, 1997, to be assured of consideration.

ADDRESSES: Direct all written comments to Bureau of the Public Debt, Vicki S. Thorpe, 200 Third Street, Parkersburg, WV 26106-1328.

FOR FURTHER INFORMATION CONTACT:

Requests for additional information or copies of the form and instructions should be directed to Vicki S. Thorpe, Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328, (304) 480-6553.

SUPPLEMENTARY INFORMATION:

Title: Report/Application For Relief on Account of Loss, Theft, or Destruction of United States Bearer Securities (Organizations).

OMB Number: 1535-0015.

Form Number: PD F 1022.

Abstract: The information is requested to establish ownership and support a request for relief because of the loss, theft, or destruction of United States Bearer Securities.

Current Actions: None.

Type of Review: Extension.

Affected Public: Organizations.

Estimated Number of Respondents: 100.

Estimated Time Per Respondent: 55 minutes.

Estimated Total Annual Burden Hours: 92.

Request for Comments

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: May 22, 1997.

Vicki S. Thorpe,

Manager, Graphics, Printing and Records Branch.

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