(202) 267–8783. Communications must identify both docket numbers for this notice. Persons interested in being placed on a mailing list for future NPRM's should contact the FAA's Office of Rulemaking, (202) 267–9677, to request a copy of Advisory Circular No. 11–2A, Notice of Proposed Rulemaking Distribution System, which describes the application procedure.

The Proposal

The FAA is considering an amendment to 14 CFR part 71 to modify Class E airspace at New Richmond, WI, for New Richmond Municipal Airport. Controlled airspace extending upward from 700 feet or more above the surface of the earth is needed to contain aircraft execeuting instrument approach procedures. The area would be depicted on appropriate aeronautical charts. Class E airspace areas extending upward from 700 feet or more above the surface of the earth are published in paragraph 6005 of FAA Order 7400.9K dated August 30, 2002, and effective September 16, 2002, which is incorporated by reference in 14 CFR 71.1. The Class E designations listed in this document would be published subsequently in the Order.

The FAA has determined that this proposed regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, this proposed regulation—(1) Is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a Regulatory Evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this proposed rule will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

The Proposed Amendment

Accordingly, pursuant to the authority delegated to me, the Federal Aviation Administration proposed to amend 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, CLASS B, CLASS C, CLASS D, AND CLASS E AIRSPACE AREAS; AIRWAYS; ROUTES; AND REPORTING POINTS

1. The authority citation for part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9K, Airspace Designations and Reporting Points, dated August 30, 2002, and effective September 16, 2002, is amended as follows:

* * * * *

Paragraph 6005 Class E airspace areas extending upward from 700 feet or more above the surface of the earth.

* * * * *

AGL WI E5 New Richmond, WI [Revised]

New Richmond, New Richmond Municipal Airport, WI
(Lat. 45°08′54″ N., long. 92°32′17″ W.)

That airspace extending upward from 700 feet above the surface within a 6.6-mile radius of the New Richmond Municipal Airport, excluding that portion within the Osceola, WI, Class E airspace area.

* * * * *

Issued in Des Plaines, Illinois, on June 5, 2003.

Nancy B. Shelton,

Manager, Air Traffic Division, Great Lakes Region.

[FR Doc. 03–15677 Filed 6–19–03; 8:45 am]

BILLING CODE 4910–13–M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 240

[Release No. 34–48036; File No. S7–13–03]

RIN 3235–AI88

Recordkeeping Requirements for Registered Transfer Agents

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The U.S. Securities and Exchange Commission is proposing for public comment two amendments to its rule concerning recordkeeping requirements for registered transfer agents. The amendments would add language to make clear that registered transfer agents may use electronic, microfilm, and microfiche media as a substitute for hard copy records, including cancelled stock certificates, for purposes of complying with the Commission's transfer agent recordkeeping rules and that a third party on behalf of a registered transfer agent may place into escrow the required software information.

DATES: Comments should be received on or before July 21, 2003.

ADDRESSES: To help us process and review your comments more efficiently, comments should be sent by hard copy or e-mail, but not by both methods. Comments sent by hard copy should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549–0609. Comments may also be submitted electronically at the following e-mail address: *rule-comments@sec.gov*. All comment letters should refer to File No. S7–13–03. This file number should be included on the subject line if e-mail is used. Comment letters will be available for public inspection and copying in the Commission's Public Reference Room, 450 5th Street, NW., Washington, DC 20549. Electronically submitted comment letters also will be posted on the Commission's web site (*http://www.sec.gov*).[1]

FOR FURTHER INFORMATION CONTACT: Jerry W. Carpenter, Assistant Director, or David Karasik, Special Counsel, at 202–942–4187, Office of Risk Management and Control, Division of Market Regulation, U.S. Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549–1001.

SUPPLEMENTARY INFORMATION: The U.S. Securities and Exchange Commission (''Commission'') is requesting public comment on a proposed amendment to Rule 17Ad–7(f) under the Securities Exchange Act of 1934 (''Act'') (17 CFR 240.17Ad–7(f)).

