

altered, or repaired in the area subject to the requirements of this AD. For airplanes that have been modified, altered, or repaired so that the performance of the requirements of this AD is affected, the owner/operator must request approval for an alternative method of compliance in accordance with paragraph (e) of this AD. The request should include an assessment of the effect of the modification, alteration, or repair on the unsafe condition addressed by this AD; and, if you have not eliminated the unsafe condition, specific actions you propose to address it.

(f) *Where can I get information about any already-approved alternative methods of compliance?* Contact Doug Rudolph, Aerospace Engineer, FAA, Small Airplane Directorate, 901 Locust, Room 301, Kansas City, Missouri 64106; telephone: (816) 329-4059; facsimile: (816) 329-4090.

(g) *What if I need to fly the airplane to another location to comply with this AD?* The FAA can issue a special flight permit under sections 21.197 and 21.199 of the Federal Aviation Regulations (14 CFR 21.197 and 21.199) to operate your airplane to a location where you can accomplish the requirements of this AD.

(h) *How do I get copies of the documents referenced in this AD?* You may get copies of the documents referenced in this AD from British Aerospace Regional Aircraft, Prestwick International Airport, Ayrshire, KA9 2RW, Scotland; telephone: (01292) 672345; facsimile: (01292) 671625. You may view these documents at FAA, Central Region, Office of the Regional Counsel, 901 Locust, Room 506, Kansas City, Missouri 64106.

Note 3: The subject of this AD is addressed in British Aerospace Jetstream Service Bulletin 55-JA010941, Original Issue: January 25, 2002. This service bulletin is classified as mandatory by the United Kingdom Civil Aviation Authority (CAA).

Issued in Kansas City, Missouri, on July 23, 2002.

Michael Gallagher,
Manager, Small Airplane Directorate, Aircraft Certification Service.

[FR Doc. 02-19255 Filed 7-30-02; 8:45 am]

BILLING CODE 4910-13-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 91

[Docket No. FAA-2002-12261; Notice No. 02-09]

RIN 2120-AH68

Reduced Vertical Separation Minimum in Domestic United States Airspace; Correction

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking; correction.

SUMMARY: This document contains a correction to the notice of proposed rulemaking, published in the **Federal Register** on May 10, 2002 (67 FR 31920). That document proposed to permit Reduced Vertical Separation Minimum (RVSM) flights in the airspace over the contiguous 48 States of the United States and Alaska and that portion of the Gulf of Mexico where the FAA provides air traffic services. The RVSM program would allow the use of reduced vertical separation between aircraft at certain altitudes.

FOR FURTHER INFORMATION CONTACT: Roy Grimes, (202) 267-3734.

Correction of Publication

In the notice FR Doc. 02-11704, beginning on page 31920 in the **Federal Register** issue of May 10, 2002, make the following correction:

1. On page 31920, in column 1, in the heading section, beginning on line 6, correct "RIN 2120-AH63" to read "RIN 2120-AH68".

Issued in Washington, DC on July 25, 2002.

Donald P. Byrne,
Assistant Chief Counsel, Regulations Division.

[FR Doc. 02-19365 Filed 7-30-02; 8:45 am]

BILLING CODE 4910-13-M

DEPARTMENT OF THE TREASURY

17 CFR Part 420

RIN 1505-AA88

Government Securities Act Regulations: Large Position Rules

AGENCY: Office of the Assistant Secretary for Financial Markets, Treasury.

ACTION: Proposed rule.

SUMMARY: The Department of the Treasury ("Treasury," "We," or "Us") is publishing for comment proposed amendments to the reporting requirements pertaining to very large positions in certain Treasury securities. The regulations are issued under the Government Securities Act Amendments of 1993 ("GSAA"). The purpose of the rules is to provide Treasury with information to better understand the causes of market shortages in certain Treasury securities. We are proposing changes to improve the information available to Treasury. Specifically, we are proposing to modify the report to require separate reporting of certain components of the "net trading position" and the "gross financing position." We are also proposing to revise the current

"memorandum" item to require that the par amount of securities delivered through repurchase agreements be separated by maturity classification. In addition, we are proposing to add a new memorandum item to the large position report that would report the gross par amount of "fails to deliver." Finally, we are proposing to modify the definition of "gross financing position" to eliminate the optional exclusion in the calculation of the amount of securities received through certain financing transactions.

