research on the exercise of options issued to executives provides some general support for outcomes that would be produced by the application of this method.[78]

Examples of situations in which the staff believes that it may be appropriate to use this simplified method include the following:

- A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded.
- A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term.
- A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term.

The staff understands that a company may have sufficient historical exercise data for some of its share option grants but not for others. In such cases, the staff will accept the use of the simplified method for only some but not all share option grants. The staff also does not believe that it is necessary for a company to consider using a lattice model before it decides that it is eligible to use this simplified method. Further, the staff will not object to the use of this simplified method in periods prior to the time a company's equity shares are traded in a public market.

If a company uses this simplified method, the company should disclose in the notes to its financial statements the use of the method, the reason why the method was used, the types of share option grants for which the method was used if the method was not used for all share option grants, and the periods for which the method was used if the method was not used in all periods. Companies that have sufficient historical share option exercise experience upon which to estimate expected term may not apply this simplified method. In addition, this simplified method is not intended to be applied as a benchmark in evaluating the appropriateness of more refined estimates of expected term.

Also, as noted above in Question 5, the staff believes that more detailed external information about exercise behavior will, over time, become readily available to companies. As such, the staff does not expect that such a simplified method would be used for share option grants when more relevant detailed information becomes widely available.

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second 25% vested) plus 3 year vesting term (for the third 25% vested) plus 4 year vesting term (for the last 25% vested)] divided by 4 total years of vesting] plus 10 year contractual life] divided by 2; that is, (((1+2+3+4)/4) + 10) /2 = 6.25 years.

[78] J.N. Carpenter, "The exercise and valuation of executive stock options," *Journal of Financial Economics*, 1998, pp. 127–158 studies a sample of 40 NYSE and AMEX firms over the period 1979–1994 with share option terms reasonably consistent to the terms presented in the fact set and example. The mean time to exercise after grant was 5.83 years and the median was 6.08 years. The "mean time to exercise" is shorter than expected term since the study's sample included only exercised options. Other research on executive options includes (but is not limited to) J. Carr Bettis; John M. Bizjak; and Michael L. Lemmon, "Exercise behavior, valuation, and the incentive effects of employee stock options," forthcoming in the *Journal of Financial Economics*. One of the few studies on nonexecutive employee options the staff is aware of is S. Huddart, "Patterns of stock option exercise in the United States," in: J. Carpenter and D. Yermack, eds., *Executive Compensation and Shareholder Value: Theory and Evidence* (Kluwer, Boston, MA, 1999), pp. 115–142.

DEPARTMENT OF STATE

22 CFR Parts 22 and 51

[Public Notice: 6044]

Card Format Passport; Changes to Passport Fee Schedule

AGENCY: Department of State.

ACTION: Final rule.

SUMMARY: This rule finalizes the proposed rule published on October 17, 2006, and implements certain provisions of Section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). The IRTPA provides that United States citizens and nonimmigrant aliens may enter the United States only with passports or such alternative documents as the Secretary of Homeland Security may designate as satisfactorily establishing identity and citizenship. The statute requires that the Secretary of Homeland Security, in consultation with the Secretary of State, develop and implement a plan to require virtually all travelers entering the United States to present a passport or other document or combination of documents that are deemed by the Secretary of Homeland Security to be sufficient to denote identity and citizenship. The legislation also requires that the Department of Homeland Security (DHS) and the Department of State seek to facilitate the frequent travel of those living in border communities. This final rule takes into account the amendment to section 7209 by the 2007 Department of Homeland Security Appropriations Act calling for the availability of a passport card for land and sea travel between the United States and Canada, Mexico, the Caribbean and Bermuda.

The Administration's proposal to address the remainder of the legislative requirements in section 7209, called the Western Hemisphere Travel Initiative (WHTI), is being addressed in separate rulemakings.

DATES: This rule is effective February 1, 2008.

FOR FURTHER INFORMATION CONTACT: Consuelo Pachon, Office of Legal Affairs and Law Enforcement Liaison, Bureau of Consular Affairs, 2100 Pennsylvania Avenue, NW., Suite 3000, Washington, DC, telephone number 202–663–2431.

