within the age range of birth through five years. These components must be well-defined sets of instructional goals and procedures which can be incorporated within planned or existing preschool programs of varying types. The components selected for study must be compared in multiple studies and in different types of existing preschool programs. Applicants must fully describe the components that will be studied, the justification for their selection, and the existing preschool programs in which they will be studied. In conducting the studies, projects must monitor the amount and quality of implementation of the components, as well as the children's experiences in other components of the program. Included within the proposed research activities should be a plan for conducting studies to determine whether the initial findings can be replicated, and a plan for documenting the costs and other resources necessary to incorporate the components in different kinds of preschool programs. The goal of these research projects would be to provide information about the relative effects of the components studied, and to provide to professionals replicable components that can be incorporated in new or existing infant or preschool programs.

FOR FURTHER INFORMATION CONTACT: Linda Glidewell, Division of Innovation and Development, Office of Special Education Programs, Department of Education, 400 Maryland Avenue SW., (Switzer Building, Room 3511—M/S 2313), Washington, DC 20202. Telephone (202) 732–1099.

Priority 2—In-Service Training

This proposed priority would support projects that demonstrate innovative and experimental in-service training programs that focus on meeting the need for qualified personnel to provide services to handicapped and children who are at risk of becoming handicapped from birth through age two. Personnel to be trained under this priority would include, but not be limited to: pediatricians, neonatal caregivers (nurses, social workers, physical therapists, occupational therapists, speech pathologists, public health personnel, and parents). Within this priority projects must focus on one or more of the following: (a) Establishing an inservice training program which focuses on training personnel to work as a team with handicapped children from birth through age 2; (b) Ensuring the development of a curriculum which includes a multi-agency approach to service delivery for handicapped children from birth through age two; or (c) Ensuring the development of a curriculum which includes a focus on the role of the family and skills the family needs to participate in the delivery of service as part of a team working with handicapped children from birth through age two.

FOR FURTHER INFORMATION CONTACT: Dr. Thomas E. Finch, Early Childhood Branch, Division of Educational Services, Office of Special Education Programs, Department of Education, 400 Maryland Avenue SW., (Switzer Building, Room 3511—M/S 2313), Washington, DC 20202. Telephone (202) 732–1084.

Invitation To Comment

Interested persons are invited to submit comments and recommendations regarding the proposed priorities. Written comments and recommendations may be sent to the address listed under each individual proposed priority. All comments received on or before the 30th day after publication of this document will be considered before the Secretary issues the final priorities.

All comments submitted in response to these proposed priorities will be available for public inspection, during and after the comment period, in Rooms 3522 (Priority 1) and 4611 (Priority 2), Switzer Building, 330 C Street SW, Washington, DC 20202 between the hours of 8:30 a.m. and 4:00 p.m., Monday through Friday of each week except Federal holidays.

(20 U.S.C. 1424)

(Catalog of Federal Domestic Assistance No 84.086; Auxiliary Activities: Research and Training for the Handicapped Children's Early Education Program)

Dated: August 19, 1986.

William J. Bennett,

Secretary of Education.

[FR Doc. 86-21482 Filed 9-22-86; 8:45 am]

BILLING CODE 4000-01-M

federal register

Tuesday
September 23, 1986

Part IV

Department of Transportation

Federal Highway Administration

48 CFR Part 387

Motor Carrier Safety Regulations; Environmental Restoration; Financial Responsibility Minimum Levels; Interim Rule and Request for Comments

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

49 CFR Part 387

[BMCS Docket No. MC-126; Amdt. No. 83-19]

Minimum Levels of Financial Responsbility for Motor Carriers: Environmental Restoration

AGENCY: Federal Highway Administration, (FHWA), DOT.

ACTION: Interim final rule; request for comments.

SUMMARY: In response to a joint petition filed by the American Insurance Association (AIA) and the American Trucking Associations (ATA) and because of the current insurance crisis facing the motor carrier industry, the FHWA is adopting an interim final rule to redefine "evironmental restoration" as that term is used in the FHWA's financial responsibility regulations This action will make clear that motor carriers are required to provide evidence of financial responsibility to satisfy claims for damage to human health and to the environment including necessary restoration costs, but not for potential or speculative damages for which they would not otherwise be found liable.