DATES: Submit comments on or before September 16, 2002.

ADDRESSES: You may send hard copy comments to: Government Securities Regulations Staff, Bureau of the Public Debt, 999 E Street N.W., Room 315, Washington, D.C. 20239-0001. You may also send us comments by e-mail at govsecreg@bpd.treas.gov. When sending comments by e-mail, please use an ASCII file format and provide your full name and mailing address. You may download this proposed rule, and review the comments we receive, from the Bureau of the Public Debt's website at www.publicdebt.treas.gov. The proposed rule and comments will also be available for public inspection and copying at the Treasury Department Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220. To visit the library, call (202) 622-0990 for an appointment.

FOR FURTHER INFORMATION CONTACT: Lori Santamorenna (Executive Director), Lee Grandy (Associate Director), or Nadir Isfahani (Government Securities Advisor), Bureau of the Public Debt, Government Securities Regulations Staff, (202) 691-3632 or e-mail us at govsecreg@bpd.treas.gov.

SUPPLEMENTARY INFORMATION: Treasury published final rules¹ in 1996 that established Part 420 providing recordkeeping and reporting requirements related to very large positions in certain Treasury securities.² We are re-examining the "large position rules" and proposing modifications to improve the information available to better understand the causes of market shortages in certain Treasury securities. In this notice, we first provide background on the rules and then describe the proposed changes.

¹ 61 FR 48338 (September 12, 1996).

² 17 CFR Part 420.

I. Background

A. Statutory Authority

In response to short squeezes in two-year Treasury notes that occurred in the government securities market in 1990–1991, Congress included in the GSAA³ a provision granting Treasury new authority to prescribe rules requiring any person or entity holding, maintaining, or controlling large positions in to-be-issued or recently-issued Treasury securities to keep records and, when requested by Treasury, to file reports of such large positions. The provision was intended to improve the information available to Treasury, the Federal Reserve Bank of New York (as Treasury's agent), and the Securities and Exchange Commission (referred to as "regulators" in this notice) regarding very large positions in Treasury securities held by market participants and to ensure that regulators have the tools necessary to understand unusual conditions in the Treasury securities market.

B. Reporting and Recordkeeping Requirements

1. On-Demand Reporting System

The rules provide for an "on-demand" reporting system rather than a regular, ongoing system of reporting.⁴ This approach achieves the intent described above, satisfies the requirement that the rules take into account any impact on the efficiency and liquidity of the Treasury securities market and the cost to taxpayers of funding the federal debt,⁵ and also minimizes the costs and burdens to those entities affected by the rules.

2. Notice Requesting Large Position Reports

Large position reports must be filed with the Federal Reserve Bank of New York ("FRBNY") in response to a notice from us requesting large position information on a specific issue of a Treasury security by entities with positions that equal or exceed the reporting threshold specified in the notice (currently not less than \$2 billion).⁶ The reports must be received by the FRBNY before noon Eastern time

on the fourth business day after the issuance of the Treasury press release calling for large position information.

3. Components of a Position

A "reportable position" is the sum of the net trading position, the gross financing position and the net fails position in a specified issue of a Treasury security collectively controlled by a reporting entity.⁷ Specific components of these positions are identified at § 420.2. All positions are required to be reported at par value on a trade date basis.

4. Recordkeeping

The recordkeeping requirements provide that any person or entity controlling at least a \$2 billion position in a specific Treasury security must maintain and preserve certain records that enable the entity to compile, aggregate and report large position information.⁸

C. Who Is Subject to the Rules

Treasury's large position recordkeeping and reporting rules apply to all persons and entities, foreign and domestic, that control a reportable position in a Treasury security, such as: government securities brokers and dealers; registered investment companies; registered investment advisers; custodians, including depository institutions, that exercise investment discretion; hedge funds; pension funds; insurance companies; and foreign affiliates of U.S. entities. The broad application of the rule to include both foreign and domestic entities is consistent with the statutory purpose of the GSAA.⁹

The rules provide a total exemption for foreign central banks, foreign governments and international monetary authorities (e.g., the World Bank) (collectively, foreign official organizations).¹⁰ This exemption is consistent with the position expressed by the Senate and House during consideration of the legislation.¹¹ Federal Reserve Banks are also exempt for the portion of any reportable position they control for their own account.