SUPPLEMENTARY INFORMATION: The Department of State published an Advanced Notice of Proposed Rule Making (ANPRM) in September 2005, which received approximately 2,000 comments. Many of these comments from border resident communities expressed a desire for a less expensive and more portable alternative to the traditional passport book. To be responsive to the needs and concerns of the border communities and to facilitate the travel of border community residents, consistent with Section 7209, the Department of State issued a Notice of Proposed Rulemaking (NPRM) in October 2006, at 71 FR 60928, proposing to develop and issue a card format passport as a less expensive and more portable alternative to the passport book. The comment period closed on January 7, 2007. This final rule implements provisions of Section 7209 of the IRTPA, Public Law 108–458, 118 Stat. 3638, 3823 (Dec. 17, 2004), as amended. The Administration's proposal to address the remainder of the legislative requirements of section 7209 is being addressed in separate rulemakings.

The rule was discussed in detail in Public Notice 5558, as were the Department of State's reasons for making the proposals. The Department of State is now promulgating a final rule with limited changes to clarify the proposed rule. Primarily, the final rule explains that the passport card does not need to be signed in order to be valid, whereas the passport book requires a signature to be valid. In addition, it makes clear that those requesting and eligible for a no-fee passport will receive a passport in book form only. The new Passport Card charges are summarized as follows:

9. Passport Card Services:	
(a) Application fee for applicants age 16 or over (including renewals) [Adult Passport Card]	$20
(b) Application fee for applicants under age 16 [Minor Passport Card]	10
(c) Passport card execution fee, (first time applicants only)	25
Total first time adult	45
Total first time child	35
Total renewal (adult)	20
Total renewal child	10

The Department is making additional changes to the passport regulations at 22 CFR part 51 in a separate rulemaking. Those changes were published in the **Federal Register** on Monday November 19, 2007, will be effective February 1, 2008, and are contained in Public Notice 5991, Vol. 22 **Federal Register** No. 222, pages 64930–64939.

Analysis of Comments

Over 4000 comments were received regarding this proposed rule. Among those submitting comments were: four Members of Congress, Senators Hillary Clinton and Charles Schumer of New York, Senator Patrick Leahy of Vermont, and Representative Louise Slaughter of New York; the governments of Canada and two of its provinces (Manitoba and New Brunswick); a Native American government (Haudenosaunee Confederation, New York); and dozens of city, county, and municipal governments. Also represented are the United States Postal Service (USPS), the Air Transport Association, over two dozen technology companies and privacy interest groups, five tourism interest groups, and three offshore drilling concerns.

The vast majority of the comments were generated from an e-petition launched by Citizens Against Government Waste opposing the choice of technology. Independent of the e-petition, we received an additional 28 comments regarding technology. In addition, over 150 comments voiced opposition to the change in the amount of the passport execution fee. Other key topics include security issues (21), privacy issues (18), and potential negative economic implications, including a decrease in tourism on both sides of the border (14). Only a small number of comments opposed the idea of the passport card itself, and over 20 comments specifically voiced support for the passport card.

Comments not specifically focused on the passport card are not discussed in this rule.

Technology

All four Members of Congress, as well as technology, security, and privacy groups, are concerned with the choice of "vicinity read" radio frequency identification (RFID) technology for the passport card. While the majority of commenters opposed vicinity read technology, there were some commenters who supported the technology. The opinion expressed by many commenters is that vicinity read technology is not as secure as the proximity read technology currently used in the United States e-Passport. In their opinion the use of vicinity read technology could result in the unauthorized reading of information that would lead to identity theft and tracking of United States citizens by terrorists (security groups) and the government (privacy groups). In addition, commenters asserted that employing two different technologies at the same border crossing is redundant, inefficient, and unnecessarily costly. Several comments mention a 2006 Government Accountability Office review of the US–VISIT program, which reported a low read rate using this type of technology and a statement in the report that it should not be used for identification of people, only for the tracking of goods. All four Members of Congress also question the use of RFID vicinity read technology. Two members of Congress expressed concern that the passport card had not received National Institute of Standards and Technology (NIST) certification in accordance with Section 546 of the Homeland Security Appropriations Act of 207 (Pub. L. 109–295).

The two comments that best represent the overall nature of comments regarding choice of technology come from the private sector. One industry association, whose members produce both vicinity read and proximity read technology, argues that vicinity read RFID technology is inappropriate for implementing a secure card that is used to verify a citizen's identity. A private company that designs, manufactures and markets both vicinity and proximity read technology chips commented that the choice of vicinity read technology could have the unexpected result of compromising the security of our borders while severely impacting the personal privacy of United States citizens. They also questioned whether vicinity read technology would necessarily improve border crossing times.