EFFECTIVE DATE: September 23, 1986. Written comments must be received on or before November 24, 1986.

ADDRESS: All comments should refer to the docket number that appears at the top of this document and must be submitted (preferably in triplicate) to Room 3404, Bureau of Motor Carrier Safety, 400 Seventh Street, SW., Washington, D.C. 20590. All comments will be available for examination at the above address from 7:45 a.m. to 4:15 p.m. ET, monday through Friday.

FOR FURTHER INFORMATION CONTACT: Mr. Neill L. Thomas, Bureau of Motor Carrier Safety, (202) 366-2983; or Mr. Thomas P. Holian, Office of the Chief Counsel, (202) 366-1350, Federal Highway Administration, Department of Transportation, 400 Seventh Street SW., Washington D.C. 20590. Office hours are from 7:45 a.m. to 4:15 ET, Monday through Friday.

SUPPLEMENTARY INFORMATION: .

Background Joint Petition of The American Insurance Association And The American Trucking Associations

On July 22, 1986, the FHWA received a joint petition from the AIA and the ATA. The AIA and the ATA (petitioners) have requested that the words "or potential for damage" be deleted from the definition of "environmental restoration" provided in the FHWA's financial responsibility regulations at 49 CFR 387.5 (1985). The petitioners believe that this change will ameliorate the problems motor carriers have had in obtaining the coverage required by section 30 of the Motor Carrier Act of 1980, 49 U.S.C 10927 note (1982 & Supp. II 1984).

The petitioners have asserted that motor carriers are faces with an insurance crisis. They maintain that:

> In the midst of serious problems in the commercial insurance market, motor carriers are simultaneously being confronted with significant increases in their insurance premiums; a reduction in insurance coverage availability as insurance underwriters and reinsurers withdraw from the voluntary motor carrier casualty insurance market; and, a general inability to obtain insurance coverage in amounts exceeding the statutory minimums, notwithstanding that damages (measured in dollars) in the event of an incident have the potential to exceed the statutory minimums.

petition of American Insurance Association and American Trucking Associations to Amend 49 CFR Part 387, Minimum Levels of Financial Responsibility For Motor Carriers of Property (Petition) (July 18, 1986) at 6.

The petitioners further believe that, "A significant contributor to the insurance problems being experienced by the trucking industry is DOT's definition of 'environmental restoration'." *Id.* at 8. They state that since 1981 when the FHWA issued its financial responsibility regulation (*see* 46 FR 30974 (1981)), "courts have increasingly become more liberal in constructing insurance contracts in favor of plaintiffs." *Id.* at 9. According to the petitioners, neither the insurance industry nor the FHWA could have anticipated the developments which have occurred in the past five years affecting tort liability and insurance contracts. In view of recent developments, however, they now believe that the term "environmental restoration" may be interpreted in such a way as to expand the scope of recompensable liability.

The AIA and the ATA argue that Congress, in enacting section 30 of the Motor Carrier Act of 1980, did not intend to create a new source of liability or to expand the scope of liabilities established under other Federal, State, or common law. Rather, Congress intended that the question of liability be determined under other applicable law, and that section 30 imposed on motor carriers the obligation to secure financial responsibility coverage to satisfy claims involving public liability, property damage, and environmental restoration, as those claims are determined under other applicable law.

The petitioners believe that the term "environmental restoration," as defined by the FHWA, may be interpreted to find motor carriers liable for, and insurers liable to pay on, claims involving purely speculative damages for which motor carriers would not otherwise be held liable. They assert that, because of their concern that they may be required to pay for claims never contemplated or contractually agreed to, insurers view the request to insure motor carriers for environmental restoration claims as a request to provide boundless coverage. Consequently, motor carriers are finding that they cannot find an insurance company willing to provide the required coverage in the voluntary market or cannot afford the premium charged for it.

