

RESCINDED

Office of Thrift Supervision
Department of the Treasury

April 6, 2000

Transmittal TR-229

This rescission does not change the applicability of the conveyed document. To determine the applicability of the conveyed document, refer to the original issuer of the document.



Number: TR-229

The Office of Thrift Supervision (OTS) will use an expedited rulemaking procedure to eliminate a regulatory burden on thrifts that engage in repurchase agreements.

OTS intends to remove 12 CFR 563.84, which governs the transfer and repurchase of government securities. OTS believes the rule no longer serves one of its original purposes, which was to prevent evasions of maximum interest rate ceilings on deposit accounts. These interest rate ceilings have not been in effect since March 1986. OTS also said the regulation may restrict thrifts' ability to engage in certain types of transactions, including sweep accounts.

Moreover, the regulation no longer is needed to protect consumers who buy U.S. government securities under repurchase agreements because existing statutes, regulations and guidance already adequately serve this function.

OTS is following direct final rulemaking procedures for the first time. The process, which has been used by other federal regulatory agencies, is designed to expedite non-controversial rules. As a result, OTS is publishing two rules simultaneously – a proposed rule and a direct final rule. The direct final rule will automatically become effective on May 30, 2000, unless a significant adverse comment is received by April 27, 2000. If such a comment is received, OTS will withdraw the final rule and address comments in another final rule based on the proposed rule. Otherwise, OTS will take no further action on the proposed rule.

The notice of proposed rulemaking and direct final rule were published in the March 28, 2000, Part II edition of the Federal Register, Vol. 65, No. 60, pp.16350-16352 and 16302-16305. Written comments must be received before April 27, 2000, and should be addressed to: Manager, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Comments may be mailed, hand-delivered, faxed to 202/906-7755 or e-mailed to: public.info@ots.treas.gov. All comments should include author's name and telephone number.

For further information contact:

Ed O'Connell, (202) 906-5694
Project Manager Supervision Policy or,

Teresa Scott, (202) 906-6748
Counsel, Regulations and Legislation

Handwritten signature of Richard M. Riccobono in cursive.

Richard M. Riccobono
Deputy Director
Office of Thrift Supervision

Attachment

determination with the Office of Information and Regulatory Affairs, Office of Management and Budget.

Regulatory Flexibility Certification

In accordance with the Regulatory Flexibility Act of 1980 (5 U.S.C. 605(b)), the Commission certifies that this rule will not, if promulgated, have a significant economic impact on a substantial number of small entities. This rule affects only the licensing and operation of nuclear power plants, independent spent fuel storage facilities, and Transnuclear West, Inc. The companies that own these plants do not fall within the scope of the definition of "small entities" set forth in the Regulatory Flexibility Act or the Small Business Size Standards set out in regulations issued by the Small Business Administration at 13 CFR part 121.

Backfit Analysis

The NRC has determined that the backfit rule (10 CFR 50.109 or 10 CFR 72.62) does not apply to this rule because this amendment does not involve any provisions that would impose backfits as defined in the backfit rule. Therefore, a backfit analysis is not required.

List of Subjects in 10 CFR Part 72

Criminal penalties, Manpower training programs, Nuclear materials, Occupational safety and health, Reporting and recordkeeping requirements, Security measures, Spent fuel.

For the reasons set out in the preamble and under the authority of the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974, as amended; and 5 U.S.C. 553; the NRC is proposing to adopt the following amendments to 10 CFR part 72.

PART 72—LICENSING REQUIREMENTS FOR THE INDEPENDENT STORAGE OF SPENT NUCLEAR FUEL AND HIGH-LEVEL RADIOACTIVE WASTE

1. The authority citation for Part 72 continues to read as follows:

Authority: Secs. 51, 53, 57, 62, 63, 65, 69, 81, 161, 182, 183, 184, 186, 187, 189, 68 Stat. 929, 930, 932, 933, 934, 935, 948, 953, 954, 955, as amended, sec. 234, 83 Stat. 444, as amended (42 U.S.C. 2071, 2073, 2077, 2092, 2093, 2095, 2099, 2111, 2201, 2232, 2233, 2234, 2236, 2237, 2238, 2282); sec. 274, Pub. L. 86–373, 73 Stat. 688, as amended (42 U.S.C. 2021); sec. 201, as amended, 202, 206, 88 Stat. 1242, as amended, 1244, 1246 (42 U.S.C. 5841, 5842, 5846); Pub. L. 95–601, sec. 10, 92 Stat. 2951 as amended by Pub. L. 104–48b, sec. 7902, 10b Stat. 31b3 (42 U.S.C.

