Authority: 7 U.S.C. 147a, 150ee, 161, 162, 450; 19 U.S.C. 1306; 21 U.S.C. 111, 114a, 134a, 134b, 134c, 134f; 42 U.S.C. 4331, 4332; 7 CFR 2.17, 2.51, and 371.2(d).

Done at Washington, DC, this 15th day of July, 1986.

J.K. Atwell,

Deputy Administrator, Veterinary Services.

[FR Doc. 86-16242 Filed 7-17-86; 8:45 am]

BILLING CODE 3410-34-M

FEDERAL TRADE COMMISSION

16 CFR Part 13

[Docket No. C-3192]

Michigan Watchmakers' Guild, Inc.; Prohibited Trade Practices, and Affirmative Corrective Actions

AGENCY: Federal Trade Commission.

ACTION: Consent Order.

SUMMARY: In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this consent order requires, among other things, a Royal Oak, MI trade association to not take any future action to fix or maintain prices or establish suggested prices for cleaning or repair services for watches, clocks, or jewelry.

DATE: Complaint and order issued July 1, 1986.*

FOR FURTHER INFORMATION CONTACT: FTC/B-853, Seth B. Zimmerman, Washington, D.C. 20580. (202) 724-1278.

SUPPLEMENTARY INFORMATION: On Thursday, April 17, 1986, there was published in the **Federal Register,** 51 FR 13020, a proposed consent agreement with analysis In the Matter of Michigan Watchmakers' Guild, Inc., a corporation, for the purpose of soliciting public comment. Interested parties were given sixty (60) days in which to submit comments, suggestions or objections regarding the proposed form of order.

No comments having been received, the Commission has ordered the issuance of the complaint in the form contemplated by the agreement, made its jurisdictional findings and entered its order to cease and desist, as set forth in the proposed consent agreement, in disposition of this proceeding.

The prohibited trade practices and/or corrective actions, as codified under 16 CFR Part 13, are as follows: Subpart—Coercing and Intimidating: S 13.367 Members. Subpart—Combining or Conspiring: S 13.384 Combining or conspiring; S13.433 To fix prices. Subpart—Corrective Actions and/or Requirements: S 13.533 Corrective actions and/or requirements: § 13.533-20 Disclosures; § 13.533-45 Maintain records.

*Copies of the Complaint and the Decision and Order are available for inspection at the Commission's Public Reference Branch, Room H-130, 6th St. & Pa. Ave., N.W., Washington, D.C. 20580.

List of Subjects in 16 CFR Part 13

Trade practices, Watch repair.

(Authority: Sec. 6, 38 Stat. 721; 15 U.S.C. 46. Interprets or applies sec. 5, 38 Stat. 719, as amended; 15 U.S.C. 45)

Emily H. Rock,

Secretary.

[FR Doc. 86-16174 Filed 7-17-86; 8:45 am]

BILLING CODE 6750-01-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 240

[Release No. 34-23423; File No. S7-4-86]

Exemption of Japanese Government Securities Under the Securities Exchange Act of 1934 for Purposes of Futures Trading

AGENCY: Securities and Exchange Commission.

ACTION: Final rule.

SUMMARY: The Commission adopts an amendment to Rule 3a12-8 under the Securities Exchange Act of 1934 which designates Japanese government securities as "exempted" securities only for purposes of the Exchange Act's application to the marketing in the United States of futures contracts on those securities. The Rule currently grants such an exemption to British and Canadian government securities underlying foreign futures contracts that meet certain conditions set forth in the Rule. The amendments will extend the exemption to Japanese government securities thereby effectively removing these securities from those on which futures trading is prohibited by the Commodity Exchange Act. Trading the underlying securities, absent compliance with applicable registration and other requirements, would remain prohibited to the same extent as under current law.

EFFECTIVE DATE: July 18, 1986.