The petitioners believe that the phrase "or potential for damage" is not necessary for the protection of the public; that, in effect, to the extent that it creates liability, it is not authorized by section 30 of the Motor Carrier Act of 1980; and that its deletion from the definition of "environmental restoration" is warranted to allay the concerns of insurers. The AIA and the ATA believe that if the FHWA would amend its definition accordingly, insurers will be more willing to provide the required coverage in the amounts prescribed by the law.

Availability of Environmental Restoration Insurance

The FHWA is aware of the current insurance cost and availability problems facing motor carriers. These problems appear to be particularly acute for those carriers required to obtain coverage at the $5 million level (i.e., transporters of certain hazardous materials in bulk). As might be expected, environmental restoration coverage is especially important for these same carriers. Thus, serious availability and affordability problems pose nearly insurmountable obstacles for the continuation of these types of operations, even though they are essential for the general public welfare.

The United States General Accounting Office provided a briefing report to the Chairman, Subcommittee on Surface Transportation, Committee on Public Works and Transportation of the House of Representatives, entitled, "Motor Carriers: The Availability of Environmental Restoration Insurance."

This report indicated that motor carriers are facing increasing difficulty in obtaining insurance at the required levels, especially the $5 million level. New entrants in particular are expected to encounter extreme difficulty in obtaining insurance in these amounts. The report also indicated that the insurance that would be available would be more expensive. The GAO noted in its transmittal letter to Chairman Glenn M. Anderson that:

> Insurers told us that they object to writing environmental restoration coverage, particularly at the $5 million level, because there are too may unknown risks involved and they are unable to obtain reinsurance—insurance that insurers purchase to cover looses they may incur under their policies. Insurers are concerned that not enough is known about the nature and extent of damage that hazardous materials can inflict on the environment and human health and that the damage can manifest itself many years after an accident. Therefore, they are uncertain about when their liability will come to an end and what the total liability associated with an accident will be.
>
> Insurers consider the language describing the risk they are being asked to insure to be open-ended and not well-defined. For example, they fear having to pay substantial sums for speculative damages based on a risk of future harm without showing actual bodily injury. They also are concerned that key words and phrases in their policies will be interpreted by courts to expand coverage beyond that intended by insurers as has happened, in their view, under other types of insurance policies.

Letter from Herbert R. McClure, Associate Director, GAO, to Glenn M. Anderson, Chairman, Subcommittee on Surface Transportation (May 19, 1986).

Analysis

Since 1981 there has been a significant deterioration in the affordability and availability of insurance for motor carriers. This situation has recently taken on the characteristics of a crisis facing the motor carrier industry. The motor carrier industry is particularly hard hit by the insurance crisis because motor carriers are required by federal law to show evidence of financial responsibility to cover liability claims. Most motor carriers comply with this requirement by purchasing insurance. The law further provides that one form of liability for which motor carriers must secure coverage is environmental restoration. Motor carriers transporting certain hazardous materials in bulk must obtain $5 million worth of coverage, and these carriers in particular are adversely affected by insurers' unwillingness to provide the required coverage.

On June 18, 1986, in response to the insurance crisis confronting motor carriers, the FHWA published an interim final rule permitting certain for hire motor carriers, under certain conditions, to comply with the financial responsibility requirements by obtaining approval from the Interstate Commerce Commission to self-insure and by maintaining a satisfactory safety rating as assigned by the FHWA's Bureau of Motor Carrier Safety. 51 Fed. Reg. 22080 (1986). At the same time, the FHWA published an advance notice of proposed rulemaking requesting comments from the public concerning self-insurance generally as an alternative means of demonstrating financial responsibility as required by section 30 of the Motor Carrier Act of 1980. 51 Fed. Reg. 22086 (1986).

The term "environmental restoration" is not defined in the Motor Carrier Act of 1980; nor does the legislative history provide much guidance for the development of a definition for the term. The legislative history supports the argument made by petitioners that the Congress, in enacting section 30 of the Motor Carrier Act of 1980, did not intend to create a new basis for finding motor carriers liable for damages when they would not have otherwise been found liable.