5851); sec. 102, Pub. L. 91–190, 83 Stat. 853 (42 U.S.C. 4332); secs. 131, 132, 133, 135, 137, 141, Pub. L. 97–425, 96 Stat. 2229, 2230, 2232, 2241, sec. 148, Pub. L. 100–203, 101 Stat. 1330–235 (42 U.S.C. 10151, 10152, 10153, 10155, 10157, 10161, 10168).

Section 72.44(g) also issued under secs. 142(b) and 148 (c), (d), Pub. L. 100–203, 101 Stat. 1330–232, 1330–236 (42 U.S.C. 10162(b), 10168 (c), (d)). Section 72.46 also issued under sec. 189, 68 Stat. 955 (42 U.S.C. 2239); sec. 134, Pub. L. 97–425, 96 Stat. 2230 (42 U.S.C. 10154). Section 72.96(d) also issued under sec. 145(g), Pub. L. 100–203, 101 Stat. 1330–235 (42 U.S.C. 10165(g)). Subpart J also issued under secs. 2(2), 2(15), 2(19), 117(a), 141(h), Pub. L. 97–425, 96 Stat. 2202, 2203, 2204, 2222, 2244, (42 U.S.C. 10101, 10137(a), 10161(h)). Subparts K and L are also issued under sec. 133, 98 Stat. 2230 (42 U.S.C. 10153) and sec. 218(a), 96 Stat. 2252 (42 U.S.C. 10198).

2. In Section 72.214, Certificate of Compliance 1004 is revised to read as follows:

§ 72.214 List of approved spent fuel storage casks.

* * * * *

Certificate Number: 1004

Amendment Number: 0 and 1

Amendment Applicability:

Amendment No. 0 is applicable for casks manufactured before [insert effective date of final rule].

Amendment No. 1 is applicable for casks manufactured after [insert effective date of final rule].

SAR Submitted by: Transnuclear West, Inc.

SAR Title: Final Safety Analysis Report for the Standardized NUHOMS Horizontal Modular Storage System for Irradiated Nuclear Fuel

Docket Number: 72–1004

Certificate Expiration Date: January 23, 2015

Model Numbers: Standardized NUHOMS–24P and NUHOMS–52B

* * * * *

Dated at Rockville, Maryland, this 13th day of March, 2000.

For the Nuclear Regulatory Commission.

William D. Travers,

Executive Director for Operations.

[FR Doc. 00–7431 Filed 3–27–00; 8:45 am]

BILLING CODE 7590–01–P

FEDERAL RESERVE SYSTEM

12 CFR Part 225

[Regulation Y; Docket No. R–1057]

Bank Holding Companies and Change in Bank Control

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interim rule; correction.

SUMMARY: This document corrects the preamble to an interim rule published in the **Federal Register** of March 21, 2000, regarding procedures for bank holding companies and foreign banks to elect to be treated as financial holding companies. This correction clarifies that depository institution subsidiaries of foreign banks electing financial holding company status must meet the same requirements as depository institution subsidiaries of bank holding companies electing financial holding company status.

DATES: This correction is effective March 15, 2000.

FOR FURTHER INFORMATION CONTACT: Ann Misback, 202–452–3788.

Correction

In interim rule FR Doc. No. 00–6049, beginning on 65 FR 15053 in the issue of March 21, 2000, make the following correction in the Summary section. On page 15053 in the second column beginning on the first line, remove the first sentence in its entirety and replace it with the following sentence:

“Second, in order to make the requirements for foreign banks consistent with the requirements imposed on bank holding companies, the Board is amending the interim rule to require that all U.S. depository institution subsidiaries (such as thrifts and nonbank trust companies) of electing foreign banks meet the same requirements as depository institution subsidiaries of bank holding companies.”