I. Discussion of Amendments to Rule 17Ad–7(f)

On April 27, 2001, the Commission adopted amendments[2] to its transfer agent record retention rule, Rule 17Ad–7,[3] that (1) allowed registered transfer

[1] We do not edit personal, identifying information such as names or e-mail addresses from electronic submissions. Submit only information you wish to make publicly available.

[2] Securities Exchange Act Release No. 44227 (Apr. 27, 2001), 66 FR 21648 (May 1, 2001) (''Adopting Release'').

[3] 17 CFR 240.17Ad–7(f). All references to Rules 17Ad–6 and 17Ad–7 or to any paragraph of those rules will be to 17 CFR 240.17Ad–6 and 240.17Ad–7, respectively.

agents to use electronic storage media [4] to maintain records that they are required by Rule 17Ad–6 to retain and (2) modified the requirements for using micrographic media [5] as a method of record storage. Specifically, Rule 17Ad–7(f), as amended, requires transfer agents that use electronic or micrographic media to store records to:

- Use electronic or micrographic storage mechanisms that are designed to ensure the accessibility, security, and integrity of the records, detect attempts to alter or remove the records, and provide means to recover altered, damaged, or lost records;
- Create an index of the records that are electronically or micrographically stored and store the index with the underlying records;
- Keep a duplicate of all records and indexes that are stored using electronic or micrographic storage media;
- Be able to promptly download electronically or micrographically stored records to an alternate medium such as paper, microfilm, or microfiche; and
- Keep in escrow an updated copy of the software or other information that is necessary to access and download electronically stored records.

Those amendments to Rule 17Ad–7 did not require transfer agents that wish to continue to maintain their records in hard copy format to maintain their records any differently from the way they stored them prior to the rule change. The amendments apply only to those transfer agents that choose to retain their records electronically or micrographically. The purpose of those amendments was to increase the flexibility and efficiency of transfer agent recordkeeping while maintaining necessary controls over accuracy, integrity, and access to transfer agent records.

Notwithstanding the Commission's intent in adopting the amendments to Rule 17Ad–7, there appears to be some uncertainty whether (1) Rule 17Ad–7 allows transfer agents to rely exclusively on electronic or micrographic records for purposes of the Commission's transfer agent recordkeeping rules and to no longer maintain hard copy records, including cancelled certificates and (2) a third party on behalf of the transfer agent may deposit with an independent escrow agent a copy of all the documentation required under Rule 17Ad–7(f)(5)(ii) for the purpose of complying with Rule 17Ad–7(f)(5)(ii).[6] In order to eliminate this uncertainty, we propose to amend Rule 17Ad–7(f).

II. Proposed Rule Language

We are proposing to amend paragraph (f) of Rule 17Ad–7 to clarify that records, including cancelled securities certificates, stored electronically or micrographically in accordance with the provisions of Rule 17Ad–7 may serve as a substitute for hard copy records required to be maintained pursuant to Rule 17Ad–6. Accordingly, this ''substitution'' provision would allow, but would not mandate, the destruction of hard copy records, including securities certificates, after electronic or micrographic records have been created in conformity with Rule 17Ad–7(f).[7]

In addition, we are proposing to amend paragraph (f)(5)(ii) of Rule 17Ad–7 to clarify that a transfer agent may fulfill its software escrow obligation by having a third party deposit with an independent escrow agent a copy of all the documentation required under Rule 17Ad–7(f)(5)(ii) on behalf of the transfer agent.[8] A transfer agent using a third party vendor to maintain its records would be allowed under the proposed amendment to have the third party vendor place in escrow a copy of the vendor's proprietary source code on behalf of the transfer agent using the vendor's services. This proposed amendment would also allow a third party vendor maintaining the records of more than one transfer agent to place in escrow one copy of the vendor's proprietary source code for all the transfer agents for which it acts.[9]

III. Request for Comments

We request comment from all interested persons on whether the proposed rule amendments accomplish our goals of clarifying that (1) registered transfer agents may use electronic, microfilm, and microfiche media as a substitute for hard copy records for purposes of complying with the Commission's transfer agent recordkeeping rules and (2) a third party may place into escrow the required software information on behalf of a registered transfer agent.