Consistent with our policy view as expressed when the rules were adopted, we would like to reiterate that large

positions are not inherently harmful, and that there is no presumption of manipulative or illegal intent on the part of the controlling entity merely because its position is large enough to be subject to Treasury's rules.

D. Test Calls

Since the rules became effective in 1997, we have conducted annual calls for reports to test the accuracy and reliability of large position reporting systems. These tests have given us valuable experience and insight as we consider how to improve the information provided to regulators. This experience, in addition to our ongoing need to take into account the liquidity and efficiency of the Treasury securities market, has caused us to re-examine the rules and propose certain modifications. The proposed changes reflect our continuing need for the ability to obtain useful information, while minimizing the costs and burdens on market participants. We believe these changes are consistent with the findings of Congress that (among other things) "(1) the liquid and efficient operation of the government securities market is essential to facilitate government borrowing at the lowest possible cost to taxpayers; and (2) the fair and honest treatment of investors will strengthen the integrity and liquidity of the government securities market."¹²

II. Analysis

A. Changes to the Large Position Calculation and Report

We are proposing changes to:

1. Section 420.3(c)(1) and (c)(3), and Appendix B, to require each of the five components in § 420.2(f)(1)–(5) that, together, comprise the "net trading position," to be reported separately. Since entities already are collecting this information to calculate their total net trading position, we believe that the separation of these components should not prove to be burdensome.

2. Section 420.3(c)(1) and (c)(3), and Appendix B to revise the reporting of the "gross financing position" to require entities to separate the reverse repurchase agreement components by maturity classification (i.e., break out reverse repurchase agreements as either "overnight and open" or "term"). Similarly, we are proposing to revise the current memorandum item to require that the total gross par amounts of securities delivered through repurchase agreements be reported by maturity classification. The separate reporting of these individual components in the

³ Pub. L. 103–202, 107 Stat. 2344 (1993) [15 U.S.C. 780–5(f)].

⁴ The rules were issued on September 12, 1996, and were effective on March 31, 1997. They established a new Part 420 of the regulation issued by Treasury in 17 CFR, Chapter IV, Subchapter A.

⁵ See *supra* note 3.

⁶ The notice is in the form of a press release we issue and subsequently publish in the **Federal Register**. We also provide the press release to major news and financial publications and wire services for dissemination. An electronic mailing list is also available at www.publicdebt.treas.gov.

⁷ 17 CFR 420.2(h).

⁸ 17 CFR 420.4.

⁹ H.R. Rep. 103–255, September 23, 1993.

¹⁰ This exemption does not extend to an entity that engages primarily in commercial transactions and that is owned in whole or in part by a foreign official organization. See 17 CFR 420.1(b).

¹¹ 139 Cong. Rec. H–10967 (daily ed. November 22, 1993) Statement of Chairman Dingell on S. 422.

¹² See *supra* note 3.

large position formula, as well as the separation of reverse repurchase agreements and repurchase agreements by maturity classification, would help us to better understand the reporting entity's degree of control and economic interest in the particular security. The separate reporting of components would not affect whether a reporting entity ultimately has to file a report in response to a particular call since it would result in the same total reportable position as under the current formula.

3. Section 420.3(c)(2) and Appendix B to add a second memorandum item to the large position information for the gross par amount of "fails to deliver." This would help us to better understand a reporting entity's fails situation without increasing the burden on reporting entities since fails to deliver are already factored into the "net fails position" component.

Although no changes are being proposed to the recordkeeping requirements at § 420.4, reporting entities are reminded that they will need to ensure that they maintain records of all of the items that may be reported.

B. Voluntary Optional Exclusion

Finally, we are proposing to amend the definition of "gross financing position" at § 420.2(c) to eliminate the optional exclusion for certain securities received through financing transactions. A conforming change would also be made to item #2 "Gross Financing Position" in Appendix B to Part 420 (Sample Large Position Report) to reflect the elimination of the optional exclusion.