Dated: March 21, 2000.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 00–7432 Filed 3–27–00; 8:45 am]

BILLING CODE 6210–01–P

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Parts 563, 563c, 563g

[No. 2000–30]

RIN 1550–AB38

Transfer and Repurchase of Government Securities

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Direct final rule.

SUMMARY: The Office of Thrift Supervision (OTS) is removing its regulation on the transfer and repurchase of government securities. This regulation is unnecessary and is

overly burdensome to savings associations.

DATES: The direct final rule is effective May 30, 2000 without further notice, unless OTS receives significant adverse comments by April 27, 2000. If OTS receives such comments, it will publish a timely withdrawal informing the public that this rule will not take effect.

ADDRESSES: Send comments to Manager, Dissemination Branch, Information Management & Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552. Attention Docket No. 2000-30. Hand deliver comments to Public Reference Room, 1700 G Street, NW., lower level, from 9 a.m. to 5 p.m. on business days. Send facsimile transmissions to FAX (202) 906-7755 or (202) 906-6956 (if the comment is over 25 pages). Send e-mails to public.info@ots.treas.gov and include your name and telephone number. Interested persons may inspect comments at 1700 G Street, NW., from 9 a.m. until 4 p.m. on business days.

FOR FURTHER INFORMATION CONTACT: Ed O'Connell, (202) 906-5694, Manager, Supervision Policy; or Teresa Scott (202) 906-6478, Counsel (Banking and Finance), Regulations and Legislation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington DC 20552.

SUPPLEMENTARY INFORMATION:

Background

OTS regulations at 12 CFR 563.84 govern the transfer and repurchase of government securities under certain circumstances where the savings association is obligated to repurchase.¹ This rule applies to repurchase obligations evidencing an indebtedness arising from a transfer of direct obligations of, or obligations which are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

The rule prohibits savings associations from issuing repurchase agreement obligations in denominations under \$100,000 and a maturity of 90 days or more, unless the savings association issues the obligation to an institution whose accounts or deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") or to a broker or dealer registered with the Securities and Exchange Commission. Repurchase agreement obligations under \$100,000 with a maturity of less than 90 days are subject to various consumer

protection and other requirements. Specifically, the rule: (1) Mandates that all such agreements, related advertisements and offering statements must include a legend indicating that the obligation is not a savings account or deposit and is not insured by the FDIC; (2) prohibits savings associations from making specified representations regarding deposit insurance, guarantees, etc.; (3) requires the purchaser under the repurchase agreement to obtain a perfected security interest in the securities under applicable state law; (4) requires that the value of the security underlying the repurchase agreement be maintained at a level at least equal to the principal amount of the repayment obligation; (5) requires that savings associations issuing repurchase agreements to the public make full and accurate disclosures of all material information regarding the repurchase agreement; (6) imposes additional requirements on certain renewals beyond 89 days; and (7) requires a savings association to provide additional safeguards and financial disclosures if it does not meet specified requirements regarding total capital.²

OTS is removing § 563.84 because it is unnecessary and imposes overly burdensome requirements on savings associations. One of the original purposes of the predecessor of § 563.84 was to ensure that savings associations would not use repurchase agreements as a method of offering small denomination accounts to avoid existing interest rate ceiling restrictions on deposit accounts.³ In 1979, the Federal Home Loan Bank Board (FHLBB) issued a policy statement prohibiting savings associations from entering into any government securities repurchase agreements in amounts under \$100,000, except with federally insured depository institutions or with broker dealers. Because the potential for circumvention of the maximum interest rate ceiling was reduced if the maturity of the agreement was less than 90 days, the FHLBB revised the policy statement to permit short term agreements in amounts under \$100,000, subject to certain consumer protections.⁴ The FHLBB codified the policy statement in its regulations in 1982 and expanded consumer protection requirements.⁵