We also invite commenters to provide views and data relating to the costs and benefits associated with the proposed changes discussed above. If possible, commenters should provide empirical data to support their views. Comments should be submitted by July 21, 2003.

IV. Paperwork Reduction Act

The proposed amendments to Rule 17Ad–7(f) do not contain new ''collection of information'' requirements within the meaning of the Paperwork Reduction Act of 1995 ''(PRA'').[10] Accordingly, the PRA is not applicable to the proposed amendments because they do not impose any new collection of information requirements that would require approval of the Office of Management and Budget (''OMB''). OMB initially approved the paperwork burden analysis for Rule 17Ad–7(f) (OMB Control No. 3235–0136) when the Commission proposed amendments for Rule 17Ad–7(f) in 1999.[11]

V. Costs and Benefits of the Proposed Rule Amendments

The Commission is considering the costs and the benefits of the proposed amendment to Rule 17Ad–7(f) as described below. We encourage comments that address any additional costs or benefits that we may have not considered. Commenters should provide analysis and empirical data to support their views on the costs and benefits associated with the proposed amendment.

A. Benefits

The proposed amendments to Rule 17Ad–7(f) should provide specific benefits to U.S. investors, issuers, transfer agents, and other financial

[4] Under Rule 17Ad–7(f)(1)(ii), the term ''electronic storage media'' refers to any digital storage medium or system.

[5] Under Rule 17Ad–7(f)(1)(i), the term ''micrographic media'' refers to microfilm or microfiche or any similar medium.

[6] Under Rule 17Ad–7(f)(5)(ii), transfer agents that choose to use electronic storage media must, among other things, ''place in escrow with an independent third party and keep current a copy of the physical and logical format of the electronic storage or micrographic media, the field format of all different information types written on the electronic storage media and source code and the appropriate documentation and information necessary to access records and indexes. * * *''

[7] The Commission has proposed new Rule 17Ad–19 that would require transfer agents to establish and implement written procedures for the cancellation, storage, transportation, and destruction of securities certificates. Securities Exchange Act Release No. 43401 (Oct. 2, 2000); 65 FR 59766 (Oct. 6, 2000). In addition, while Rule 17Ad–7 would permit the destruction of paper records for purposes of our recordkeeping requirements, a transfer agent may have an obligation to preserve such paper records under other applicable law or rules.

[8] One situation that calls for this clarifying amendment is when a software provider licenses its electronic records storage system software to a transfer agent but does not grant a license for the source code. As a result, the transfer agent does not have access to the source code.

[9] Rule 17Ad–7(f)(5)(ii) requires the third party to file a written undertaking with the Commission stating that it agrees to furnish the Commission with the appropriate documentation and information necessary to access the records and indexes promptly upon request.

[10] 44 U.S.C. 3501 *et seq.*

[11] Securities Exchange Act Release No. 41442 (May 25, 1999), 64 FR 29608 (June 2, 1999). Subsequently, OMB approved the extension of this paperwork collection.

intermediaries. While these benefits are not readily quantifiable in terms of dollar value, we believe that transfer agents that choose to exclusively adopt electronic or micrographic-based records systems in lieu of paper records may realize cost-savings and reduce certain risks associated with paper-based recordkeeping. For example, the use of electronic and storage media should reduce storage burdens (*e.g.*, the need for storage space) that transfer agents currently face in maintaining paper records.

Other benefits include:

- increased efficiency of recordkeeping operations by reducing the need to maintain records in hard copy format;
- reduced likelihood that documents will be lost or misfiled;
- ability to retrieve documents more quickly;
- audit trails can be automated;
- reduction of risk for natural disasters;
- file centralization is automatic (file and records need not be removed from their storage in order to reference them);
- multiple persons can view the same document simultaneously;
- access authorization can be automated;
- space required for document storage is drastically reduced;
- document indexing and cross-referencing can be automatic; and
- documents can be copied, faxed, printed, and e-mailed without the paper originals.

