

monetary reserve in an amount not to exceed approximately one marketing year's operational expenses. Last year's actual Board expenditures totaled \$284,894. The reduced assessment rate is expected to result in an operating reserve of \$257,497, which is about equal to what the Board actually spent last year for program expenses.

The Board discussed alternatives to this rule, including alternative expenditure levels. Lower assessment rates were considered, but not recommended because they would not generate the income necessary to administer the program with an adequate reserve. Major expenses recommended by the Board for the 1997-98 marketing years include \$46,864 for personal services (salaries and benefits), \$5,640 for rent, and \$5,000 for compliance, \$17,000 for a crop survey, \$269,000 for promotion, and \$182,364 for an emergency fund. Budgeted expenses for these items in 1996-97 were \$50,020, \$5,640, \$5,000, \$15,000, \$275,000, and \$182,364, respectively. As mentioned earlier, the Board will not make any decision on using emergency funds until December 1997, at the earliest.

Hazelnut shipments for the year are estimated at 70,000,000 pounds, which should provide \$280,000 in assessment income. Income derived from handler assessments, along with interest and funds from the Board's authorized reserve, will be adequate to cover budgeted expenses. Funds in the reserve will be kept within the maximum permitted by the order.

Recent price information indicates that the grower price for the 1997-98 marketing season will range between \$0.32 and \$0.43 per pound of hazelnuts. Therefore, the estimated assessment revenue for the 1997-98 marketing years as a percentage of total grower revenue will range between .93 and 1.25 percent.

This action will reduce the assessment obligation imposed on handlers. While this rule will impose some additional costs on handlers, the costs are minimal and in the form of uniform assessments on all handlers. Some of the additional costs may be passed on to producers. However, these costs will be offset by the benefits derived by the operation of the marketing order. In addition, the Board's meeting was widely publicized throughout the hazelnut industry and all interested persons were invited to attend the meeting and participate in Board deliberations on all issues. Like all Board meetings, the August 28, 1997, meeting was a public meeting and all entities, both large and small, were able to express views on this issue. Finally,

interested persons are invited to submit information on the regulatory and informational impacts of this action on small businesses.

This action will not impose any additional reporting or recordkeeping requirements on either small or large hazelnut handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

The Department has not identified any relevant Federal rules that duplicate, overlap, or conflict with this rule.

After consideration of all relevant matter presented, including the information and recommendation submitted by the Board and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it is also found and determined upon good cause that it is impracticable, unnecessary, and contrary to the public interest to give preliminary notice prior to putting this rule into effect, and that good cause exists for not postponing the effective date of this rule until 30 days after publication in the **Federal Register** because: (1) This action reduces the current assessment rate for hazelnuts; (2) the 1997-98 marketing year began on July 1, 1997, and the marketing order requires that the rate of assessment apply to all assessable hazelnuts handled during such marketing year; (3) handlers are aware of this action which was unanimously recommended by the Board at a public meeting and is similar to other assessment rate actions issued in past years; and (4) this interim final rule provides a 60-day comment period, and all comments timely received will be considered prior to finalization of this rule.

List of Subjects in 7 CFR Part 982

Marketing agreements, Hazelnuts, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 982 is amended as follows:

PART 982—HAZELNUTS GROWN IN OREGON AND WASHINGTON

1. The authority citation for 7 CFR part 982 continues to read as follows:

Authority: 7 U.S.C. 601-674.

§ 982.340 [Amended]

2. Section 982.340 is amended by removing the words "July 1, 1996," and

adding in their place the words "July 1, 1997," and by removing "\$0.007" and adding in its place "\$0.004."

Dated: October 7, 1997.

Robert C. Keeney,

Deputy Administrator, Fruit and Vegetable Programs.