It is no longer necessary to retain § 563.84 to prevent evasions of maximum interest rate ceilings on

deposit accounts. Interest rate ceilings have not been in effect since March of 1986 when the FHLBB's authority to set these ceilings expired.⁶ Savings associations, of course, still may not pay interest on commercial checking accounts.⁷ However, OTS has concluded that federal savings associations may offer various sweep accounts to transfer idle, non-interest bearing demand deposit account (DDA) checking funds to investment vehicles to generate earnings.⁸ OTS has specifically stated that these sweep accounts, including sweep arrangements that use government security repurchase agreements, are permissible notwithstanding the prohibition on the payment of interest on DDAs.

To the extent that § 563.84 was designed to protect consumers who buy United States government securities under repurchase agreements, OTS believes that existing statutes, regulations and guidance already adequately serve this function. The commercial repurchase market is much more developed than when the regulation was adopted and is regulated now in other ways. The Government Securities Act of 1986 (the GSA),⁹ for example, protects investors in government securities by establishing appropriate financial responsibility and custodial standards. Under the Department of Treasury's implementing regulations,¹⁰ a thrift that holds government securities for another party to a hold-in-custody repurchase agreement must comply with requirements for safeguarding and custody of the securities. The savings association is also subject to other provisions requiring written agreements, confirmations and disclosures, including disclosures that the obligation is not a deposit and is not insured by the FDIC.¹¹ Moreover, Thrift Bulletin 23-2, Interagency Statement on Retail Sales of Non-deposit Investment

⁶ As of March 31, 1986, the FHLBB's authority to regulate payment of interest under section 5B of the Federal Home Loan Bank Act expired. 12 U.S.C. 1425b (1980). The FHLBB amended its regulations to reflect these changes on March 31, 1986. See 51 FR 10810 (March 31, 1986).

⁷ 12 U.S.C. 1464(b)(1)(B)(i).

⁸ Op. Chief Counsel (March 2, 1998). Typically, under these transactions, funds are swept out of a DDA at the end of a business day and into an investment vehicle, and swept back to the DDA the next morning to pay checks as needed. This process is repeated each business day.

⁹ The Government Securities Act of 1986 (Pub. L. 99-571, 100 Stat 3208), as amended by, Pub. L. 103-202, 107 Stat 2344.

¹⁰ 17 CFR parts 400 through 450.

¹¹ Savings associations that enter into repurchase agreements should pay particular attention to the requirements and required disclosures at 17 CFR 403.5.

¹ Under these repurchase obligations, a savings association obtains funds by selling government securities, and simultaneously agrees to buy back the securities at a specified price and date.

² Under this requirement, a savings association's total capital must equal one percent of its liabilities plus 20 percent of its classified assets.

³ See 12 CFR 531.12, published 44 FR 33669 (June 12, 1979).

⁴ 44 FR 46445 (August 6, 1979).

⁵ 47 FR 23140 (May 27, 1982).

Products (February 22, 1994) provides for certain customer protections, including disclosures, for retail sales of non-deposit investment products, including government securities repurchase agreements. In addition, OTS notes that state and federal anti-fraud provisions, which generally require the disclosure of facts that would be material to a decision to invest in a security, also apply to repurchase transactions.¹²

OTS also believes that § 563.84 may unduly restrict savings associations' ability to engage in certain types of transactions. Since none of the other federal banking agencies currently have similar provisions, OTS believes that the retention of this rule may have a negative impact on the ability of OTS-regulated institutions to compete on an equal footing.

For example, in a recent opinion letter, OTS clarified the authority of savings associations to offer various types of sweep accounts, including the use of repurchase agreements in sweep accounts.¹³ Section 563.84, however, requires that the interest of a repurchase agreement purchaser in the security or securities underlying the repurchase agreement constitute a perfected security interest under applicable state law. Various state laws¹⁴ no longer allow for the perfection of a security interest in a security through placement with a trustee, such as a Federal Home Loan Bank. Other perfection methods may be operationally impractical in the context of repurchase agreement sweep accounts that typically involve repeated collateralizations of varying dollar amounts.¹⁵ As a result, this regulation may effectively bar savings associations' use of repurchase agreement sweep accounts to accommodate the cash management needs of their commercial customers. As noted above, other financial institutions are not subject to similar restrictions.