FOR FURTHER INFORMATION CONTACT: Sharon D. Lawson, Esq. (202) 272-3116, Division of Market Regulation, 450 Fifth Street NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION:

I. Introduction

The Securities and Exchange Commission ("SEC") is today adopting amendments to Rule 3a12-8 ("Rule") under the Securities Exchange Act of 1934 ("Exchange Act"). Currently, Rule 3a12-8 designates British and Canadian government debt obligations that meet certain conditions as exempted securities under the Exchange Act only for purposes of marketing, in the United States, futures on those securities. Under the Commodity Exchange Act ("CEA"), futures trading on individual securities is prohibited unless the underlying security is an exempted security under the Securities Act of 1933 ("Securities Act") or the Exchange Act. Hence, the designation of these securities as "exempted securities" effectively removes the CEA's prohibition against marketing futures on these securities in the United States (so long as the other terms of the Rule are satisfied).

The amendment extends the class of securities permitted an exemption under the Rule to Japanese government debt obligations for purposes of permitting the sale of futures contracts on these securities in this country. In addition, to qualify for the exemption, foreign futures contracts on Japanese securities must meet all the other existing requirements of the Rule.

II. Background

The CEA, as amended by the Futures Trading Act of 1982,[1] prohibits the trading of futures contracts on individual securities unless such securities qualify as exempted securities under section 3 of the Securities Act or section 3(a)(12) of the Exchange Act.[2] Because foreign government securities such as Japanese government bonds are not exempted securities under either of these sections, the CEA prohibition against trading futures on individual securities prevents marketing futures on these foreign government securities in this country.

Section 3(a)(12) of the Exchange Act, however, provides that the term "exempted security" includes

> such other securities . . . as the Commission may, by such rules and regulations as it deems consistent with the public interest and the protection of investors, either unconditionally or upon specified terms and conditions or for stated periods, exempt from the operation of any one or more provisions of this title which by their terms do not apply

[1] Pub. L. 97-444—Stat. 2294, 7 U.S.C. 1 *et seq.*

[2] Section 2(a)(1)(B)(v) of the CEA provides that "[n]o person shall offer to enter into, enter into, or confirm the execution of any contract of sale (or option on such contract) for future delivery of any security, or interest therein or based on the value thereof, except an exempted security under section 3 of the Securities Act . . . or section 3(a)(12) of the . . . Exchange Act. . . ."

to an "exempted security" or to "exempted securities."

In March 1984, pursuant to this authority, the Commission promulgated Rule 3a12-8.[3] The Rule designates British and Canadian government securities that meet certain conditions as "exempted securities" under the Exchange Act. The purpose of the Rule is to permit certain foreign, exchange-traded futures contracts on these securities to be marketed in the United States.[4] Under the Rule, British and Canadian government debt securities are considered exempted securities under the Exchange Act only with respect to futures trading on those securities and provided that: (1) The securities are not registered in the United States, (2) the futures transactions do not involve contracts deliverable in the United States and (3) the futures contracts are traded on a market located in the country whose government issues those securities.

When the Commission originally proposed Rule 3a12-8, it recognized that should the securities of additional governments become subjects of futures contracts, it may become necessary to amend the Rule to include those governments.[5]

In October 1985, the Tokyo Stock Exchange began trading futures on long-term Japanese government bonds denominated in yen. Subsequent to the commencement of that market, the Commission staff received indications that United States citizens, particularly institutional investors currently investing in Japanese government securities, were interested in trading these new yen bonds futures.[6] As a result, on January 30, 1986, the Commission proposed for comment an amendment to Rule 3a12-8 that would, in effect, permit futures on the yen bond that currently trade on the Tokyo Stock Exchange to be marketed in this country to United States citizens.[7]

III. Discussion

The Commission received seven comment letters in response to the 1986 Proposal Release. Each of the commentators endorsed amending the rule so that exemption would be extended to Japanese government bonds that are the subject of futures trading on a foreign board of trade.[8]

In the 1986 Proposal Release, the Commission specifically solicited comment on whether the type of information available, in English, to U.S. citizens will provide them with sufficient information to trade futures on yen bonds. In response, four commentators provided examples of the type of information that is available to United States citizens of the Japanese government, Japanese government securities, and the markets for those securities.[9] Based on the information provided, the Commission is satisfied that United States citizens have sufficiently ready access to information in English in which to make informed trading decisions of Japanese yen bond futures.[10]