[FR Doc. 97-27101 Filed 10-10-97; 8:45 am]

BILLING CODE 3410-02-P

FARM CREDIT ADMINISTRATION

12 CFR Part 615

RIN 3052-AB73

Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Book-Entry Procedures for Farm Credit Securities

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: The Farm Credit Administration (FCA), through the FCA Board (Board), adopts as final with minor technical changes a previously adopted interim rule that revises procedures governing the issuance, maintenance, and transfer of Farm Credit securities on the book-entry system of the Federal Reserve Banks (Book-entry System). This action completes rulemaking necessary to conform FCA book-entry procedures to the recently revised book-entry procedures of the Department of the Treasury (Treasury), which regulates the Book-entry System for Treasury securities. The action simultaneously finalizes conforming amendments in the book-entry regulations governing securities of the Farm Credit System Financial Assistance Corporation (FAC) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

EFFECTIVE DATE: January 1, 1997, except that the technical amendments adopted herein are effective 30 days after publication during which either or both Houses of Congress are in session. A notice of effective date for the technical amendments will be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

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Office of Policy Development and
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SUPPLEMENTARY INFORMATION:**I. Background**

On December 20, 1996, the FCA published interim regulations completely revising the procedures governing the issuance, maintenance, and transfer of Farm Credit securities on the Book-entry System (61 FR 67188). The FCA's interim rulemaking followed the action of Treasury, which revised its book-entry regulations to eliminate outdated legal concepts and incorporate significant changes in commercial and property law affecting the holding of securities through financial intermediaries. At the request of Treasury, and in coordination with other regulators of Government-Sponsored Enterprises (GSEs), the FCA made the interim rule effective on January 1, 1997, the same date on which Treasury's new book-entry regulations became effective. This coordinated action was designed to avoid market uncertainty and help ensure a consistent regulatory approach for all users of the Book-entry System, including Farm Credit System (System) institutions. The interim rulemaking provided for a post-effective date comment period.

More extensive background on FCA book-entry regulations can be found in the interim rulemaking document and is not repeated in this notice of final adoption. A detailed explanation of the rationale and effect of the Treasury's new book-entry regulations, known by the acronym "TRADES" (Treasury/Reserve Automated Debt Entry System) is set forth in Treasury's proposed and final rulemaking documents. See 61 FR 8420 (March 4, 1996) and 61 FR 43626 (August 23, 1996). Members of the public should refer to Treasury's TRADES rulemaking documentation for background on the history and mechanics of the Book-entry System and guidance on the general provisions of the book-entry regulations. As is its current policy regarding interpretation of book-entry regulations, the FCA expects to continue to follow Treasury TRADES interpretations and guidance with respect to FCA book-entry regulations and will coordinate with Treasury regarding future guidance and any necessary changes.

II. Comments and Technical Changes

The FCA received one written comment on the interim regulations. The Federal Farm Credit Banks Funding Corporation (Funding Corporation), responding on behalf of the System banks, fully supported the interim regulations but suggested several technical clarifications. In addition, the FCA has continued to consult with

Treasury, the Federal Reserve Board, and the Federal Reserve Bank of New York regarding final implementation of the interim regulations. Treasury suggested that references to the United States in several sections of the interim regulations be omitted to avoid any implication that the United States guarantees Farm Credit securities. Treasury made the same suggestion to other GSE regulators in connection with their revised book-entry regulations. The FCA now adopts the interim book-entry regulations as final, but in response to these comments and suggestions, makes several minor technical changes in the regulations as discussed below.

Section 615.5450(h)

The Funding Corporation suggested that the FCA add "respectively" after the words "sections 4.2(c) and 4.2(d)" to clarify that consolidated securities are issued under section 4.2(c) and Systemwide securities are issued under section 4.2(d) of the Farm Credit Act of 1971, as amended (Act) (12 U.S.C. 2155(c)). The final rule incorporates this suggestion.