In addition, the proposed software escrow provision would enable transfer agents to more conveniently comply with the current Rule 17Ad–7(f)(5)(ii) requirement that a copy of the electronic storage system the transfer agent utilizes to store its records be placed in escrow with an independent third party.

The Commission requests comments on the potential benefits of electronic recordkeeping including quantitative data on the potential cost savings from eliminating hard copy records.

B. Costs

The amendments to Rule 17Ad–7(f) would not impose costs on any particular person or entity because compliance with this provision would apply only to those transfer agents that choose to store any of their records exclusively in electronic form. Nevertheless, transfer agents that elect to use micrographic media or electronic storage media may incur some costs in destroying or otherwise disposing hard copy records that they elect to dispose or destroy. Any costs related to the use of micrographic or electronic storage media should be at least partly offset by the resulting elimination of the need to maintain and store records in hard copy format. This cost is likely to depend upon the volume of hard copy records needed to be disposed. We expect these costs to be relatively minimal.

We estimate that approximately 60 transfer agents [12] will use a third party to escrow the required source code.[13] Each transfer agent will evaluate the risk and cost effectiveness of its records management solution differently based upon the solution that is best for its business model, such as its business practices and volume, and that assures its ability to comply with Rule 17Ad–7. Moreover, we cannot predict the effect of future market competition and innovation on the technologies that transfer agents might employ for their recordkeeping.

In addition, there will be some cost imposed by the proposed escrow requirement amendment. However, the Commission considered these costs in the Adopting Release and any new costs associated with the escrow amendment (*i.e.*, having a third party escrow the source code on the transfer agent's behalf) would likely be included in the software contract between the parties.

The Commission requests commenters to provide cost data for switching from hard copy records to electronic recordkeeping. In particular, what would be the startup costs and annual maintenance costs?

VI. Consideration of Impact on the Economy

For purposes of the Small Business Regulatory Enforcement Fairness Act of 1996,[14] a rule is ''major'' if it has resulted or is likely to resort in:

- an annual effect on the economy of $100 million or more;
- a major increase in costs or prices for consumers or individual industries; or
- significant adverse effects on competition, investment, or innovation.

We request comment regarding the potential impact of the proposed rule amendments on the economy on an annual basis. We request that commenters provide empirical data and other factual support for their views.

VII. Consideration of Burden on Competition, and Promotion of Efficiency, Competition, and Capital Formation

Section 3(f) of the Act [15] as amended by the National Securities Markets Improvement Act of 1996[16] provides that whenever the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation. In addition, Section 23(a)(2) of the Act [17] requires the Commission, when adopting rules under the Act, to consider the anti-competitive effects of any rules it adopts.

We are considering the proposed amendments to Rule 17Ad–7(f) in light of the standards set forth in Sections 3(f) and 23(a)(2) of the Act. For the reasons stated herein, the proposed amendments (1) should promote efficiency by allowing registered transfer agents to benefit from being allowed to dispose of hard copies, (2) should not adversely affect capital formation because they relate solely to post-issuance activity, and (3) should not impose any burden on competition because they will apply equally to all registered transfer agents.

We do not anticipate that the proposed amendments would have a significant effect on competition or impose any burden on competition that is not necessary or appropriate in furtherance of the Act. Under the proposed amendments, all registered transfer agents would be permitted, though not required, to exclusively use micrographic media and electronic storage media to fulfill all of the Commission's regulatory obligations. In addition, the proposed amendments would apply equally to all registered transfer agents. However, in order to fully evaluate the effects on competition of the proposed amendments, the Commission requests commenters to provide their views and specific empirical data as to any effects on competition that might result from the Commission's proposed amendments to Rule 17Ad–7(f).

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[12] In the adopting release to Rule 17Ad–7(f), we estimated that approximately 500 transfer agents were likely to use electronic or micrographic storage systems. During the year-and-a-half since Rule 17Ad–7(f) has been effective, however, only five transfer agents have taken advantage of the record storage alternatives provided by the rule.