After careful consideration, the Commission agrees with these commentators that there are no material differences between Japanese government securities and those of the United Kingdom and Canada to justify a different regulatory response. First, as discussed above, there is ready access to sufficient information in English on the Japanese trading markets, the underlying yen bond market, and, to a lesser extent, the yen bond futures traded on the Tokyo Stock Exchange. Second, the Japanese government securities and futures contracts will have to meet the existing conditions set forth in the Rule. This should ensure that the Federal securities laws will not be subverted by the marketing of futures on such government securities in this country. Finally, as noted above, in the original proposal to adopt Rule 3a12-8, the Commission recognized that should the securities of additional governments become subject to futures trading it may become necessary to amend the Rule to include those governments.[11] After evaluating these factors the Commission is satisfied that the Rule should be extended to include the debt obligations of Japan.

For the reasons stated above, the Commission adopts amendments to Rule 3a12-8 as set forth below.

IV. Regulatory Flexibility Act Consideration

The Chairman of the Commission certified in connection with the Proposal Release that the amendments to Rule 3a12-8, if adopted, would not have a significant economic impact on a

[3] *See* Securities Exchange Act Release Nos. 20708 ("1984 Adoption Release"), March 2, 1984, 49 FR 8595 and 19811 ("1983 Proposal Release"), May 25, 1983, 48 FR 24725.

[4] As discussed above, without this designation the trading of futures on these securities in the United States would be prohibited by section 2(a)(1)(B)(v) of the CEA.

[5] *See* 1983 Proposal Release, *supra* note 3, 48 FR at 24726-27.

[6] *See* letter from John T. Shinkle, General Counsel, Salomon Brothers Inc., to Richard T. Chase, Associate Director, Division of Market Regulation, SEC, dated October 23, 1985.

[7] *See* Securities Exchange Act Release No. 22849 (January 30, 1986), 51 FR 4612 ("1986 Proposal Release"). Under the proposal, subsection (a)(1) of Rule 3a12-8 would be amended by adding to the list of designated foreign government securities the debt obligations of the government of Japan. The underlying yen bonds and futures contracts would, of course, have to meet the other conditions of the Rule in order for the underlying yen bonds to qualify as exempted securities under the Exchange Act. Accordingly, the yen bonds could not be registered in the U.S. and the futures would have to require delivery outside the U.S. and be traded on a board of trade located within Japan. It appears that the yen bond futures contracts currently being traded on the Toyko Stock Exchange would meet these requirements. In this connection, the Commission notes that it has published for comment today proposed amendments to the Rule that would eliminate this latter restriction so that designated foreign government securities could be traded on domestic boards of trade and foreign boards of trade outside the country of issuance. *See Securities Exchange Act Release No. 34-23422 published elsewhere in this issue.*

[8] These letters were from the following: Thomas R. Donovan, President, Chicago Board of Trade ("CBT"), dated February 3, 1986; John M. Damgard, President, Futures Industry Association ("FIA"), dated February 26, 1986; Neil H. Sherman, Vice President and Associate General Counsel, Shearson Lehman Brothers, dated March 4, 1986; Hillel T. Cohn, Attorney, Graham & James, dated March 4, 1986 ("Graham & James Letter"); Takoro Isoda, Chairman of the Board, Daiwa Securities America, Inc., dated March 7, 1986; Peter J. Chepucavage, General Counsel, Nomura Securities International, Inc., dated April 10, 1986 and Brooksley Born, Arnold & Porter, on behalf of the London International Financial Futures Exchange ("LIFFE"), dated June 20, 1986. Although the CBT letter did not specifically refer to the 1986 Proposal Release, it did request that, among other things, we amend the Rule to exempt Japanese government bonds so that the marketing of Japanese yen bond futures contracts would be permitted. In addition, the CBT and FIA requested the amendment of the Rule's requirement that futures must be traded on a board of trade located within the country issuing the underlying foreign government security to permit futures on such securities to be traded on domestic boards of trade. LIFFE has also requested that this requirement be removed to permit futures on foreign government securities traded on foreign boards of trade outside the country of issuance to be marketed to U.S. investors. As noted above, *supra* note 7, the Commission is publishing for comment further amendments to the Rule that would eliminate the country of issuance requirement.