Providing for Issuance of Registered Definitive Securities in §§ 615.5451(c) and 615.5457(c)

The Funding Corporation noted that there are registered definitive Farm Credit securities outstanding and that registered definitive securities may be issued in the future. Thus, the Funding Corporation suggested that the reference to "bearer-definitive form" in § 615.5451(c) be replaced with a more generic reference to "definitive form," which would encompass both bearer and registered definitive form. Similarly, the Funding Corporation suggested deletion of the term "bearer" in § 615.5457(c). The FCA agrees that regulatory references to definitive securities should not be limited to bearer securities and is adding the phrase "either registered or" preceding the term "bearer" in both sections. In § 615.5451(c), this broader language authorizes Farm Credit securities to be issued in either registered or bearer form, and in § 615.5457(c), it permits Farm Credit securities being withdrawn from the Book-entry System to be converted into definitive securities and issued in either registered or bearer form to the extent permitted by the applicable securities documentation. As amended, this language is consistent with Treasury's in 31 CFR 306.117(d).

Section 615.5457(a)

The Funding Corporation requested clarification regarding the process for

withdrawing eligible securities from the Book-entry System. Specifically, the Funding Corporation asked who requests that the securities be withdrawn and to whom the request is submitted.

The FCA's regulations on withdrawal of eligible book-entry securities for conversion to definitive form are modeled after Treasury's regulations at 31 CFR 306.117. Consistent with the TRADES regulations, requests for withdrawal and conversion of eligible book-entry securities could only be made to a Federal Reserve Bank through a participant as defined in the regulations. Thus an investor's request for withdrawal and conversion of eligible book-entry securities would proceed through the chain of the investor's financial intermediaries to a participant. In turn, the participant would transmit the withdrawal and conversion request to the Federal Reserve Bank, which would convert the book-entry securities into definitive securities and deliver them in accordance with the participant's instructions.

Section 615.5457(d)

The terms of certain issuances of Farm Credit securities provide for the redemption of such securities, either in whole or in part, at specified times prior to maturity. Since there may thus be more than one call date that applies to a particular issue of Farm Credit securities, the Funding Corporation requested clarification of which call date applies when requests to withdraw eligible book-entry securities are made. In response to this comment, the FCA inserts the term "the applicable" preceding the term "call date" to clarify that eligible book-entry securities may be converted to definitive securities only before the call date applicable to such securities. The amount of advance notice required for conversion requests to be honored is controlled by the securities documentation and Federal Reserve Bank Operating Circulars.

New § 615.5460(c)

In response to the Funding Corporation's comment suggesting that there should be more explicit authority in the regulations for conversion of definitive securities into book-entry securities, the FCA has added new § 615.5460(c). New § 615.5460(c) states that definitive Farm Credit securities may be converted to book-entry form in accordance with the terms of the applicable securities documentation and Federal Reserve Bank Operating Circular. This new provision complements the existing references in

§§ 615.5456 and 615.5462 to conversion of definitive securities to book-entry form.

Regulations Applicable to Securities Converted From Book-Entry to Definitive Form

The Funding Corporation requested clarification as to which of the regulations in subpart O of part 615 apply to securities converted from book-entry to definitive form. In general, unless limited by their terms, the definitions in § 615.5450 apply to definitive securities, whether original issue or converted from book-entry. The conversion authority in §§ 615.5456 and 615.5457 covers the conversion process and related matters. Because §§ 615.5461 and 615.5462 apply specifically to lost and stolen definitive securities and the restrictive endorsement of bearer definitive securities, their requirements would apply to definitive securities converted from book-entry form. Converted securities also are subject to applicable securities documentation and any other provisions of law that may be applicable to the issuance, maintenance, and transfer of definitive securities.

The Funding Corporation also inquired whether converted securities are subject to 31 CFR part 306 of Treasury regulations, which sets forth general regulations governing treatment of definitive U.S. securities. Farm Credit securities are not U.S. securities and therefore are not subject to 31 CFR part 306. However, where appropriate and not inconsistent with FCA regulations, the Farm Credit banks may specify in their securities documentation that maintenance, transfer, and other procedures relating to definitive Farm Credit securities will be the same as those applicable to Treasury securities.

References to the United States

Treasury suggested to the FCA and other GSE regulators that their book-entry regulations omit references to the United States wherever possible to avoid any potential confusion regarding the liability of the United States for GSE securities. For this reason, the FCA is removing certain references to the United States in §§ 615.5452(a), 615.5454(c), and 615.5455(a). As the preamble to the interim regulations noted, any reference in FCA book-entry regulations to the United States, the Treasury, or the Federal Reserve Banks is not meant to imply any liability of the United States for Farm Credit securities. See section 4.4(c) of the Act.

