

3. Securities issued by, or guaranteed as to principal and interest by, the following Multilateral Development Banks—whose obligations are backed by the participating countries, including the U.S.: (i) The International Bank for Reconstruction and Development, (ii) the Inter-American Development Bank, (iii) the Asian Development Bank, (iv) the African Development Bank, (v) the European Bank for Reconstruction and Development, and (vi) the International Finance Corporation.

The categories of permissible collateral would not include securities that have no principal component (*e.g.*, STRIPS).

We believe this proposed rule amendment would protect customers by ensuring their receipt of full collateral, while providing us with the flexibility to expand the categories of collateral that may be pledged by registered government securities brokers and dealers. In developing the proposed rules, we have consulted with the staff of the SEC.

We welcome comments on this proposed rule, in particular whether this proposal meets the customer protection principles of Rule 15c3-3, as modified by § 403.4 of the GSA regulations for these types of collateral.

The rules on collateral discussed in this notice apply only in the context of the customer protection requirement in the GSA regulations as applied to registered government securities brokers and dealers. We note that it does not apply to U.S. Treasury Fiscal Service collateral programs governed by 31 CFR Part 380, Collateral Acceptability and Valuation.

### III. Special Analysis

This proposed amendment does not meet the criteria for a “significant regulatory action” under Executive Order 12866.

In addition, under the Regulatory Flexibility Act,<sup>18</sup> we certify that the proposed amendments, if adopted, would not have a significant economic impact on a substantial number of small entities. Currently, there are no registered government securities brokers or dealers which would be considered “small” under the SEC’s definition of “small entity.”<sup>19</sup> Accordingly, the number of small entities pledging customer securities when borrowing fully paid or excess-margin securities from customers is not significant. As a result, a regulatory flexibility analysis is not required.

The proposed amendment to § 403.4 of the GSA regulations would expand the range of collateral that registered government securities brokers and dealers may pledge when borrowing customer securities. Although the proposed rule amendment is technical in nature, it does not impose any additional burdens on such firms, but provides a broader list of collateral. The amendment should increase liquidity in the government securities market and lower borrowing costs for registered government securities brokers and dealers. The collections of information under the Government Securities Act regulations have previously been reviewed and approved by the Office of Management and Budget under control number 1535-0089.

#### List of Subjects in 17 CFR Part 403

Banks, Banking, Brokers, Government Securities.

For the reasons set out in the preamble, we propose that 17 CFR Part 403 be amended as follows:

#### PART 403—PROTECTION OF CUSTOMER SECURITIES AND BALANCES

1. The authority citation for Part 403 continues to read as follows:

**Authority:** Pub. L. 99-571, § 101, 100 Stat. 3209; Pub. L. 101-432, section 4(b) 104 Stat. 963; Pub. L. 103-202, sections 102, 106, 107 Stat. 2344 (15 U.S.C. 78o-5(a)(5), (b)(1)(A), (b)(4)).

2. Section 403.1 is revised to read as follows:

##### § 403.1 Application of part to registered brokers and dealers.

With respect to their activities in government securities, compliance by registered brokers or dealers with § 240.8c-1 of this title (SEC Rule 8c-1), as modified by § 403.2 (a), (b) and (c), with § 240.15c2-1 of this title (SEC Rule 15c2-1), with § 240.15c3-2 of this title (SEC Rule 15c3-2), as modified by § 403.3, and with § 240.15c3-3 of this title (SEC Rule 15c3-3), as modified by §§ 403.4 (a)-(d), (f)(2)-(3), (g)-(j), and (m), constitutes compliance with this part.

3. Section 403.4 is amended by redesignating paragraphs (e) through (l) as paragraphs (f) through (m), respectively, and by adding new paragraph (e) to read as follows:

##### § 403.4 Customer Protection—reserves and custody of securities.

\* \* \* \* \*

(e) For purposes of this section, § 240.15c3-3(b)(3)(iii)(A) of this title is modified to read as follows:

“(A) Must provide to the lender upon the execution of the agreement, or by the close of the business day of the loan if the loan occurs subsequent to the execution of the agreement, collateral that fully secures the loan of securities, consisting exclusively of cash or United States Treasury bills or Treasury notes or an irrevocable letter of credit issued by a bank as defined in section 3(a)(6)(A)-(C) of the Act (15 U.S.C. 78c(a)(6)(A)-(C)) or such other collateral as the Secretary designates as permissible by order as consistent with the public interest, the protection of investors, and the purposes of the Act, after giving consideration to the collateral’s liquidity, volatility, market depth and location, and the issuer’s creditworthiness; and”

\* \* \* \* \*

Dated: December 3, 2003.