[9] For example, Daiwa Securities indicated that information from the *Japan Economic Daily* is transmitted daily from Tokyo to Kyodo News International, Inc. in New York and is available to subscribers through Dow Jones News Retrieval. Specific market information, in addition to articles on the Japanese markets, economy and business is available through this service. In addition, Japanese bond market information is available daily through International Bond Markets of Telerate Systems (although not all bonds are included). Commentators also indicated that information is available, in English, on the Japanese economy and securities markets through weekly newspapers, *e.g.*, the published *Japan Economic Journal* and the *Asian Wall Street Journal. See e.g.*, Grahman & James Letter, *supra*, note.

[10] In addition, in response to a specific inquiry in the 1986 Proposal Release, four commentators stated their belief that there is no legal or policy reason for determining that Japanese government securities should not be accorded the same treatment in the United States as British and Canadian securities under the Rules.

[11] *See* 1983 Proposal Release, *supra* note 3, 48 FR at 24726-27

substantial number of small entities. None of the comments addressed this certification.

V. Effects on Competition and Other Findings

Section 23(a)(2) of the Act[12] requires the Commission in adopting rules under the Act, to consider the competitive effects of such rules, if any, and to balance any impact against the regulatory benefits gained in terms of furthering the purposes of the Act. The Commission has considered the amendment to Rule 3a12–8 in light of the standards cited in section 23(a)(2) and believes that adoption of the amendment will not impose any burden on competition not necessary or appropriate in furtherance of the Act. As stated above, the amendment is designed to assure the lawful availability in this country of Japanese government bond futures that otherwise would not be permitted to be marketed under the terms of the CEA. The amendment thus, serves to expand the range of financial products available in the United States and enhances financial markets. Insofar as the Rule contains limitations, they are designed to promote the purposes of the Act by ensuring that the futures trading on Japanese government securities is consistent with the goals and purposes of the federal securities laws by minimizing the impact of the Rule on securities trading and distribution in the United States.[13]

The Commission finds, in accordance with the Administrative Procedure Act,[14] that the amendment to Rule 3a12–8 is exemptive in nature. Accordingly, the Commission has determined to make the foregoing action effective immediately upon publication in the **Federal Register.**

VI. Statutory Basis

The amendment to Rule 3a12–8 is being adopted pursuant to 15 U.S.C. 78a *et seq.*, particularly sections 3(a)(12), 15 U.S.C. 78c(a)(12) and section 23(a), 15 U.S.C. 78w(a).

[12] 15 U.S.C. 78w(a)(2) (1982). competition in

[13] As noted above, the CBT, FIA and LIFFE separately have requested that the Rule be further amended to remove the current restriction that the futures contract trade on a board of trade located in the country which issues the underlying debt securities. While the Commission recognizes the competitive implications of such a restriction, that restriction has been viewed as necessary to ensure that such trading would not subvert the purposes of the securities laws and, in any event, is the subject of a separate rulemaking proceeding. *See* note 7, *supra.*

[14] 15 U.S.C. 553(d) (1982).

List of Subjects in 17 CFR Part 240

Reporting and recordkeeping requirements, Securities.

Text of the Adopted Amendment

On the basis of the above discussion, the Commission is amending Part 240 of Chapter II, Title 17 of the Code of Federal Regulations as follows:

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

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

Authority: Sec. 23, 48 Stat. 901, as amended; 15 U.S.C. 78w. Section 240.3a12–8 also is issued under 15 U.S.C. 78a *et seq.*, particularly secs. 3(a)(12), 15 U.S.C. 78c(a)(12) and 23(a), 15 U.S.C. 78w(a).

2. Section 240.3a12–8 is amended by removing the word "or" from (a)(1)(i), adding a semi-colon and the word "or" to (a)(1)(ii), and adding paragraph (a)(1)(iii) as follows:

§ 240.3a12–8 Exemption, for designated foreign government securities for purposes of futures trading.

(a) * * *

(1) * * *

(iii) Japan.

* * * * *

Dated: July 11, 1986.

By the Commission.

Jonathan G. Katz,,

Secretary.