In developing regulations to implement section 30, the FHWA found that the term "environmental restoration" required definition. General comments on this provision of the law, including comments received from insurers, indicated that this was a term with which insurers, in the context of the coverage that they typically provided to motor carriers, were not familiar. Insurers advised the agency at that time that claims to restore the environment (e.g., containment and cleanup costs) were typically paid under the property damage clause of the liability policies issued by insurers to motor carriers. In view of the ambiguity which appeared to exist with respect to the term, the FHWA, in its notice of proposed rulemaking, proposed a definition of "environmental restoration." 46 FR 8186, at 8193. This definition provided that "environmental restoration" included, among other things, ". . . (2) The cost of necessary measures taken to minimize or mitigate damage or potential for damage to the public health or welfare. . . ."

Representatives of the insurance industry, including petitioner AIA, objected to the definition proposed by the FHWA, but not on the grounds that it included the term "or potential for damage." On March 18, 1981, representatives of the AIA, the Insurance Services Office (an industry wide group providing technical assistance to the industry), the Travelers Insurance Company, Aetna Life & Casualty, and the Hartford Insurance Group, met with staff representatives of the FHWA and the Interstate Commerce Commission to express their concerns regarding the required environmental restoration coverage. This group offered an alternative definition which was placed in the public docket, made part of the AIA's formal comments submitted to the docket on March 26, 1981, and endorsed by The National Association of Insurance Brokers, Inc., in comments dated April 10, 1981. This definition was not opposed by any commenters, and was substantially adopted by the FHWA. The definition of "environmental restoration" provides, in part, that motor carriers must have in effect evidence of financial responsibility to cover the cost of removal and the cost of necessary measures taken to minimize or mitigate damage or potential for damage to human health, the natural environment, fish, shellfish, and wildlife.

The record is clear that the phrase, "or potential for damage," was not the focus of the industry's objections to the original FHWA proposal. In their petition, the AIA and the ATA make clear that their concern with this phrase has its origins in recent insurance law developments which could not be foreseen by the industry or the agency when the original definition was adopted.

Petitioners argue that the inclusion of the phrase "or potential for damage" has led insurers to conclude, based on recent developments, that they are being asked to insure for unknown and unknowable potential damages which are merely speculative. Thus, such insurers are reluctant or unwilling to insure motor carriers in the amounts required by the law. The petitioners believe that the definition of "environmental restoration" adopted by the FHWA when the financial responsibility regulations were originally adopted may have unintentionally expanded the scope of recompensable liability. In this way, the petitioners believe that the regulatory definition of "environmental restoration" has exacerbated insurers' uncertainties. Section 30 of the Motor Carrier Act of 1980 was not intended to create a new basis for finding liability, but rather was intended to provide assurances that motor carriers found liable for damages under other law (e.g., State law or the common law) would have the financial means to pay for those damages. The change adopted today is consistent with this intent.

Because of the current insurance crisis, many motor carriers are being charged dramatically higher premiums or being denied coverage altogether by insurers concerned about a new basis for establishing liability grounded on the required "environmental restoration" coverage. Insurers surveyed by the General Accounting Office (CAO) told the GAO that they object to writing environmental restoration coverage, particularly at the $5 million level, because there are too many unknown risks involved and they are unable to obtain reinsurance to help spread their risk. Insurers specifically advised the GAO that they considered the language describing the risk they are being asked to insure to be open-ended and not well-defined. It should also be noted that, as a result of its study, the GAO expects to see more new trucking firms obtaining the required insurance in the assigned risk market. The assigned risk market may also become the primary source of coverage for those required to maintain coverage at the $5 million level if their coverage elsewhere has been canceled. However, in four States, Hawaii, Maryland, South Carolina and Texas, insurance in the amount of $5 million is not currently available through the assigned risk market. In response to this emergency situation, the FHWA is amending its regulations to redefine "environmental restoration" to make clear that motor carriers are required to show evidence of financial responsibility adequate to satisfy claims for damage to the environment and necessary restoration costs, but not for damages for which they would not otherwise be found liable. We believe that any damage for which a motor carrier is found to be liable remains covered under the revised definition. The change is not intended to relieve the insurers of the obligation to pay for such damages. While the term "environmental restoration" is not intended to create liability, it is intended to guarantee that motor carriers are covered for damage claims for which they may be liable.