[13] Although this estimate represents less than 10% of the number of currently-registered transfer agents, we expect that many of the largest bank, corporate, and independent transfer agents, which represent over 90% of the entire transfer agent industry volume, will eventually convert their records-management systems to electronic-based solutions.

[14] 5 U.S.C. 801 *et seq.*

[15] 15 U.S.C. 78c.

[16] Pub. L. No. 104–290, 110 Stat. 3416 (1996).

[17] 15 U.S.C. 78w(a)(2).

VIII. Summary of Regulatory Flexibility Analysis

The Commission has prepared an initial regulatory flexibility analysis (''IRFA'') in accordance with 5 U.S.C. 603 regarding the proposed amendments to Rule 17Ad–7(f) to determine whether the proposed rule amendments will have a significant economic impact on a substantial number of small entities.

A. Reasons for Proposed Action

The IRFA states that despite recent amendments to Rule 17Ad–7, there appears to be some uncertainty concerning the scope of the current rule with respect to electronic recordkeeping and the ability of a third party to deposit certain documentation with an independent escrow agent.

B. Objectives and Legal Basis

In order to eliminate this uncertainty, the Commission is proposing to amend Rule 17Ad–7(f). The proposed amendments are designed to make clear that transfer agents may use electronically and micrographically retained records to comply with the Commission's transfer agent recordkeeping requirements. In addition, proposed amendments to paragraph (f)(5)(ii) of Rule 17Ad–7 are designed to clarify that a transfer agent may fulfill its software escrow obligation by having a third party deposit with an independent escrow agent a copy of all the documentation required under Rule 17Ad–7(f)(5)(ii) on behalf of the transfer agent.

Amendments to Rule 17Ad–7 are proposed under the Commission's authority set forth in Sections 17, 17A, and 23 of the Act.

C. Small Entities Subject to the Rule

The IRFA states that, for purposes of Commission rulemaking, Rule 0–10(h) under the Act defines the term ''small business'' or ''small organization'' to include any transfer agent that: (1) Received less than 500 items for transfer and less than 500 items for processing during the preceding six months (or in the time that it has been in business, if shorter); (2) transferred items only of issuers that would be deemed ''small business'' or ''small organizations'' as defined in Rule 0–10 under the Act; (3) maintained master shareholder files that in the aggregate contained less than 1,000 shareholder accounts or was the named transfer agent for less than 1,000 shareholder accounts at all times during the preceding fiscal year (or in the time that it has been in business, if shorter); and (4) is not affiliated with any person (other than a natural person) that is not a small business or small organization under Rule 0–10.[18] The IRFA states that we estimate that 180 registered transfer agents qualify as small entities and would be subject to the proposed amendment to Rule 17Ad–7(f).

D. Reporting, Recordkeeping, and Other Compliance Requirements

The IRFA states that the proposed amendments would not impose any new reporting, recordkeeping, or other compliance costs or requirements on any particular person or entity because compliance with this provision would be purely voluntary. Nevertheless, transfer agents that elect to exclusively use micrographic media or electronic storage media may incur some costs in destroying or otherwise disposing hard copy records. However, the Commission believes that this cost is minimal.

The IRFA notes that the proposed amendment to Rule 17Ad–7(f) would apply only to registered transfer agents that choose to exclusively use electronic or micrographic storage media. The IRFA notes further that some small transfer agents will not be able to afford the costs involved with storing records electronically and therefore will not choose to use electronic or micrographic storage media. The IRFA states that the proposed amendments to Rule 17Ad–7(f) should not have a significant economic impact on a substantial number of small entities.

E. Duplicative, Overlapping, or Conflicting Federal Rules

The Commission believes that there are no rules that duplicate, overlap, or conflict with the proposed amendments.

F. Significant Alternatives

The IRFA states that we believe that it is not feasible to further clarify, consolidate, or simplify the proposed amendments for small entities. The IRFA also states that the Commission believes that the use of performance standards rather than design standards is not applicable to the proposed amendments.