[FR Doc. 86–16247 Filed 7–17–86; 8:45 am]

BILLING CODE 8010-01-M

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Parts 154, 157, 270, 271, 284 and 389

[Docket No. RM86–3–000]

Ceiling Prices; Changes in Old Gas Pricing Structure

July 15, 1986.

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Final rule; notice of OMB control number.

SUMMARY: On November 18, 1985, the Department of Energy (DOE) issued a notice of proposed rulemaking (NOPR) under section 403 of the Department of Energy Organization Act, 42 U.S.C. 7173 (1982), for action by the Commission. 50 FR 48540 (Nov. 25, 1985). DOE proposed that the Commission (1) exercise its authority under sections 104(b)(2) and 106(c) of the Natural Gas Policy Act of 1978 (NGPA), to eliminate vintage-based pricing of old gas through the establishment of a uniform ceiling price equal to the highest current ceiling price for old gas, which is that price applicable to the post-1974 vintage and (2) establish incentive prices for certain categories of old gas under section 107 of the NGPA.

The Commission amended its regulations to adopt DOE's proposed ceiling price and eliminate vintaging. Producers may collect the new ceiling price only to the extent permitted by their contracts. Indefinite price escalation clauses in existing contracts provide the necessary authority; however the producer must comply with a "good faith negotiation rule" before collecting a higher price under an existing contract. The Commission modified the good faith negotiation rule proposed by DOE to increase the rights of purchasers in renegotiating prices under old gas contracts. Accordingly, if the producer seeks renegotiation to increase the price of old gas, the purchaser may seek renegotiation to decrease the price of certain higher-priced gas purchased from the same producer. The Commission provided blanket sales certificates to producers and blanket transportation certificates to interstate pipelines to facilitate marketing any gas for which the producer and pipeline cannot agree on price under the good faith negotiation rule. The Commission deferred action on new incentive prices under section 107 of the NGPA. This notice states the OMB control number for these sections of the Commission's regulations affected by Order No. 451.

EFFECTIVE DATE: The final rulemaking published on June 18, 1986, in Order No. 451 (51 FR 22168) is effective July 18, 1986.

FOR FURTHER INFORMATION CONTACT: Richard Howe, Jr., Office of the General Counsel, Federal Energy Regulatory Commission, 825 North Capitol Street NE., Washington, DC 20426 (202) 357–8308.

SUPPLEMENTARY INFORMATION: The Paperwork Reduction Act, 44 U.S.C. 3501–3520 (1982) and the Office of Management and Budget (OMB) regulations, 5 CFR Part 1320 (1986), require that OMB approve certain information collection requirements imposed by agency rule.

On July 3 and July 9, 1986, OMB approved the regulations promulgated in Order No. 451 and issued the following Control Numbers for the indicated regulations in Title 18 of the Code of Federal Regulations:

Control No.	18 CFR	OMB approval date
19020051	157.30, 250.7	Jul. 3, 1986.
19020052	154, 157, 250	Jul. 9, 1986.
19020055	154.91—154.110, 250.5, 250.8, 250.9, 250.14, 2.56a, and 157.301.	Jul. 3, 1986.
19020086	284	Jul. 3, 1986.
19020036	250.14	Jul. 3, 1986.

Therefore Order No. 451 in Docket No. RM86–3–000 will become effective July 18, 1986.

PART 389—[AMENDED]

Accordingly, Part 389, Chapter 1, Title 18, *Code of Federal Regulations* is amended as set forth below:

1. The authority citation for Part 389 continues to read as follows:

Authority: Paperwork Reduction Act of 1980, 44 U.S.C. 3501–3520 (1982).

§ 389.101 [Amended]

2. The Table of OMB Control Numbers in § 389.101(b) is amended as follows:

(a) By inserting "Part 154 and 157" in numerical order in the section column and "0052" in the corresponding positions in the OMB control number column;

(b) In the OMB control number column position that corresponds with "154.91" in the section column, by removing "0052" and inserting, in lieu thereof, "0055";

(c) By inserting 154.103, 154.104, 154.105, 154.106, 154.107, 154.108, 154.109, 154.110, 157.301, and 250.8 in numerical order in the section column, and "0055" in the corresponding positions in the OMB control number column;

(d) In the OMB control number column position that corresponds with "Part 250" in the section column, by removing "0086" and inserting, in lieu thereof, "0052";

(e) In the OMB control number column position that corresponds with "250.5" in the section column, by removing "0052" and inserting, in lieu thereof, "0055";

(f) In the OMB control number column that corresponds with "250.14" in the section column, by adding "0055";

(g) In the section column, by removing "Part 284 Subpart A" and inserting, in lieu thereof, "Part 284".