Regulatory Impact

The FHWA has determined that this action does not constitute a major rule under Executive Order 12291 or a significant regulation under the regulatory policies and procedures of the Department of Transportation.

The FHWA believes that the current insurance crisis facing motor carriers is good cause to take immediate action. The difficulties engendered by the current crisis are affecting all motor carriers and require immediate attention if the agency is going to provide some measure of relief.

For the foregoing reasons, the FHWA finds good cause to make this regulation effective without prior notice and opportunity for comment and without a 30-day delay in effective date under the Administrative Procedure Act, 5 U.S.C. 553(b). The FHWA believes that clarifying the definition of the term "environmental restoration" so as to quiet the concerns of insurers, without making a substantive change in the required financial responsibility coverage or reducing public protection, will relieve motor carriers of an unnecessary burden. *See* 5 U.S.C. 553(d)(1). Accordingly, the regulation is effective upon publication.

Public Participation

The FHWA gives notice that comments on this rulemaking action will be accepted. The FHWA has determined that the emergency nature of the current insurance crisis as it affects motor carriers warrants immediate action. However, the FHWA wishes to afford the public with an opporutnity to provide comment and information for the FHWA's consideration in determining whether to make this change permanent.

Economic Evaluation

The FHWA assumes that the economic impact which results from this regulatory change will be generally beneficial to all motor carrier, in that the FHWA believes that this change will make insurance more available and more affordable to many motor carriers. The FHWA believes that this change will better enable insurers to assess risk and to establish prices which are reasonable in light of the coverage requested. No reduction in public protection will result from this change. The change will not affect protection afforded to the environment; neither the AIA nor the ATA have shown that actual awards have been made to injured parties under the language here being removed. The change, however, should ease the insurance crisis facing the trucking industry. The FHWA believes that the public will be adequately protected as motor carriers will be required to show financial responsibility for claims involving personal injury, property damage, and environmental restoration as now defined.

Because the classes of motor carrier operations subject to the FHWA's financial responsibility requirements under section 30 of the Motor Carrier Act of 1980 are somewhat different than the classes regulated for safety under the agency's other statutory authorities, and because the FHWA has not imposed a reporting requirement of motor carriers subject to its jurisdiction, the FHWA is uncertain of the number of motor carriers subject to the regulations and upon which this interim rule will have an impact. Preliminary estimates by the FHWA indicate that approximately 1 million commercial motor vehicles (trucks only) are subject to the requirements of the regulations adopted under section 30. It is further estimated that motor carriers currently pay approximately $7.1 billion in annual insurance premiums for personal injury, property damage, and environmental restoration for these vehicles.

List of Subjects in 49 CFR Part 387

Highways and roads, Insurance, Motor carriers, Surety bonds. (Catalog of Federal Domestic Assistance Program Number, 20.217, Motor Carrier Safety.

(49 U.S.C. 10927 note, 49 CFR 1.48 and 301.60))

Issued on: September 19, 1986.

R.A. Barnhart,

Federal Highway Administrator.

In consideration of the foregoing, the FHWA is amending Title 49, Code of Federal Regulations, Subtitle B, Chapter III, by amending Subpart A of Part 387 as set forth below.

PART 387—MINIMUM LEVELS OF FINANCIAL RESPONSIBILITY FOR MOTOR CARRIERS

Subpart A—Motor Carriers of Property [Amended]

1. The authority citation for Part 387 continues to read as follows:

Authority: 49 U.S.C. 10927 note; 49 CFR 1.48 and 301.60.

2. Section 387.5 is amended by revising the definition for "Environmental restoration" to read as follows:

§ 387.5 Definitions.