While State and DHS appreciate the comments received, the vast majority reflected an improper understanding of the business model that WHTI is designed to meet and how the technology selected would actually be implemented. DHS remains committed to vicinity-read radio frequency identification (RFID) as the most appropriate technological solution to facilitate document processing at land and sea ports-of-entry. Vicinity-read RFID technology should allow CBP officers to quickly obtain information about the border crosser and perform terrorist watch list checks while they are still awaiting a personal inspection and to read multiple cards simultaneously. Therefore, to ensure compatibility and interoperability with the DHS border management system, and to secure significant travel facilitation advantages, the Department of State will produce the passport card utilizing vicinity RFID technology.

The operational concept that this rule promulgates should enable information about a border crosser to be queued while they are awaiting their interviews with the border officers, rather than waiting until they are face to face with the officer to provide their personal information. This approach is designed to substantially reduce wait times at the border, which was the key driver in development of the WHTI passport card business case.

The vicinity RFID electronic chip contains only one item of information—a unique identifying number that has meaning only inside the secure CBP computer system. No other form of personally identifiable information, such as name, date of birth, SSN, place of birth etc., will be electronically stored on the passport card or transmitted through RFID. All personal information will be contained in DHS systems and will only be accessible by authorized personnel through secure networks. Upon receipt of the passport card number, the border crosser's personal information will be downloaded from the CBP system and provided to the CBP officer. The CBP officer will then interview the individual, verify their identities, and determine the appropriate action to take. The WHTI passport card approach was not designed to be an automated system, and the use of vicinity RFID technology in this final rule reflects this reality. Rather, the RFID-based approach allows the CBP officers to do their jobs better and faster.

While the passport card will transmit only the card's unique identifying number, which is meaningless outside the secure CBP computer system, the Department of State and DHS nonetheless take the submitted privacy concerns seriously. All card holders will

also be issued a protective sleeve for the card, which prevents transmission of the card's unique identifying number. Additionally, use of the passport card is not mandatory. Those border crossers that would prefer to use traditional passports may continue to do so.

Many comments also discussed the technology solution in the e-passport, whose business model is vastly different than that of WHTI. In the e-passport case, a different technology solution was selected that enables transfer of actual personal information in a secure, encrypted, manner. The technology solution for e-passports does not meet the business model for the specific WHTI application, so it was not selected.

Section 546 of the Homeland Security Appropriations Act of 2007 (Pub. L. 109–295) requires the National Institute of Standards and Technology (NIST) to certify that "the Departments of Homeland Security and State have selected a card architecture that meets or exceeds ISO security standards and meets or exceeds best available practices for protection of personal identification documents." NIST certified the proposed passport card on May 1, 2007. Both the House and Senate Appropriations Subcommittees on Homeland Security received notice of the certification on May 3, 2007.

Passport Application Fees

A limited number of commenters, most notably Senator Leahy, believe that the passport application fee, not just the execution fee, should be reduced. Senator Leahy also suggests that consideration should be given to waiving all fees to citizens with low incomes.

The collection of passport application and execution fees is required by 22 U.S.C. 214. This section of the law mandates fee exemptions for specified groups, but does not allow the Department to establish an income-based waiver. The possibility of shorter periods of passport validity and less expensive passports for individuals, such as low-income applicants, has been proposed in the past. However, to date, Congress has not promulgated law that would give the Department of State authority to reduce or waive the passport fee for low-income citizens. Thus, a no-fee passport, regardless of format, for low-income citizens is not an option that is legally available.

As established by OMB Circular A–25, fees for government services are to be based on the costs of service, in order to ensure that such services be self-sustaining to the extent possible. Thus, passport application fees are determined on a cost recovery basis and are intended to recover, to the extent possible, the costs of providing passport adjudication and production as well as consular services to citizen travelers abroad. The Department of State did not include the cost of consular services in determining the cost of the passport card, since travelers using the card are likely to be on cross border trips generally of short duration, and most emergencies would be handled by travelers relying on family members and services in the United States.

Passport Execution Fee

We received comments from dozens of municipal and county governments, as well as the USPS, questioning the reduction of the execution fee from $30 to $25. USPS's comments acknowledge the positive relationship it shares with the Department of State and make clear that it will work with the Department to continue to offer passport acceptance services if the execution fee is lowered. USPS suggests that should the fee be lowered, the Department of State, in consultation with USPS, should provide both a more streamlined application process and conduct periodic reviews to ensure that the execution fee covers the cost of service. Comments also requested clarification of exactly when the execution fee is required.