For these reasons, OTS is deleting § 563.84. In the absence of this provision, federal savings associations would continue to be authorized to engage in repurchase agreements. This authority would be subject to applicable

statutes and regulations, including the GSA, Treasury's implementing regulations, Thrift Bulletin 23-2, and state and federal securities laws. In addition, the Federal Financial Institutions Examination Council's Policy Statement on Repurchase Agreements of Depository Institutions with Securities Dealers and Others¹⁶ provides safety and soundness guidance to depository institutions entering into repurchase agreements. The FFIEC Policy Statement cautions that institutions should have adequate policies and controls for their particular circumstances, provides explicit guidance for controlling collateral for securities sold under an agreement to repurchase, and contains other pertinent guidance.

Rulemaking Procedures

Direct final rulemaking is a technique for expediting the issuance of non-controversial rules. Under this procedure, an agency may publish a rule in the **Federal Register** with a statement that, unless a significant adverse comment is received within a specified time period, the rule will become effective as a final rule on a particular date. If a significant adverse comment is filed, however, the agency must withdraw the direct final rule and complete standard notice and comment procedures. This procedure permits an agency to issue final rules expeditiously, while at the same time offering the public the opportunity to challenge the agency's view that the rule is non-controversial.¹⁷

Several other federal agencies, including the Environmental Protection Agency, the Department of Agriculture, and the Department of Transportation, have used this procedure to expedite non-controversial rules. The primary advantage of the procedure is that it permits an agency to issue rules without having to go through internal and external review processes twice (*i.e.*, at the proposed and final rule stage).

¹⁶ 63 FR 6935 (February 11, 1998).

¹⁷ Under current law, direct final rulemaking is supported by two rationales. First, it is justified by the Administrative Procedure Act's "good cause" exemption from notice-and-comment procedures where such procedures are "unnecessary." The agency's solicitation of public comment does not undercut this argument, but rather is used to validate the agency's initial determination.

Alternatively, direct final rulemaking also complies with the basic notice-and-comment requirements in section 553 of the APA. The agency provides notice and opportunity to comment on the rule through its **Federal Register** notice; the publication requirements are met, although the information has been published earlier in the process than normal; and the requisite advance notice of the effective date required by the APA is provided.

The Administrative Conference of the United States adopted Recommendation 95-4 encouraging the use of direct final rulemaking,¹⁸ and recommending that agencies develop a direct final rulemaking process for issuing rules that are unlikely to result in significant adverse comments.

OTS has concluded that this rule is non-controversial and should elicit no significant adverse comment.¹⁹ Accordingly, the agency has determined that it is appropriate to apply direct final rulemaking procedures. This preamble explains the procedures OTS intends to use for direct final rules. The agency welcomes any comments on how to make this process more useful.

Consistent with the Administrative Conference's recommendations, OTS is applying the following procedures in this rulemaking:

OTS is publishing this notice of direct final rule in the final rule section of the **Federal Register** and is including an opportunity for public comment on the substance of the change (*i.e.*, a 30-day public comment period). Consistent with the Administrative Conference recommendation, OTS has included a statement of basis and purpose for the rule and has discussed relevant substantive issues in the discussion above.

The direct final rule will automatically become effective in 60 days, unless OTS receives a significant adverse comment within the 30-day comment period. If a timely, significant adverse comment is received, OTS will withdraw the direct final rule before the stated effective date. To be a significant adverse comment, the comment must explain why the rule would be inappropriate, including challenges to the rule's underlying premise or approach, or why the rule would be ineffective or unacceptable without a change.