List of Subjects in 12 CFR Part 615

Accounting, Agriculture, Banks, Banking, Government securities, Investments, and Rural areas.

For the reasons stated in the interim rule release, supplemented by the above analysis and discussion, the FCA Board adopts as final with technical changes the interim rule amending Part 615 published at 61 FR 67188, Dec. 20, 1996, governing book-entry procedures for Farm Credit, FAC, and Farmer Mac securities. The effective date of this rule remains January 1, 1997, except that the technical amendments adopted herein are effective 30 days after publication during which either or both Houses of Congress are in session. A notice of effective date for the technical amendments will be published in the **Federal Register**.

PART 615—FUNDING AND FISCAL AFFAIRS, LOAN POLICIES AND OPERATIONS, AND FUNDING OPERATIONS

1. The authority citation for part 615 continues to read as follows:

Authority: Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 6.20, 6.26, 8.0, 8.3, 8.4, 8.6, 8.7, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2278b, 2278b-6, 2279aa, 2279aa-3, 2279aa-4, 2279aa-6, 2279aa-7, 2279aa-8, 2279aa-10, 2279aa-12); sec. 301(a) of Pub. L. 100-233, 101 Stat. 1568, 1608.

Subpart O—Book-entry Procedures for Farm Credit Securities

2. Section 615.5450 is amended by revising paragraph (h) to read as follows:

§ 615.5450 Definitions.

* * * * *

(h) *Farm Credit securities* means consolidated notes, bonds, debentures, or other similar obligations of the Farm Credit banks and Systemwide notes, bonds, debentures, or similar obligations of the Farm Credit banks issued under sections 4.2(c) and 4.2(d), respectively, of the Act, or laws repealed thereby.

* * * * *

3. Section 615.5451 is amended by revising paragraph (c) to read as follows:

§ 615.5451 Book-entry and definitive securities.

* * * * *

(c) Consolidated and Systemwide securities also may be issued in either registered or bearer definitive form.

4. Section 615.5452 is amended by revising the section heading and the introductory text of paragraphs (a)(1) and (a)(2) to read as follows:

§ 615.5452 Law governing rights and obligations of Federal Reserve Banks, Farm Credit banks, and Funding Corporation; rights of any person against Federal Reserve Banks, Farm Credit banks, and Funding Corporation.

(a) * * *

(1) The rights and obligations of the Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks with respect to:

* * * * *

(2) The rights of any person, including a participant, against the Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks with respect to:

* * * * *

5. Section 615.5454 is amended by revising paragraph (c)(1) to read as follows:

§ 615.5454 Creation of participant's security entitlement; security interests.

* * * * *

(c)(1) The Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks have no obligation to agree to act on behalf of any person or to recognize the interest of any transferee of a security interest or other limited interest in favor of any person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the participant is recorded. To the extent required by such law or regulation or set forth in an agreement with a Federal Reserve Bank, or the Federal Reserve Bank Operating Circular, a security interest in a security entitlement that is in favor of a Federal Reserve Bank, a Farm Credit bank, the Funding Corporation, or a person may be created and perfected by a Federal Reserve Bank marking its books to record the security interest. Except as provided in paragraph (b) of this section, a security interest in a security entitlement marked on the books of a Federal Reserve Bank shall have priority over any other interest in the securities.

* * * * *

6. Section 615.5455 is amended by revising paragraph (a) to read as follows:

§ 615.5455 Obligations of the Farm Credit banks and the Funding Corporation; no adverse claims.