We note that only first-time applicants or those individuals required to appear personally at passport acceptance facilities are required to pay the execution fee. Individuals applying for renewal of a passport by mail, or those who have a passport book and are applying for a passport card, are not required to pay the execution fee.

We also note that in the United States, the largest numbers of first-time passport applications are made by those who appear in person at a local United States Post Office or government office (most often county, township, municipal, or clerk of the court). The execution fee is retained by these designated passport application acceptance facilities to cover the costs of providing this service. We base the fee on a cost of service study designed to reimburse on an average basis, and conduct such studies regularly to ensure their accuracy in recovering relevant costs.

The Department of State is committed to providing a low-cost alternative to the passport book to assist residents of border communities. Based on the considerations expressed in the NPRM, including our cost of service study, the Department of State will reduce the execution fee to $25.00 for the passport card. The Department of State values its significant national partnership with USPS and is also committed to working with USPS regarding any implementation issues that may be encountered with establishing this rate for the passport card execution fee. The Department of State is not proposing to lower the execution fee for the passport book at this time. Changes to the passport book fee schedule will be addressed in separate rulemakings.

First Nation Concerns

The Department received one comment from the Haudenosaunee, a Six National Confederacy made up of the Mohawk, Oneida, Onondaga, Cayuga, Seneca, and Tuscarora Nations. They expressed concern that the proposed rule would unnecessarily and unintentionally interfere with and undermine the ability of the Haudenosaunee to determine how to document the identity and citizenship of its people. They also expressed concern that the proposed rule would interfere with aboriginal and treaty rights to freely pass the international border without burdensome costly documentation requirements.

These issues will be addressed as part of the final WHTI joint rule making process by DHS and the Department of State. The Department of State is sensitive to the issues of documenting members of all United States Native American Nations. We would like to emphasize that the passport card will be issued on the same basis as the traditional passport book to Native Americans who wish to apply.

Washington State

The Department of Licensing for the State of Washington commented that it strongly believes that enhanced driver's licenses would "better serve the economic and convenience needs" of United States citizens at border crossings.

The Department of State has participated in discussions between DHS and Washington State regarding the development of the Washington State Enhanced Driver's License Project, but is not a partner in the program. DHS has the authority to determine what documents or combination of documents it will deem sufficient to denote citizenship and identity for the purposes of cross border travel. The issue of alternative documentation will be addressed in the final rule implementing the land and sea portion of the Western Hemisphere Travel Initiative.

Canadian Comments

The Government of Canada

The Government of Canada submitted official comments encouraging the movement of legitimate travelers across the shared border while still complying with WHTI. However, it expressed concern that unless the public is properly informed, there could be significant disruption to the tourism and service industries as well as to trade between the two countries. The Government of Canada encourages a high-profile outreach campaign regarding WHTI and the release of the passport card. It also urges that the implementation of WHTI be postponed until June 1, 2009, and suggests that the use of the passport card be expanded to the air environment to increase its versatility, thus making it a more attractive option.

The Department of State appreciates the comments expressed by the Government of Canada. For the past year, the Department of State and DHS have conducted an extensive public service campaign to educate the public on the requirements of WHTI. The success of this campaign is evidenced by the surge in passport applications through May 2007. We anticipate that this momentum will continue as we get closer to full implementation.

We note that the passport card, as currently designed and conceived, is for use at land and sea borders only. The passport card will be available to United States citizens nationwide, but its primary purpose is to facilitate the travel of those living in the border region. It is not a globally interoperable document. The Department of State continues to believe that it is a valuable low-cost alternative to the traditional book format passport.

Governments of Manitoba and New Brunswick

The Government of Manitoba recommends (1) a delay in the implementation of WHTI; (2) development and funding for a public awareness campaign; (3) expansion of the trusted traveler and commercial traffic programs; (4) affordable documents; (5) flexibility of documentation, especially for minors under age 16; and, (6) exploration of the use of enhanced drivers' licenses as alternative travel documents provided for under WHTI. The Government of New Brunswick expressed concern about the implementation dates for WHTI and the lack of availability of NEXUS and FAST crossing sites at the Maine-New Brunswick border. They call for launching unspecified required technologies and infrastructure at all border crossings.