The current rules allow a reporting entity to elect to reduce its gross financing position by the par amount of the securities received in transactions: In which the counterparty retains the right to substitute securities; that are subject to third party custodial relationships; or that are hold-in-custody agreements. Our proposed change would eliminate the exclusion in its entirety. We believe this change could enhance the usefulness of the large position reports to regulators. In the preamble to the initial proposed large position regulations,¹³ we stated that the rules provided the optional exclusion because of a presumption that the "receiving organization" does not have effective control of the securities received in these particular transactions. We now believe that this information could facilitate a better understanding of the causes of a market shortage of a particular security, and that the benefits

of including this information are likely to outweigh any potential burden to market participants. Also, it would ensure consistent treatment of overnight reverse repurchase transactions and term reverse repurchase agreements where the counterparty has a right of substitution. We specifically invite comments from market participants concerning any potential obstacles, burdens or other factors related to this proposed change.

In re-examining the current voluntary optional exclusion, we are particularly concerned that in certain situations a market participant might be relying on the "right to substitute" provision of the optional exclusion in cases where the counterparty may not have a remaining, immediate, exercisable, explicitly documented right to substitute securities with respect to the particular transaction. For example, if a counterparty's right to substitute securities could not be exercised until 10 days after the "as of" large position reporting date, then at the time of the large position report such a right of substitution does not meaningfully limit the control over the securities in question by the party that has received them. Therefore, it may not be appropriate for the rules to permit that party to elect the voluntary exclusion when filing its large position report. Commenters are specifically invited to address whether contract terms such as the "right to substitute securities," or tri-party relationships or hold-in-custody agreements should still be given special consideration. Would clarification of the "right to substitute" provision of the optional exclusion, while retaining the exclusion for securities that are subject to tri-party relationships or hold-in-custody agreements, be an alternative that should be given further consideration? Commenters are also invited to address a third alternative, which is to retain the optional exclusion only for reverse repurchase agreements held in tri-party or hold-in-custody arrangements.

We welcome comments on all of these proposed changes, in particular: (1) Whether the changes would accomplish the goal of providing Treasury with more useful information regarding concentrations of control; (2) the effect, if any, the proposed changes would have on market participants; and (3) whether, based on the proposed changes, the current three and a half day reporting timeframe would be sufficient to allow reporting entities to complete the revised large position report.

III. Special Analysis

The proposed amendments reflect Treasury's continuing interest in meeting regulators' informational needs while minimizing the costs and burdens on market participants. The proposed amendments retain the on-demand reporting system, adopted in 1996, which costs market participants less than a regular reporting system would. Based on the very limited impact of the proposed amendments, it is our view that the proposed regulations are not a "significant regulatory action" for the purposes of Executive Order 12866.

In addition, we certify under the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) that the proposed amendments to the current regulations, if adopted, would not have a significant economic impact on a substantial number of small entities. We continue to believe that small entities will not control positions of \$2 billion or greater in any particular Treasury security. The inapplicability of the proposed amendments to small entities indicates there is no significant impact. As a result, a regulatory flexibility analysis is not required.

The Paperwork Reduction Act of 1995 requires that collections of information prescribed in the proposed amendments be submitted to the Office of Management and Budget for review and approval.¹⁴ In accordance with that requirement, the Department has submitted the collection of information contained in this notice of proposed rulemaking for review. Under the Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. Comments on the collection of information may be submitted to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for Department of the Treasury, Washington, D.C., 20503; and to the Government Securities Regulations Staff, Bureau of the Public Debt, at the address specified at the beginning of this document.

The collection of information in the proposed amendments is contained in proposed § 420.3. The rules at § 420.3 continue to require a reporting entity whose position equals or exceeds the announced large position threshold for a specific issue of a Treasury security to report the information to FRBNY. Although we cannot be certain of the number of market participants that would be required to report their positions as a result of a call for such

¹³ 60 FR 65219 (December 18, 1995).

¹⁴ 44 U.S.C. 3507(d).

reports, we believe few reporting entities would actually have to file reports because the minimum reporting threshold (\$2 billion) remains high. In fact, the actual reporting threshold in a specific call for large position reports may exceed \$2 billion. Moreover, we expect that our requests for information will be infrequent. We plan to continue testing the reporting and recordkeeping systems of market participants by requesting large position reports at least annually. The threshold limit will be determined based on market conditions at the time of the call.