The IRFA states that we believe that creating an exemption from the requirements of the proposed amendments would not reduce the impact of the proposed amendments on small entities. The IRFA notes that Rule 17Ad–4(b) under the Act[19] already exempts small transfer agents from many of the recordkeeping requirements of Rules 17Ad–6 and 17Ad–7. In addition, the IRFA notes that any burden imposed by the proposed amendments would apply only to those transfer agents that choose to use electronic or micrographic storage media. The IRFA states that we believe that there are no rules that duplicate, overlap, or conflict with the proposed alternative versions of the rule.

G. Solicitation of Comments

The IRFA contains information concerning the solicitation of comments with respect to the IRFA. In particular, the IRFA requests comment on whether the proposed amendments to Rule 17Ad–7(f) would have a significant economic impact on a substantial number of small entities and requests that any such comments be accompanied by specific empirical data. A copy of the IRFA may be obtained by contacting David Karasik, U.S. Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–1001.

XI. Statutory Authority

The Commission is proposing amendments to § 240.17Ad–7 of Chapter II of Title 17 of the *Code of Federal Regulations* pursuant to sections 17, 17A(a)(2), 17A(d), and 23(a)[20] of the Act in the manner set forth below.

List of Subjects in 17 CFR Part 240

Reporting and recordkeeping requirements, Securities, Transfer agents.

Text of Amendment

In accordance with the foregoing, Title 17, Chapter II of the *Code of Federal Regulations* is proposed to be amended as follows:

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

1. The authority citation for Part 240 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z–2, 77z–3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78d, 78e, 78f, 78g, 78i, 78j, 78j–1, 78k, 78k–1, 78*l*, 78m, 78n, 78o, 78p, 78q, 78s, 78u–5, 78w, 78x, 78*ll*, 78mm, 79q, 79t, 80a–20, 80a–23, 80a–29, 80a–37, 80b–3, 80b–4, 80b–11, and 7202 unless otherwise noted.

2. Section 240.17Ad–7 is amended by:

a. Adding introductory text to paragraph (f); and

b. In the first sentence of paragraph (f)(5)(ii), revise the phrase ''Place in escrow'' to read ''Place, or have a third party place on your behalf, in escrow'.

The addition reads as follows:

[18] 17 CFR 240.0–10(h).

[19] 17 CFR 240.17Ad–4(b).

[20] 15 U.S.C. 78q, 78q–1(a)(2), 78q–1(d) and 78w(a)

§ 240.17Ad–7 Record retention.

* * * * *

(f) Subject to the conditions set forth in this section, the records required to be maintained pursuant to § 240.17Ad–6 may be retained using electronic or micrographic media and may be preserved in those formats for the time required by § 240.17Ad–7. Records stored electronically or micrographically in accordance with this paragraph may serve as a substitute for the hard copy records required to be maintained pursuant to § 240.17Ad–6.

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By the Commission.

Dated: June 16, 2003.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 03–15648 Filed 6–19–03; 8:45 am]

BILLING CODE 8010–01–P

DEPARTMENT OF THE TREASURY

Office of the Secretary of the Treasury

Fiscal Service

31 CFR Parts 1 and 323

Privacy Act of 1974; Proposed Implementation

AGENCY: Bureau of the Public Debt, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: With the concurrence of the Department of the Treasury (Department), the Bureau of the Public Debt (Public Debt) issues a proposed rulemaking to amend its regulations to exempt a system of records from certain provisions of the Privacy Act. Lastly, we are amending regulations to clarify when personal privacy interests may be protected upon the death of a securities holder.

DATES: Comments must be received no later than July 21, 2003.

ADDRESSES: Send any comments to the Disclosure Officer, Administrative Resource Center, Bureau of the Public Debt, Department of the Treasury, 200 Third Street, Room 211, Parkersburg, WV 26101–5312. Copies of all written comments will be available for public inspection and copying at the Department of the Treasury Library, Room 1428, Main Treasury Building, Washington, DC 20220. Before visiting the library, you must call 202–622–0990 for an appointment. Also, you can download comments at the following World Wide Web address: ''*http://www.publicdebt.treas.gov*''.