The Department of State welcomes comments from the Canadian provinces and shares their commitment to ensuring safe, affordable and efficient travel across common borders. We note, however, that the comments received are more directed toward the WHTI concept rather than the passport card. We will continue to work with DHS, Canadian provinces and the Canadian central government to assist in the implementation of WHTI and in the introduction of the passport card.

Global Interoperability of the Passport Card

Several comments suggested that the passport card should not be restricted for use only at land borders but should be available for use in the air environment for travel between the United States, Canada, Mexico and the Caribbean.

The passport card was specifically designed to respond to the concerns expressed by border communities in regard to the requirements of WHTI. The passport card is designed specifically to address the unique circumstances of land border crossings and is not intended to be a globally interoperable travel document. Therefore, passport cards will not be designed to meet the International Civil Aviation Organization (ICAO) standards and recommendations for globally interoperable passports.

Because the passport card will be specifically designed to facilitate land and sea border crossings, it is not compatible with the global air environment, which is already set up for passport books. In addition, extending the use of the passport card to the air environment could create confusion with the traveling public should they attempt to use the passport card for travel to a country other than Mexico, Canada or the Caribbean.

Offshore Drilling Concerns

Three offshore drilling concerns suggested that the passport card be made available for return to the United States by helicopter from a mobile offshore drilling unit (MODU).

After careful consideration, the Department of State believes that even a limited use of the passport card in the air environment, such as helicopter travel from a MODU from outside the United States, back to the United States, would not be warranted. Travel of individuals working on a MODU attached to the Outer Continental Shelf is being addressed in the WHTI land and sea rulemaking.

Regulatory Findings

Administrative Procedure Act

In accordance with provisions of the Administrative Procedure Act governing rules promulgated by federal agencies that affect the public (5 U.S.C. 552), the Department of State published a proposed rule and invited and received public comment.

Regulatory Flexibility Act

The Department of State, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this regulation and, by approving it, certifies that this rule will not have a significant economic impact on a substantial number of small entities because only individuals can apply for the passport card.

Unfunded Mandates Act of 1995

This rule does not involve a mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any year and it will not significantly or uniquely affect small governments. Therefore, no actions were deemed necessary under the provisions of the Unfunded Mandates Reform Act of 1995.

Small Business Regulatory Enforcement Fairness Act of 1996

This rule is not a major rule as defined by section 804 of the Small Business Regulatory Enforcement Act of 1996. This rule will not result in an annual effect on the economy of $100 million or more; a major increase in costs or prices; or significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based companies to compete with foreign-based companies in domestic and import markets.

Executive Order 12866

The Department of State has reviewed this rule to ensure its consistency with the regulatory philosophy and principles set forth in Executive Order 12866. The Department of State does not consider the proposed rule to be an economically significant regulatory action within the scope of section 3(f)(1) of the Executive Order since it is not likely to have an annual effect on the economy of $100 million or more or to adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities. However, the final rule implements Department of State

decisions that require coordination with action taken or planned by another agency, in particular the Department of Homeland Security. Accordingly, the rule has been provided to the Office of Management and Budget (OMB) for review.

Executive Order 13132

This regulation will not have substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, in accordance with section 6 of Executive Order 13132, it is determined that this rule does not have sufficient federalism implications to require consultations or warrant the preparation of a federalism summary impact statement.

Paperwork Reduction Act

This rule does not impose any new reporting or recordkeeping requirements subject to the Paperwork Reduction Act, 44 U.S.C. Chapter 35.

List of Subjects

22 CFR Part 22

Passports and visas.

22 CFR Part 51

Passports.

■ Accordingly, 22 CFR Parts 22 and 51 are amended as follows:

PART 22—[AMENDED]

■ 1. The authority citation for part 22 continues to read as follows:

Authority: 8 U.S.C. 1153 note, 1351, 1351 note; 10 U.S.C. 2602(c); 22 U.S.C. 214, 2504(a), 4201, 4206, 4215, 4219; 31 U.S.C. 9701; Pub. L. 105–277, 112 Stat. 2681 *et seq.*; Pub. L. 108–447, 118 Stat. 2809 *et seq.*; E.O. 10718, 22 FR 4632, 3 CFR, 1954–1958 Comp., p. 382; E.O. 11295, 31 FR 10603, 3 CFR, 1966–1970 Comp., p. 570.