We do not believe that market participants would find the additional "fails to deliver" memorandum item burdensome since they already determine this figure when calculating their "net fails position" on line 3 of the existing large position report. The proposed "fails to deliver" memorandum item would simply be a place for reporting entities to record a previously derived number.

We also do not anticipate that the proposed elimination of the voluntary optional exclusion within the "gross financing position" would be a significant inconvenience for market participants. It is unlikely that removing this exclusion from the large position calculation would increase the time burden that entities face when calculating their positions, although it might result in more entities filing large position reports. We are not certain how many potential respondents rely on this exclusion, and to what extent, however, this number would still be a subset of the small number of entities with positions large enough to be subject to the rules. We invite comments from market participants on the effect of this proposed change, including any operational or system modifications that may be needed.

We believe the separate reporting of the "net trading position" components would not be very burdensome for market participants since they must already collect this information to calculate their net trading position. We also believe market participants would not find it very burdensome to separate their reporting of reverse repurchase agreements and repurchase agreements by maturity classification. Since the changes that are proposed would require more detailed information to be provided by reporting entities that file reports in response to a call for reports by Treasury, we are increasing the annual reporting burden in our submission to OMB by 40 hours, representing an increase from four to eight hours per large position report submitter.

The collection of information is intended to enable the Treasury and other regulators to better understand the possible causes of market shortages in certain Treasury securities. This information would help ensure that the Treasury securities market remains liquid and efficient.

Treasury invites further comments on: (1) Whether the proposed collection of information is necessary for the proper performance of functions of the Treasury, including whether the information has practical utility; (2) the accuracy of the Treasury's estimate of the burden; (3) enhancement of the quality, utility, and clarity of information to be collected; and (4) minimizing the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

Estimated total annual reporting burden: 40 hours.

Estimated annual number of respondents: 10.

Estimated annual frequency of response: On occasion.

List of Subjects in 17 CFR Part 420

Foreign investments in U.S., Government securities, Investments, Reporting and recordkeeping requirements.

For the reasons stated in the preamble, 17 CFR Part 420 is proposed to be amended as follows:

PART 420—LARGE POSITION REPORTING

1. The authority citation for Part 420 continues to read as follows:

Authority: 15 U.S.C. 78o-5(f).

2. Section 420.2 is amended by revising paragraph (c) to read as follows:

§ 420.2 Definitions.

* * * * *

(c) "Gross financing position" is the sum of the gross par amounts of a security issue received from financing transactions, including reverse repurchase agreement transactions, bonds borrowed, and as collateral for financial derivatives and other securities transactions (e.g., margin loans). In calculating the gross financing position, a reporting entity may net its positions against repurchase agreement transactions, securities loaned, or securities pledged as collateral for financial derivatives and other securities transactions.

* * * * *

3. Section 420.3 is amended by revising paragraphs (c)(1), (c)(2) and (c)(3) to read as follows:

§ 420.3 Reporting.

* * * * *

(c)(1) In response to a notice issued under paragraph (a) of this section requesting large position information, a reporting entity with a reportable position that equals or exceeds the specified large position threshold stated in the notice shall compile and report the amounts of the reporting entity's reportable position in the order specified, as follows:

(i) Net trading position, and each of the following items that together comprise the net trading position:

(A) Cash/immediate net settled positions,

(B) Net when-issued positions for to-be-issued and reopened issues,

(C) Net forward settling positions, including next-day settling,

(D) Net positions in futures contracts requiring delivery of the specific security, and

(E) Net holdings of STRIPS principal components of the specific security;

(ii) Gross financing position and each of the following items that comprise the gross financing position:

(A) Securities received through reverse repurchase agreements by maturity classification:

(1) Overnight and open, and

(2) Term, and

(B) Securities received through bonds borrowed, and as collateral for financial derivatives and other financial transactions.

(iii) Net fails position; and

(iv) Total reportable position.