FOR FURTHER INFORMATION CONTACT: For information about Public Debt's anti-money laundering and fraud suppression program, contact the Fraud Inquiry Line at (304) 480–8555. The phone line is administered by the Office of the Chief Counsel, Bureau of the Public Debt. For information about this document, contact the Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480–8692.

SUPPLEMENTARY INFORMATION: Under the Privacy Act of 1974, 5 U.S.C. 552a, as amended, a Federal agency is required, among other things, to: (1) Maintain only information about an individual that is relevant and necessary to accomplish an authorized purpose; (2) Notify an individual whether information about him or her is maintained in a system of records; (3) Provide an individual with access to the records containing information about him or her, including an accounting of disclosures made of that information; (4) Permit an individual to request amendment of records about him or her; and (5) Describe in system notices the sources of information maintained about individuals and the procedures under which notice, access and amendment rights may be exercised. Under certain circumstances, however, the head of a Federal agency may issue rules to exempt a system of records.

Public Debt is publishing separately in the **Federal Register** a notice establishing a new system of records, Treasury/BPD.009—U.S. Treasury Securities Fraud Information System. In that regard, Public Debt proposes to exempt the new system from certain Privacy Act requirements. The head of an agency may promulgate rules to exempt a system of records from certain provisions under 5 U.S.C. 552a(k)(2) if the system of records is ''investigatory material compiled for law enforcement purposes, other than material within the scope of subsection (j)(2) of this section.''

Accordingly, pursuant to the authority contained in section 31 CFR 1.23(c)(2), Public Debt proposes to exempt the system from certain provisions of the Privacy Act pursuant to 5 U.S.C. 552a(k)(2).

This system will be exempt from 5 U.S.C. 552a(c)(3) (Accounting of certain disclosures available to the individual), (d)(1)–(4) (Access to records), (e)(1) (Maintenance of information to accomplish purposes authorized by statute or executive order only), (e)(4)(G) (Publication of procedures for notification), (e)(4)(H) (Publication of procedures for access and contest), (e)(4)(I) (Publication of sources of records), and (f) (Rules for notification, access and contest) to the extent that information in the system is subject to exemption pursuant to 5 U.S.C. 552a(k)(2) as material compiled for law enforcement purposes.

The reasons for exemptions under 5 U.S.C. 552a(k)(2) are as follows:

(1) 5 U.S.C. 552a(c)(3) requires an agency to make accountings of disclosures of a record available to the individual named in the record upon his or her request. The accountings must state the date, nature, and purpose of each disclosure of the record and the name and address of the recipient. Application of this provision would impair the ability of Public Debt and of law enforcement agencies to make effective use of information maintained by Public Debt. Access to such knowledge would impair the ability of Public Debt and law enforcement to carry out their mission, since individuals could:

(a) Take steps to avoid detection;

(b) Inform associates that an investigation is in process;

(c) Learn the nature of the investigation;

(d) Learn whether they are only suspects or identified as law violators;

(e) Begin, continue, or resume illegal conduct upon learning that they are not identified in the system of records; or

(f) Destroy evidence needed to prove the violation.

(2)(a) 5 U.S.C. 552a(d)(1), (e)(4)(H) and (f)(2), (3) and (5) grant individuals access to records pertaining to them. The application of these provisions to the system of records would compromise Public Debt's ability to utilize and provide useful tactical and strategic information to law enforcement agencies.

(b) Permitting access to records contained in the system of records would provide individuals with information concerning the nature of any current investigations and would enable them to avoid detection or apprehension by:

(i) Discovering the facts that would form the basis for their detection or apprehension;

(ii) Enabling them to destroy or alter evidence of illegal conduct that would form the basis for their detection or apprehension;

(iii) Using knowledge that investigators had reason to believe that a violation of law was about to be committed, to delay the commission of the violation or commit it at a location that might not be under surveillance;

(c) Permitting access to either on-going or closed investigative files would also reveal investigative techniques and