

3. Securities issued by, or guaranteed as to principal and interest by, the following Multilateral Development Banks—whose obligations are backed by the participating countries, including the U.S.: (i) The International Bank for Reconstruction and Development, (ii) the Inter-American Development Bank, (iii) the Asian Development Bank, (iv) the African Development Bank, (v) the European Bank for Reconstruction and Development, and (vi) the International Finance Corporation.

The categories of permissible collateral would not include securities that have no principal component (*e.g.*, STRIPS).

We believe this proposed rule amendment would protect customers by ensuring their receipt of full collateral, while providing us with the flexibility to expand the categories of collateral that may be pledged by registered government securities brokers and dealers. In developing the proposed rules, we have consulted with the staff of the SEC.

We welcome comments on this proposed rule, in particular whether this proposal meets the customer protection principles of Rule 15c3–3, as modified by § 403.4 of the GSA regulations for these types of collateral.

The rules on collateral discussed in this notice apply only in the context of the customer protection requirement in the GSA regulations as applied to registered government securities brokers and dealers. We note that it does not apply to U.S. Treasury Fiscal Service collateral programs governed by 31 CFR Part 380, Collateral Acceptability and Valuation.

III. Special Analysis

This proposed amendment does not meet the criteria for a “significant regulatory action” under Executive Order 12866.

In addition, under the Regulatory Flexibility Act,¹⁸ we certify that the proposed amendments, if adopted, would not have a significant economic impact on a substantial number of small entities. Currently, there are no registered government securities brokers or dealers which would be considered “small” under the SEC’s definition of “small entity.”¹⁹ Accordingly, the number of small entities pledging customer securities when borrowing fully paid or excess-margin securities from customers is not significant. As a result, a regulatory flexibility analysis is not required.

The proposed amendment to § 403.4 of the GSA regulations would expand the range of collateral that registered government securities brokers and dealers may pledge when borrowing customer securities. Although the proposed rule amendment is technical in nature, it does not impose any additional burdens on such firms, but provides a broader list of collateral. The amendment should increase liquidity in the government securities market and lower borrowing costs for registered government securities brokers and dealers. The collections of information under the Government Securities Act regulations have previously been reviewed and approved by the Office of Management and Budget under control number 1535–0089.

List of Subjects in 17 CFR Part 403

Banks, Banking, Brokers, Government Securities.

For the reasons set out in the preamble, we propose that 17 CFR Part 403 be amended as follows:

PART 403—PROTECTION OF CUSTOMER SECURITIES AND BALANCES

1. The authority citation for Part 403 continues to read as follows:

Authority: Pub. L. 99–571, § 101, 100 Stat. 3209; Pub. L. 101–432, section 4(b) 104 Stat. 963; Pub. L. 103–202, sections 102, 106, 107 Stat. 2344 (15 U.S.C. 78o–5(a)(5), (b)(1)(A), (b)(4)).

2. Section 403.1 is revised to read as follows:

§ 403.1 Application of part to registered brokers and dealers.

With respect to their activities in government securities, compliance by registered brokers or dealers with § 240.8c–1 of this title (SEC Rule 8c–1), as modified by § 403.2 (a), (b) and (c), with § 240.15c2–1 of this title (SEC Rule 15c2–1), with § 240.15c3–2 of this title (SEC Rule 15c3–2), as modified by § 403.3, and with § 240.15c3–3 of this title (SEC Rule 15c3–3), as modified by §§ 403.4 (a)–(d), (f)(2)–(3), (g)–(j), and (m), constitutes compliance with this part.

3. Section 403.4 is amended by redesignating paragraphs (e) through (l) as paragraphs (f) through (m), respectively, and by adding new paragraph (e) to read as follows:

§ 403.4 Customer Protection—reserves and custody of securities.

* * * * *

(e) For purposes of this section, § 240.15c3–3(b)(3)(iii)(A) of this title is modified to read as follows:

“(A) Must provide to the lender upon the execution of the agreement, or by the close of the business day of the loan if the loan occurs subsequent to the execution of the agreement, collateral that fully secures the loan of securities, consisting exclusively of cash or United States Treasury bills or Treasury notes or an irrevocable letter of credit issued by a bank as defined in section 3(a)(6)(A)–(C) of the Act (15 U.S.C. 78c(a)(6)(A)–(C)) or such other collateral as the Secretary designates as permissible by order as consistent with the public interest, the protection of investors, and the purposes of the Act, after giving consideration to the collateral’s liquidity, volatility, market depth and location, and the issuer’s creditworthiness; and”

* * * * *

Dated: December 3, 2003.

Brian C. Roseboro,

Assistant Secretary for Financial Markets.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–157164–02]

RIN 1545–BB57

Special Depreciation Allowance; Hearing Cancellation

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Cancellation of notice of public hearing on proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: This document cancels a public hearing on proposed regulations under Sections 168 and 1400L of the Internal Revenue Code relating to the depreciation of property subject to section 168 of the Internal Revenue Code (MACRS property) and the depreciation of computer software subject to section 167.

DATES: The public hearing originally scheduled for December 18, 2003, at 10 a.m., is cancelled.

FOR FURTHER INFORMATION CONTACT: Sonya M. Cruse of the Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedures and Administration), at (202) 622–4693 (not a toll-free number).

SUPPLEMENTARY INFORMATION: A notice of proposed rulemaking by cross-

¹⁸ 5 U.S.C. 601.

¹⁹ 63 FR 37688, 37672 (July 13, 1998).