

DEPARTMENT OF THE TREASURY**Fiscal Service****31 CFR Parts 315, 351, 353, 359, 360, and 363****Regulations Governing Treasury Securities, New Treasury Direct System**

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

ACTION: Final rule.

SUMMARY: We recently implemented a new book-entry, online system for purchasing, holding and conducting transactions in Treasury securities. The system is known as New Treasury Direct.

At its initial implementation, the only Treasury security that could be held in New Treasury Direct was the book-entry Series I savings bond. We are now adding the book-entry Series EE savings bond to the system. We revised the regulations governing book-entry Treasury securities held in the New Treasury Direct system by adding the Series EE savings bond to the subpart dealing with the Series I savings bond. This subpart now covers both Series I and Series EE book-entry savings bonds.

We revised the offering of United States savings bonds of Series EE to provide for the book-entry Series EE savings bond. We changed the purchase limitation for definitive Series EE bonds from face amount to principal amount, for consistency with the purchase limitation for book-entry Series EE savings bonds, and with book-entry and definitive Series I bonds. We extended the original maturity period of Series EE savings bonds from 17 years to 20 years. We also rewrote the regulations in plain language.

We revised the governing regulations for United States savings bonds of Series EE to make it clear that these regulations only apply to definitive Series EE savings bonds. We revised the governing regulations for Series E, H, EE, HH, and I savings bonds to streamline the handling of bonds belonging to a decedent's estate, and to make the estate provisions consistent with those for book-entry bonds.

DATES: Effective May 8, 2003.

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

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:**Background**

Public Debt recently developed a new account-based, online, book-entry system for purchasing, holding, and conducting transactions in Treasury securities via the Internet. The new system is known as New Treasury Direct.

Upon the initial implementation of the system in October 2002, only book-entry Series I savings bonds were offered through New Treasury Direct.

We will now offer book-entry Series EE savings bonds through the New Treasury Direct system.

We will continue to offer definitive Series EE savings bonds for some period of time.

The book-entry Series EE savings bond will benefit the investor by expanding the choices available within the New Treasury Direct system. The investor will be able to purchase and conduct transactions in Series EE savings bonds using his or her New Treasury Direct account using the Internet. The system will eliminate the paperwork burden inherent in the purchase of definitive Series EE savings bonds.

The book-entry Series EE savings bond will benefit the government by providing a cost-effective and efficient processing environment, thereby reducing processing costs to Treasury.

The offering circular for Series EE savings bonds is being amended to provide for the offering of the book-entry EE bond, and has also been rewritten in plain language. The offering circular is also being amended to change the original maturity period for both definitive and book-entry Series EE savings bonds from 17 years to 20 years. This change is being done because of the provision in the regulations that provides that a Series EE bond is worth its full face amount at original maturity. The effect of extending the original maturity period is to lower the minimum interest rate that is guaranteed at final maturity.

Both definitive and book-entry Series EE savings bonds will earn interest in

the same manner. Both remain accrual bonds with interest payable only at redemption. However, the definitive Series EE savings bond continues to be sold at one-half of the face amount, while the book-entry Series EE savings bond will have a face amount equal to the amount at which it is sold.

The limitation on purchases for the principal amount of a definitive Series EE savings bond is now \$30,000 per calendar year, making it consistent with the limitation on purchases for the book-entry Series EE bond, and both book-entry and definitive Series I savings bonds, which is \$30,000 per calendar year, par amount. We also changed the manner in which the computation of the amount limitation is made. Previously, bonds purchased by a person as a coowner could be apportioned between the first and second-named coowners. This change requires that all bonds purchased by a person as first-named coowner be counted in the amount limitation, regardless of who is named as second-named coowner. This has the effect of removing a loophole in the amount limitation, in which a person could purchase more than the annual limitation by naming several other individuals as coowners and apportioning the amount limitation among the other coowners.

We revised the purchase limitation for Series I savings bonds from per New Treasury Direct account to per person. This change will eliminate the possibility of circumventing the amount limitation by opening more than one New Treasury Direct account, and purchasing the maximum amount per account.

Registration options of the definitive and book-entry Series EE bond differ in many respects. The terms and conditions for the book-entry Series EE savings bond will be similar to the terms and conditions of the book-entry Series I savings bond.

Like the book-entry Series I savings bond, the forms of registration for book-entry Series EE savings bonds are single owner, primary owner with secondary owner, and owner with beneficiary. In addition, several special forms of registration are offered for securities belonging to the estates of deceased owners and legally incompetent persons.

The primary owner with secondary owner form of registration replaces the coowner form used for definitive EE savings bonds. In the coowner form of registration, both coowners have an equal right to the bond. In the primary owner with secondary owner form, the purchaser of the bond, the primary