To ensure that the promulgation of a final rule will not be delayed if significant adverse comments are submitted, OTS has published a related notice of proposed rulemaking (NPRM) elsewhere in today's **Federal Register**. This related notice cross-references the direct final rule. The related notice indicates that if a timely, significant adverse comment on the matter is received, OTS will address all public

¹⁸ 60 FR 43108 (Aug. 18, 1995). The National Performance Review has also endorsed the use of this process. See Office of the Vice President, Creating a Government that Works Better and Costs Less, Improving Regulatory Systems, National Performance Review, 42-44 (1993).

¹⁹ The rulemaking record includes a copy of a petition for rulemaking requesting OTS to initiate this proceeding.

¹² See The Federal Financial Institutions Examination Council's Policy Statement on Repurchase Agreements of Depository Institutions with Security Dealers and Others, 63 FR 6935 (February 11, 1998) and Thrift Bulletin 23-2.

¹³ Op. Chief Counsel (March 2, 1998).

¹⁴ See Uniform Commercial Code, Article 8, as amended by the various states.

¹⁵ Although this rule eliminates the requirement that the purchaser under the repurchase agreement obtain a perfected security interest in the securities under state law, 17 CFR 450.4 of the Treasury GSA regulations provides specific protections for safeguarding and custody of the securities.

comments in subsequent final rule based on the NPRM. If no significant adverse comments are timely received, OTS will take no further action on the NPRM.

Effective Date

This direct final rule imposes no additional requirements on insured depository institutions. This rule is therefore exempt from the requirement found in section 302 of the Riegle Community Development and Regulatory Improvement Act of 1994²⁰ that regulations must not take effect before the first day of the quarter following publication.

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act,²¹ the Director certifies that this direct final rule will not have a significant economic impact on a substantial number of small entities. The rule merely removes an unnecessary regulation that imposes overly burdensome requirements on all savings associations, including small savings associations.

Executive Order 12866

OTS has determined that this direct final rule is not a "significant regulatory action" for purposes of Executive Order 12866.

Unfunded Mandates Reform Act of 1995

OTS has determined that the requirements of this direct final rule will not result in expenditures by State, local, and tribal governments or by the private sector of \$100 million or more in any one year. Accordingly, a budgetary impact statement is not required under section 202 of the Unfunded Mandates Reform Act of 1995.

Federalism

Executive Order 13132 imposes certain requirements on an agency when formulating and implementing policies that have federalism implications or taking actions that preempt state law. OTS has determined that this direct final rule 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, and will not preempt State law.

List of Subjects

12 CFR Part 563

Accounting, Advertising, Crime, Currency, Investments, Reporting and recordkeeping requirements, Savings associations, Securities, Surety bonds.

12 CFR Part 563c

Accounting, Savings associations, Securities.

12 CFR Part 563g

Reporting and recordkeeping requirements, Savings associations, Securities.

Accordingly, the Office of Thrift Supervision hereby amends title 12, chapter V of the Code of Federal Regulations as set forth below.

PART 563—OPERATIONS

1. The authority citation for part 563 continues to read as follows:

Authority: 12 U.S.C. 375b, 1462, 1462a, 1463, 1464, 1467a, 1468, 1817, 1820, 1828, 1831i, 3806; 42 U.S.C. 4106.

§ 563.84 [Removed]

2. Section 563.84 is removed.

PART 563c—ACCOUNTING REQUIREMENTS

3. The authority citation for part 563c continues to read as follows:

Authority: 12 U.S.C. 1462a, 1463, 1464; 15 U.S.C. 78c(b), 78m, 78n, 78w.

4. Section 563c.101 is amended by revising paragraph (c) to read as follows:

§ 563c.101 Application of this subpart.

* * * * *

(c) Any offering circular required to be used in connection with the issuance of mutual capital certificates under § 563.74 and debt securities under § 563.80 and § 563.81 of this chapter.

PART 563g—SECURITIES OFFERINGS

5. The authority citation for part 563g continues to read as follows:

Authority: 12 U.S.C. 1462a, 1463, 1464; 15 U.S.C. 78c(b), 78l, 78m, 78n, 78p, 78w.

§ 563g.3 [Amended]

6. Section 563g.3 is amended by removing and reserving paragraph (a).

Dated: March 21, 2000.