■ 2. Section 22.1 is revised to read as follows:

§ 22.1 Schedule of fees.

* * * * *

SCHEDULE OF FEES FOR CONSULAR SERVICES

Item No.	Fee
Passport and Citizenship Services	
* * * * *	
9. Passport Card Services:	
(a) Application fee for applicants age 16 or over (including renewals) [Adult Passport Card].	$20

SCHEDULE OF FEES FOR CONSULAR SERVICES—Continued

Item No.	Fee
(b) Application fee for applicants under age 16 [Minor Passport Card].	10
(c) Execution fee, (first time applicant only) [Passport Card].	25
10. [Reserved].	
* * * * *	

PART 51—PASSPORTS—

■ 3. The authority citation for part 51 is revised to read as follows:

Authority: 8 U.S.C. 1504; 18 U.S.C. 1621; 22 U.S.C. 211a, 212, 213, 213n (Pub. L. 106–113 Div. B, Sec. 1000(a)(7) [Div. A, Title II, Sec. 236], 113 Stat. 1536, 1501A–430); 214, 214a, 217a, 218, 2651a, 2671(d)(3), 2705, 2714, 2721, & 3926; 26 U.S.C. 6039E; 31 U.S.C. 9701; 42 U.S.C. 652(k) [Div. B, Title V of Pub. L. 103–317, 108 Stat. 1760]; E.O. 11295, Aug. 6, 1966, FR 10603, 3 CFR, 1966–1970 Comp., p. 570; Sec. 1 of Pub. L. 109–210, 120 Stat. 319; Sec. 2 of Pub. L. 109–167, 119 Stat. 3578; Sec. 5 of Pub. L. 109–472, 120 Stat. 3554; Pub. L. 108–447, Div. B, Title IV, Dec. 8, 2004, 118 Stat. 2809; Pub. L. 108–458, 118 Stat. 3638, 3823 (Dec. 17, 2004).

■ 4. Amend § 51.3 by adding a new paragraph (d) to read as follows:

§ 51.3 Types of passports.

* * * * *

(d) *Passport card.* A passport card is issued to a national of the United States on the same basis as a regular passport. It is valid only for departure from and entry to the United States through land and sea ports of entry between the United States and Mexico, Canada, the Caribbean and Bermuda. It is not a globally interoperable international travel document.

■ 5. Section 51.4, paragraphs (a) and (b) are revised to read as follows:

§ 51.4 Validity of passports.

(a) *Signature of bearer.* A passport book is valid only when signed by the bearer in the space designated for signature, or, if the bearer is unable to sign, signed by a person with legal authority to sign on his or her behalf. A passport card is valid without the signature of the bearer.

(b) *Period of validity of a regular passport and a passport card.*

(1) A regular passport or passport card issued to an applicant 16 years of age or older is valid for ten years from date of issue unless the Department limits the validity period to a shorter period.

(2) A regular passport or passport card issued to an applicant under 16 years of age is valid for five years from date of issue unless the Department limits the validity period to a shorter period.

(3) A regular passport for which payment of the fee has been excused is valid for a period of five years from the date issued unless limited by the Department to a shorter period.

* * * * *

■ 6. Section 51.52 is revised to read as follows:

§ 51.52 Exemption from payment of passport fees.

(a) A person who is exempt from the payment of passport fees under this section may obtain a passport book only for no charge. A passport card will not be issued for no charge to the individuals exempt from the payment of passport fees under this section.

(b) The following persons are exempt from payment of passport fees except for the passport execution fee, unless their applications are executed before a federal official, in which case they are also exempt from payment of the passport execution fee:

(1) An officer or employee of the United States traveling on official business and the members of his or her immediate family. The applicant must submit evidence of the official purpose of the travel and, if applicable, authorization for the members of his or her immediate family to accompany or reside with him or her abroad.

(2) An American seaman who requires a passport in connection with his or her duties aboard a United States flag vessel.

(3) A widow, widower, child, parent, brother or sister of a deceased member of the United States Armed Forces proceeding abroad to visit the grave of such service member or to attend a funeral or memorial service for such member.

(4) Other persons whom the Department determines should be exempt from payment of passport fees for compelling circumstances, pursuant to guidance issued by the Department; or

(5) Other categories of persons exempted by law.

Dated: December 21, 2007.

Patrick Kennedy,

Under Secretary for Management, Department of State.

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