* * * * *

Environmental restoration.—restitution for the loss, damage, or destruction of natural resources arising out of the accidental discharge, dispersal, release or escape into or upon the land, atmosphere, watercourse, or body of water of any commodity transported by a motor carrier. This shall include the cost of removal and the cost of necessary measure taken to minimize or mitigate damage to human health, the natural environment, fish, shellfish, and wildlife.

* * * * *

3. Section 387.15 is amended by revising the definition for "Environmental restoration" in Illustration I to read as follows:

§ 387.15 Forms.

* * * * *

Environmental Restoration means restitution for the loss, damage, or destruction of natural resources arising out of the accidental discharge, dispersal, release or escape into or upon the land, atmosphere, watercourse, or body of water, of any commodity transported by a motor carrier. This shall include the cost of removal and the cost of necessary measures taken to minimize or mitigate damage to human health, the natural environment, fish, shellfish, and wildlife.

* * * * *

[FR Doc. 86-21690 Filed 9-22-86; 11:39 am]

BILLING CODE 4910-22-M

federal register

Tuesday
September 23, 1986

Part V

Department of the Treasury

Office of the Secretary

Treasury Notes of September 30, 1988 and 1990, Series AE-1988 and Q-1990; Notices

DEPARTMENT OF THE TREASURY

[Department Circular; Public Debt Series No. 30-86]

Treasury Notes of September 30, 1988; Series AE-1988

Washington, September 17, 1986.

1. Invitation for Tenders

1.1. The Secretary of the Treasury, under the authority of Chapter 31 of Title 31, United States Code, invites tenders for approximately $10,000,000,000 of United States securities, designated Treasury Notes of September 30, 1988, Series AE-1988 (CUSIP No. 912827 UA 8), hereafter referred to as Notes. The Notes will be sold at auction, with bidding on the basis of yield. Payment will be required at the price equivalent of the yield of each accepted bid. The interest rate on the Notes and the price equivalent of each accepted bid will be determined in the manner described below. Additional amounts of the Notes may be issued to Government accounts and Federal Reserve Banks for their own account in exchange for maturing Treasury securities. Additional amounts of the Notes may also be issued at the average price to Federal Reserve Banks, as agents for foreign and international monetary authorities.

2. Description of Securities

2.1. The Notes will be dated September 30, 1986, and will accrue interest from that date, payable on a semiannual basis on March 31, 1987, and each subsequent 6 months on September 30 and March 31 through the date that the principal becomes payable. They will mature September 30, 1988, and will not be subject to call for redemption prior to maturity. In the event any payment date is a Saturday, Sunday, or other nonbusiness day, the amount due will be payable (without additional interest) on the next-succeeding business day.

2.2. The Notes are subject to all taxes imposed under the Internal Revenue Code of 1954. The Notes are exempt from all taxation now or hereafter imposed on the obligation or interest thereof by any State, any possession of the United States, or any local taxing authority, except as provided in 31 U.S.C. 3124.

2.3. The Notes will be acceptable to secure deposits of Federal public monies. They will not be acceptable in payment of Federal taxes.

2.4 The Notes will be issued only in book-entry form in denominations of $5,000, $10,000, $100,000, and $1,000,000, and in multiples of those amounts. They will not be issued in registered definitive or in bearer form.

2.5. The Department of the Treasury's general regulations governing United States securities, i.e., Department of the Treasury Circular No. 300, current revision (31 CFR Part 306), as to the extent applicable to marketable securities issued in book-entry form, and the regulations governing book-entry Treasury Bonds, Notes, and Bills, as adopted and published as a final rule to govern securities held in the TREASURY DIRECT Book-Entry Securities System in 51 FR 18260, *et seq.* (May 16, 1986), apply to the Notes offered in this circular.

3. Sale Procedures

3.1. Tenders will be be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, DC 20239, prior to 1:00 p.m., Eastern Daylight Saving time, Tuesday, September 23, 1986. Noncompetitive tenders as defined below will be considered timely if postmarked no later than Monday, September 22, 1986, and received no later than Tuesday, September 30, 1986.