By the Office of Thrift Supervision.

Ellen Seidman,

Director.

[FR Doc. 00-7419 Filed 3-27-00; 8:45 am]

BILLING CODE 6720-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 25

[Docket No. NM167; Special Conditions No. 25-159-SC]

Special Conditions: Boeing Model 777 Series Airplanes; Seats With Inflatable Lapbelts

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final special conditions.

SUMMARY: These special conditions are issued for Boeing Model 777 series airplanes. These airplanes as modified by BF Goodrich Aerospace will have novel and unusual design features associated with seats with inflatable lapbelts. The applicable airworthiness regulations do not contain adequate or appropriate safety standards for this design feature. These special conditions contain the additional safety standards that the Administrator considers necessary to establish a level of safety equivalent to that established by the existing airworthiness standards.

EFFECTIVE DATE: April 27, 2000.

FOR FURTHER INFORMATION CONTACT: Jeff Gardlin, Airframe and Cabin Safety Branch, ANM-115, Transport Airplane Directorate, Aircraft Certification Service, FAA, 1601 Lind Avenue SW., Renton, Washington, 98055-4056; telephone (425) 227-2136; facsimile (425) 227-1149.

SUPPLEMENTARY INFORMATION:

Background

On March 31, 1999, BF Goodrich Aerospace, 3420 South 7th Street, Suite 1, Phoenix, Arizona 85040, applied for a supplemental type certificate to install inflatable lapbelts for head injury protection on certain seats in Boeing Model 777 series airplanes. The Model 777 series airplane is a swept-wing, conventional-tail, twin-engine, turbofan-powered transport. The inflatable lapbelt is designed to limit occupant forward excursion in the event of an accident. This will reduce the potential for head injury, thereby reducing the Head Injury Criteria (HIC) measurement. The inflatable lapbelt behaves similarly to an automotive airbag, but in this case the airbag is integrated into the lapbelt, and inflates away from the seated occupant. While airbags are now standard in the automotive industry, the use of an inflatable lapbelt is novel for commercial aviation.

Title 14 Code of Federal Regulations (14 CFR) § 25.785 requires that

²⁰ Pub. L. No. 103-325, 12 U.S.C. 4802.

²¹ Pub. L. No. 96-354, 5 U.S.C. 601.

Proposed Rules

Federal Register

Vol. 65, No. 60

Tuesday, March 28, 2000

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Parts 563, 563c, 563g

[No. 2000-31]

RIN 1550-AB38

Transfer and Repurchase of Government Securities

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Office of Thrift Supervision (OTS) is proposing to remove its regulation on the transfer and repurchase of government securities. This regulation is unnecessary and is overly burdensome to savings associations.

DATES: Comments must be received on or before April 27, 2000.

ADDRESSES: Send comments to Manager, Dissemination Branch, Information Management & Services Division, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552. Attention Docket No. 2000-31. Hand deliver comments to Public Reference Room, 1700 G Street, NW., lower level, from 9:00 A.M. to 5:00 P.M. on business days. Send facsimile transmissions to FAX (202) 906-7755 or (202) 906-6956 (if the comment is over 25 pages). Send e-mails to public.info@ots.treas.gov and include your name and telephone number. Interested persons may inspect comments at 1700 G Street, NW., from 9:00 A.M. until 4:00 P.M. on business days.

FOR FURTHER INFORMATION CONTACT: Ed O'Connell, (202) 906-5694, Manager, Supervision Policy; or Teresa Scott (202) 906-6478, Counsel (Banking and Finance), Regulations and Legislation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington DC 20552.