(2) The large position report must include the following two additional memorandum items:

(i) The total gross par amounts of securities delivered through:

(A) Repurchase agreements by maturity classification:

(1) Overnight and open, and

(2) Term, and

(B) Securities loaned, and as collateral for financial derivatives and other securities transactions.

(ii) The gross par amount of "fails to deliver" in the security. This total must also be included in Net Fails Position, Line 3.

(3) An illustration of a sample report is contained in Appendix B. Each of the net trading position components shall be netted and reported as a positive number (long position), a negative number (short position), which should be shown in parenthesis, or zero (flat position). The total net trading position shall also be reported as the applicable positive or negative number (or zero). Each of the components of the gross financing position shall be reported. The total gross financing position,

which is the sum of the gross financing position components, shall also be reported. The net fails position should be reported as a single entry. If the amount of the net fails position is zero or less, report zero. The total reportable position, which is the sum of the net trading position, gross financing position, and net fails position, must be reported. Each component of

Memorandum 1 shall be reported. The total of Memorandum 1, which is the sum of its components, shall also be reported. Memorandum 2, which is the gross par amount of fails to deliver, shall also be reported. All of these positions should be reported in the order specified above. All position amounts should be reported on a trade

date basis and at par in millions of dollars.

* * * * *

4. Appendix B to Part 420 Sample Large Position Report, "Formula for Determining a Reportable Position," is revised to read as follows:

Appendix B to Part 420 Sample Large Position Report Formula for Determining a Reportable Position

[\$ Amounts in millions at par value as of trade date]

Table with 2 columns: Description and Amount. Rows include Security Being Reported, Date For Which Information is Being Reported, 1. Net Trading Position (Cash/Immediate Net Settled Positions, Net When-Issued Positions, Net Forward Settling Positions, Net Positions in Futures Contracts, Net Holdings of STRIPS), 2. Gross Financing Position (Total of securities received through Reverse Repurchase Agreements: Overnight and Open Term, Bonds borrowed, Total Gross Financing Position), 3. Net Fails Position, 4. Total Reportable Position, Memorandum 1 (Report the total gross par amounts of securities delivered through Repurchase Agreements: Overnight and Open Term, Securities loaned, Total Memorandum 1), Memorandum 2 (Report the gross par amount of fails to deliver).

Dated: July 24, 2002.
Brian C. Roseboro,
Assistant Secretary for Financial Markets.
[FR Doc. 02-19238 Filed 7-30-02; 8:45 am]
BILLING CODE 4810-39-P

DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1
[REG-112306-00]
RIN 1545-AY17
Electing Mark to Market for Marketable Stock
AGENCY: Internal Revenue Service (IRS), Treasury.
ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains procedures for certain United States persons holding marketable stock in a passive foreign investment company (PFIC) to elect mark to market treatment for that stock under section 1296 and

related provisions of sections 1291 and 1295. These proposed regulations affect United States persons owning marketable stock in a PFIC. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written comments and outlines of oral comments to be presented at the public hearing scheduled for November 6, 2002, at 10 a.m., must be received by October 16, 2002.

ADDRESSES: Send submissions to: CC: IT&A:RU (REG-112306-00), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to CC: IT&A:RU (REG-112306-00), Courier's Desk, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. Alternatively, taxpayers may submit comments electronically directly to the IRS Internet site at: http://www.irs.gov/regs. The public hearing will be held in room 4718, Internal Revenue Service Building, 1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Mark Pollard at (202) 622-3850, concerning submissions and the hearing, Ms. Lanita Vandyke (202) 622-7180 (not toll free numbers).

SUPPLEMENTARY INFORMATION: Background

Since the enactment of the Tax Reform Act of 1986, United States persons that own PFIC stock have been subject to two alternative tax regimes: the interest charge rules under section 1291 of the Internal Revenue Code (Code) and the qualified electing fund (QEF) rules under section 1293. Congress recognized that the interest charge rules are a substantial source of complexity for PFIC shareholders and that some shareholders would prefer the current inclusion method afforded by the QEF regime, but are unable to obtain the necessary information from the PFIC. See H.R. Rep. No. 105-148, at 533 (1997); S. Rep. No. 105-33 at 94 (1997). Accordingly, Congress enacted new section 1296 in the Taxpayer Relief Act of 1997 to provide shareholders with an