3.2. The par amount of Notes bid for must be stated on each tender. The minimum bid is $5,000, and larger bids must be in multiples of that amount. Competitive tenders must also show the yield desired, expressed in terms of an annual yield with two decimals, e.g., 7.10%. Fractions may not be used. Noncompetitive tenders must show the term "noncompetitive" on the tender form in lieu of a specified yield.

3.3. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000. A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue prior to the deadline for receipt to tenders.

3.4. Commercial banks, which for this this purpose are defined as banks accepting demand deposits, and primary dealers, which for this purpose are defined as dealers who make primary markets in Government securities and are on the list of reporting dealers published by the Federal Reserve Bank of New York, may submit tenders for accounts of customers if the names of the customers and the amount for each customer are furnished. Others are permitted to submit tenders only for their own account.

3.5. Tenders for their own account will be received without deposit from commercial banks and other banking institutions; primary dealers, as defined above; Federally-insured savings and loan associations; States, and their political subdivisions or instrumentalities; public pension and retirement and other public funds; international organizations in which the United States holds membership; foreign central banks and foreign states; Federal Reserve Banks; and Government accounts. Tenders from all others must be accompanied by full payment for the amount of Notes applied for, or by a quarantee from a commercial bank or a primary dealer of 5 percent of the par amount applied for.

3.6. Immediately after the deadline for receipt of tenders, tenders will be opened, followed by a public announcement of the amount and yield range of accepted bids. Subject to the reservations expressed in section 4, noncompetitive tenders will be accepted in full, and then competitive tenders will be accepted, starting with those at the the lowest yields, through successively higher yields to the extent required to attain the amount offered. Tenders at the highest accepted yield will be prorated if necessary. After the determination is made to which tenders are accepted, an interest rate will be established, at a ⅛ of one percent increment, which results in an equivalent average accepted price close to 100.000 and lowest accepted price above the original issue discount limit of 99.500. That stated rate of interest will be paid on all of the Notes. Based on such interest rate, the price on each competitive tender allotted will be determined and each successful competitive bidder will be required to pay the price equivalent to the yield bid. Those submitting noncompetitive tenders will pay the price equivalent to the weighted average yield of accepted competitive tenders. Price calculations will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final. If the amount of noncompetitive tenders received would absorb all or most of the offering, competitive tenders will be accepted in an amount sufficient to provide a fair determination of the yield. Tenders received from Government accounts and Federal Reserve Banks will be accepted at the price equivalent to the weighted average yield of accepted competitive tenders.

3.7. Competitive bidders will be advised of the acceptance of their bids. Those submitting noncompetitive tenders will be notified only if the tender is not accepted in full, or when the price at the average yield is over par.

4. Reservations

4.1. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders in whole or in part, to allot more or less than the amount of Notes specified in Section 1, and to make different percentage allotments to various classes of applicants when the Secretary considers it in the public interest. The Secretary's action under this Section is final.

5. Payment and Delivery

5.1. Settlement for the Notes allotted must be made at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt, wherever the tender was submitted. Settlement or Notes allotted to institutional investors and to others whose tenders are accompanied by a guarantee as provided in Section 3.5. must be made or completed on or before Tuesday, September 30, 1986. Payment in full must accompany tenders submitted by all other investors. Payment must be in cash; in other funds immediately available to the Treasury; in Treasury bills, notes, or bonds maturing on or before the settlement date but which are not overdue as defined in the general regulations governing United States securities; or by check drawn to the order of the institution to which the tender was submitted, which must be received from institutional investors no later than Friday, September 26, 1986. In addition, Treasury Tax and Loan Note option Depositaries may make payment for the Notes allotted for their own accounts and for accounts of customers by credit to their Treasury Tax and Loan Note Accounts on or before Tuesday, September 30, 1986. When payment has been submitted with the tender and the purchase price of the Notes allotted is over par, settlement for the premium must be completed timely, as specified above. When payment has been submitted with the tender and the purchase price is under par, the discount will be remitted to the bidder.

5.2. In every case where full payment has not been completed on time, an amount of up to 5 percent of the par amount of Notes allotted shall, at the discretion of the Secretary of the Treasury, be forfeited to the United States.

