

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:

Elisha Whipkey, Director, Division of Program Administration, Office of Securities Operations, Bureau of the Public Debt, at (304) 480-6319 or elisha.whipkey@bpd.treas.gov.

Susan Klimas, Attorney-Adviser, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480-8692 or susan.klimas@bpd.treas.gov.

Dean Adams, Assistant Chief Counsel, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480-8692 or dean.adams@bpd.treas.gov.

Edward Gronseth, Deputy Chief Counsel, Bureau of the Public Debt, at (304) 480-8692 or edward.gronseth@bpd.treas.gov.

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

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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.

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Appendix to Part 321 [Amended]

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

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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. * * *

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