(a) Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in § 615.5454(c)(1), for the

purposes of this subpart O, the Farm Credit banks, the Funding Corporation and the Federal Reserve Banks shall treat the participant to whose securities account an interest in a book-entry security has been credited as the person exclusively entitled to issue a transfer message, to receive interest and other payments with respect thereof and otherwise to exercise all the rights and powers with respect to such security, notwithstanding any information or notice to the contrary. The Federal Reserve Banks, the Farm Credit banks, and the Funding Corporation are not liable to a person asserting or having an adverse claim to a security entitlement or to a book-entry security in a participant's securities account, including any such claim arising as a result of the transfer or disposition of a book-entry security by a Federal Reserve Bank pursuant to a transfer message that the Federal Reserve Bank reasonably believes to be genuine.

* * * * *

7. Section 615.5457 is amended by revising paragraphs (c) and (d) to read as follows:

§ 615.5457 Withdrawal of eligible book-entry securities for conversion to definitive form.

* * * * *

(c) Farm Credit securities which are to be delivered upon withdrawal may be issued in either registered or bearer form, to the extent permitted by the applicable securities documentation.

(d) All requests for withdrawal of eligible book-entry securities must be made prior to the maturity or the applicable date of call of the Farm Credit securities.

8. Section 615.5460 is amended by adding a new paragraph (c) to read as follows:

§ 615.5460 Additional provisions.

* * * * *

(c) *Conversion of definitive securities into book-entry securities.* Definitive Farm Credit securities may be converted to book-entry form in accordance with the terms of the applicable securities documentation and Federal Reserve Operating Circular.

Dated: October 3, 1997.

Floyd Fithian,

Secretary, Farm Credit Administration Board.
[FR Doc. 97-26999 Filed 10-10-97; 8:45 am]

BILLING CODE 6705-01-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 301 and 602

[TD 8737]

RIN 1545-AU88

Rewards for Information Relating to Violations of Internal Revenue Laws

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains temporary regulations relating to rewards for information that relates to violations of the internal revenue laws. The regulations reflect changes to the law made by the Taxpayer Bill of Rights 2 and affect persons that are eligible to receive an informant's reward.

The text of these regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking on this subject in the Proposed Rules section of this issue of the **Federal Register**.

DATES: These regulations are effective October 14, 1997.

For dates of applicability, see § 301.7623-1T(g).

FOR FURTHER INFORMATION CONTACT: Judith A. Lintz (202)622-4940 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act (5 U.S.C. 553). For this reason, the collections of information contained in these regulations have been reviewed and, pending receipt and evaluation of public comments, approved by the Office of Management and Budget under control number 1545-1534. Responses to the collection of information are voluntary with respect to the provision of information relating to violations of the internal revenue laws, but are required to obtain a benefit with respect to filing a claim for reward.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

For further information concerning these collections of information, and where to submit comments on the collections of information and the accuracy of the estimated burden, and

suggestions for reducing this burden, please refer to the preamble to the cross-referencing notice of proposed rulemaking published in the Proposed Rules section of this issue of the **Federal Register**.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document contains amendments to the Procedure and Administration Regulations (26 CFR part 301) under section 7623 relating to rewards for information that relates to violations of the internal revenue laws. This section was amended by section 1209 of the Taxpayer Bill of Rights 2 (TBOR 2) (Pub. L. 104-168, 110 Stat. 1452 (1996)).

Explanation of Provisions

Section 7623 provides the Secretary with the authority, by regulation, to pay rewards for information that relates to violations of the internal revenue laws. Section 1209 of TBOR 2 amended section 7623 to clarify that rewards may be paid for information relating to civil, as well as criminal, violations. TBOR 2 also provided that the rewards are to be paid out of the proceeds of amounts (other than interest) collected by reason of the information. These temporary regulations reflect those amendments.

In addition, these temporary regulations incorporate and update § 301.7623-1. For example, the regulations increase the limit on awards from 10% to 15% and provide new titles and addresses to which persons should submit information relating to violations of the internal revenue laws.

Special Analyses

It has been determined that this Treasury Decision is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations.

It is hereby certified that the regulations in this document will not have a significant economic impact on a substantial number of small entities. This certification is based on a determination that in the past approximately 10,000 persons have filed claims for reward on an annual basis. Of these persons, almost all have been individuals. Accordingly, a regulatory