5.3. Registered definitive securities tendered in payment for the Notes allotted and to be held in Treasury direct are not required to be assigned if the inscription on the registered definitive security is identical to the registration of the note being purchased. In any such case, the tender form used to place the Notes allotted in Treasury direct must be completed to show all the information required thereon, or the Treasury direct account number previously obtained.

6. General Provisions

6.1. As fiscal agents of the United States, Federal Reserve Banks are authorized, as directed by the Secretary of the Treasury, to receive tenders, to make allotments, to issue such notices as may be necessary, to receive payment for, and to issue, maintain, service, and make payment to the Notes.

6.2. The Secretary of the Treasury may at any time supplement or amend provisons of this circular if such supplements or amendments do not adversely affect existing rights of holders of the Notes. Public announcement of such changes will be promptly provided.

6.3. The Notes issued under this circular shall be obligations of the United States, and, therefore, the faith of the United States Government is pledged to pay, in legal tender, principal and interest on the Notes.

John Kilcoyne,

Acting Fiscal Assistant Secretary.

[FR Doc. 86-21665 Filed 9-22-86; 10:06 am]

BILLING CODE 4810-40-M

[Department Circular; Public Debt Series; No. 31-86]

Treasury Notes of September 30, 1990, Series Q-1990

Washington, September 17, 1986.

1. Invitation for Tenders

1.1. The Secretary of the Treasury, under the authority of Chapter 31 of Title 31, United States Code, invites tenders for approximately $7,500,000,000 of United States securities, designated Treasury Notes of September 30, 1990, Series Q-1990 (CUSIP No. 912827 UB 6), hereafter referred to as Notes. The Notes will be sold at auction, with bidding on the basis of yield. Payment will be required at the price equivalent of the yield of each accepted bid. The interest rate on the Notes and the price equivalent of each accepted bid will be determined in the manner described below. Additional amounts of the Notes may be issued to Government accounts and Federal Reserve Banks for their own account in exchange for maturing Treasury securities. Additional amounts of the Notes may also be issued at the average price to Federal Reserve Banks, as agents for foreign and international monetary authorities.

2. Description of Securities

2.1. The Notes will be dated September 30, 1986, and will accrue interest from that date, payable on a semiannual basis on March 31, 1987, and each subsequent 6 months on September 30 and March 31 through the date that the principal becomes payable. They will mature September 30, 1990, and will not be subject to call for redemption prior to maturity. In the event any payment date is a Saturday, Sunday, or other non-business day, the amount due will be payable (without additional interest) on the next-succeeding business day.

2.2 The Notes are subject to all taxes imposed under the Internal Revenue Code of 1954. The Notes are exempt from all taxation now or hereafter imposed on the obligation or interest thereof by any State, any possession of the United States, or any local taxing authority, except as provided in 31 U.S.C. 3124.

2.3. The Notes will be acceptable to secure deposits of Federal public monies. They will not be acceptable in payment of Federal taxes.

2.4. The Notes will be issued only in book-entry form in denominations of $1,000, $5,000, $10,000, $100,000, and $1,000,000, and in multiples of those amounts. They will not be issued in registered definitive or in bearer form.

2.5. The Department of the Treasury's general regulations governing United States securities, i.e., Department of the Treasury Circular No. 300, current revision (31 CFR Part 306), as to the extent applicable to marketable securities issued in book-entry form, and the regulations governing book-entry Treasury Bonds, Notes, and Bills, as adopted and published as a final rule to govern securities held in the TREASURY DIRECT Book-Entry Securities System in 51 FR 18260, *et seq.* (May 16, 1986), apply to the Notes offered in this circular.

3. Sale Procedures

3.1. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, DC 20239, prior to 1:00 p.m., Eastern Daylight Saving time, Wednesday, September 24, 1986. Noncompetitive tenders as defined below will be considered timely if postmarked no later than Tuesday, September 23, 1986, and received no later than Tuesday, September 30, 1986.

3.2. The par amount of Notes bid for must be stated on each tender. The minimum bid is $1,000, and larger bids must be in multiples of that amount.