Kenneth F. Plumb,

Secretary.

[FR Doc. 86–16182 Filed 7–17–86; 8:45 am]

BILLING CODE 6717-01-M

INTERNATIONAL TRADE COMMISSION

19 CFR Part 213

Trade Remedy Assistance

AGENCY: United States International Trade Commission.

ACTION: Final rules.

SUMMARY: This revision to the Commission's rules creates a new section of the rules, Part 213, entitled *Trade Remedy Assistance*. Part 213 covers trade remedy assistance to be provided by the Commission pursuant to new section 339 of the Tariff Act of 1930 (19 U.S.C. 1339), as added by section 221 of the Trade and Tariff Act of 1984. Section 339 of the Tariff Act of 1930 requires the Commission to establish a Trade Remedy Assistance Office to provide information to the public concerning remedies and benefits available under the trade laws, and the petition procedures and appropriate filing dates with respect to such remedies and benefits. Section 339 further requires the Commission to provide technical assistance to eligible small businesses to enable them to prepare and file petitions and applications to obtain remedies and benefits that may be available under the trade remedy laws administered by the Commission.

These rules reflect public comment on the proposed rules, published on March 7, 1986, 19 FR 7955. The rules establish guidelines for small business eligibility to receive technical assistance, the procedure for applying for such assistance and procedures governing the provision of such assistance by the Trade Remedy Assistance Center ("Center"). Members of the public seeking general information from the Center are not subject to the application procedures set forth in these rules.

FOR FURTHER INFORMATION CONTACT: Jeffrey L. Gertler, Esq., Trade Remedy Assistance Center, U.S. International Trade Commission, Room 130, 701 E Street NW., Washington, DC 20436, telephone (202) 523–0488.

Hearing impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 724–0002.

SUPPLEMENTARY INFORMATION: Authority for this final rulemaking is contained in 19 U.S.C. 1335, which authorizes the Commission to adopt such reasonable procedures and rules and regulations as it deems necessary to carry out its functions and duties.

Analysis of Public Comments on Proposed Rules

The Commission received comments on the proposed rules from two trade associations. Generally, these parties commented favorably on the proposed rules and made recommendations concerning additional changes that they believed to be desirable.

The following is a summary and analysis of the comments received. The analysis explains why suggested changes were accepted or rejected.

Section 213.4 Determination of Small Business Eligibility

Both sets of comments received by the Commission criticize the language contained in § 213.4(b) of the proposed rules concerning the provision of technical assistance to trade associations. Under the proposed rules, in order for a trade association to qualify for technical assistance, an officer of the trade association would have to certify to the Commission that each of the trade association's members meets the appropriate Small Business Association ("SBA") size standard(s). In adopting this standard in the proposed rules, the Commission intended to avoid the possibility of having a trade association qualify for technical assistance where one or two members of the association substantially exceeded the SBA size limitations for small businesses.

The comments suggest that the standard of the proposed rules on trade association eligibility is too restrictive and that it unnecessarily excludes associations composed predominantly of small businesses, where only a few members exceed the size limitation. The comments suggest various alternative formulations to the rule on trade association eligibility. Having given due consideration to this matter, the Commission has determined that the proposed rule may be too restrictive and that the eligibility criteria for trade associations under § 213.4(b) should be modified. As modified, 80 percent of a trade association's members must meet the SBA size limitations.

The pertinent portion of § 213.4(b) in its final form reads as follows: "If a trade association applies for technical assistance, an officer of the trade association must certify that 80 percent of the trade association's members meet the appropriate size standard(s)."

Section 213.3(c) Definition of Technical Assistance

The comments received by the Commission include several suggestions regarding the scope of technical