**Brian C. Roseboro,**

*Assistant Secretary for Financial Markets.*

[FR Doc. 03-30485 Filed 12-10-03; 8:45 am]

**BILLING CODE 4810-39-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-157164-02]

RIN 1545-BB57

#### Special Depreciation Allowance; Hearing Cancellation

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Cancellation of notice of public hearing on proposed rulemaking by cross-reference to temporary regulations.

**SUMMARY:** This document cancels a public hearing on proposed regulations under Sections 168 and 1400L of the Internal Revenue Code relating to the depreciation of property subject to section 168 of the Internal Revenue Code (MACRS property) and the depreciation of computer software subject to section 167.

**DATES:** The public hearing originally scheduled for December 18, 2003, at 10 a.m., is cancelled.

**FOR FURTHER INFORMATION CONTACT:** Sonya M. Cruse of the Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedures and Administration), at (202) 622-4693 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:** A notice of proposed rulemaking by cross-

<sup>18</sup> 5 U.S.C. 601.

<sup>19</sup> 63 FR 37688, 37672 (July 13, 1998).

reference to temporary regulations and notice of public hearing that appeared in the **Federal Register** on Monday, September 8, 2003, (68 FR 53008), announced that a public hearing was scheduled for December 18, 2003 at 10 a.m., in the auditorium, Internal Revenue Service Building, 1111 Constitution Avenue, NW., Washington, DC. The subject of the public hearing is proposed regulations under sections 168 and 1400L of the Internal Revenue Code.

The public comment period for these regulations expired on November 27, 2003. The notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing instructed those interested in testifying at the public hearing to submit a request to speak and an outline of the topics to be addressed. As of Thursday, December 4, 2003, no one has requested to speak. Therefore, the public hearing scheduled for December 18 2003 is cancelled.

**Cynthia E. Grigsby,**

*Acting Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedures and Administration).*

[FR Doc. 03-30638 Filed 12-10-03; 8:45 am]

BILLING CODE 4830-01-P

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR 1

[REG-153319-03]

RIN 1545-BC74

#### **Guidance Under Section 1502; Application of Section 108 to Members of a Consolidated Group**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations.

**SUMMARY:** Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Income Tax Regulations relating to section 1502. The text of those regulations also serves as the text of these proposed regulations.

**DATES:** Written or electronic comments must be received by January 12, 2004.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-153319-03), room 5203, Internal Revenue Service, POB 7604 Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday

between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-153319-03), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically directly to the IRS Internet site at [www.irs.gov/regs](http://www.irs.gov/regs).

#### **FOR FURTHER INFORMATION CONTACT:**

Concerning the proposed regulations, Amber Renee Cook or Marie C. Milnes-Vasquez at (202) 622-7530; concerning submission of comments, La Nita Van Dyke at (202) 622-7180 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

#### **Background and Explanation of Provisions**

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend 26 CFR part 1 relating to section 1502. The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

#### **Special Analysis**

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. Further, it is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that these regulations will primarily affect affiliated groups of corporations that have elected to file consolidated returns, which tend to be larger businesses. Moreover, the number of taxpayers affected and the average burden are minimal. Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

#### **Comments and Request for a Public Hearing**

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and Treasury Department specifically request comments on the clarity of the proposed rules and how they may be made easier to understand. All

comments will be available for public inspection and copying. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

#### **Drafting Information**

The principal author of these regulations is Marie C. Milnes-Vasquez of the Office of Associate Chief Counsel (Corporate). However, other personnel from the IRS and Treasury Department participated in their development.

#### **List of Subjects in 26 CFR Part 1**

Income taxes, Reporting and recordkeeping requirements.

#### **Proposed Amendments to the Regulations**

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

#### **PART 1—INCOME TAXES**

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

**Authority:** 26 U.S.C. 7805 \* \* \*

Section 1.1502-28 also issued under 26 U.S.C. 1502. \* \* \*

2. Section 1.1502-28 is added to read as follows:

#### **§ 1.1502-28 Consolidated section 108.**

(The text of this proposed section is the same as the text of § 1.1502-28T published elsewhere in this issue of the **Federal Register**).

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. 03-30637 Filed 12-10-03; 8:45 am]

BILLING CODE 4830-01-P

## DEPARTMENT OF VETERANS AFFAIRS

### 38 CFR Parts 19 and 20

RIN 2900-AL77

#### **Board of Veterans' Appeals: Obtaining Evidence and Curing Procedural Defects**

**AGENCY:** Department of Veterans Affairs.  
**ACTION:** Proposed rule.

**SUMMARY:** The Department of Veterans Affairs proposes to amend the Appeals Regulations and Rules of Practice of the Board of Veterans' Appeals (Board) by removing the Board's authority to develop evidence for initial consideration. Under its current Appeals Regulations and Rules of