SUPPLEMENTARY INFORMATION:

Background

OTS regulations at 12 CFR 563.84 govern the transfer and repurchase of government securities under certain circumstances where the savings association is obligated to repurchase.¹ This rule applies to repurchase obligations evidencing an indebtedness arising from a transfer of direct obligations of, or obligations which are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

The rule prohibits savings associations from issuing repurchase agreement obligations in denominations under \$100,000 and a maturity of 90 days or more, unless the savings association issues the obligation to an institution whose accounts or deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") or to a broker or dealer registered with the Securities and Exchange Commission. Repurchase agreement obligations under \$100,000 with a maturity of less than 90 days are subject to various consumer protection and other requirements. Specifically, the rule: (1) Mandates that all such agreements, related advertisements and offering statements must include a legend indicating that the obligation is not a savings account or deposit and is not insured by the FDIC; (2) prohibits savings associations from making specified representations regarding deposit insurance, guarantees, etc.; (3) requires the purchaser under the repurchase agreement to obtain a perfected security interest in the securities under applicable state law; (4) requires that the value of the security underlying the repurchase agreement be maintained at a level at least equal to the principal amount of the repayment obligation; (5) requires that savings associations issuing repurchase agreements to the public make full and accurate disclosures of all material information regarding the repurchase agreement; (6) imposes additional requirements on certain renewals beyond 89 days; and (7) requires a savings association to provide additional safeguards and financial

¹ Under these repurchase obligations, a savings association obtains funds by selling government securities, and simultaneously agrees to buy back the securities at a specified price and date.

disclosures if it does not meet specified requirements regarding total capital.²

OTS is proposing to remove § 563.84 because it is unnecessary and imposes overly burdensome requirements on savings associations. One of the original purposes of the predecessor of § 563.84 was to ensure that savings associations would not use repurchase agreements as a method of offering small denomination accounts to avoid existing interest rate ceiling restrictions on deposit accounts.³ In 1979, the Federal Home Loan Bank Board (FHLBB) issued a policy statement prohibiting savings associations from entering into any government securities repurchase agreements in amounts under \$100,000, except with federally insured depository institutions or with broker dealers. Because the potential for circumvention of the maximum interest rate ceiling was reduced if the maturity of the agreement was less than 90 days, the FHLBB revised the policy statement to permit short term agreements in amounts under \$100,000, subject to certain consumer protections.⁴ The FHLBB codified the policy statement in its regulations in 1982 and expanded consumer protection requirements.⁵

It is no longer necessary to retain § 563.84 to prevent evasions of maximum interest rate ceilings on deposit accounts. Interest rate ceilings have not been in effect since March of 1986 when the FHLBB's authority to set these ceilings expired.⁶ Savings associations, of course, still may not pay interest on commercial checking accounts.⁷ However, OTS has concluded that federal savings associations may offer various sweep accounts to transfer idle, non-interest bearing demand deposit account (DDA) checking funds to investment vehicles to generate earnings.⁸ OTS has

² Under this requirement, a savings association's total capital must equal one percent of its liabilities plus 20 percent of its classified assets.

³ See 12 CFR 531.12, published 44 FR 33669 (June 12, 1979).

⁴ 44 FR 46445 (August 6, 1979).

⁵ 47 FR 23140 (May 27, 1982).

⁶ As of March 31, 1986, the FHLBB's authority to regulate payment of interest under section 5B of the Federal Home Loan Bank Act expired. 12 U.S.C. 1425b (1980). The FHLBB amended its regulations to reflect these changes on March 31, 1986. See 51 FR 10810 (March 31, 1986).

⁷ 12 U.S.C. 1464(b)(1)(B)(i).

⁸ Op. Chief Counsel (March 2, 1998). Typically, under these transactions, funds are swept out of a DDA at the end of a business day and into an

specifically stated that these sweep accounts, including sweep arrangements that use government security repurchase agreements, are permissible notwithstanding the prohibition on the payment of interest on DDAs.

To the extent that § 563.84 was designed to protect consumers who buy United States government securities under repurchase agreements, OTS believes that existing statutes, regulations and guidance already adequately serve this function. The commercial repurchase market is much more developed than when the regulation was adopted and is regulated now in other ways. The Government Securities Act of 1986 (the GSA),⁹ for example, protects investors in government securities by establishing appropriate financial responsibility and custodial standards. Under the Department of Treasury's implementing regulations,¹⁰ a thrift that holds government securities for another party to a hold-in-custody repurchase agreement must comply with requirements for safeguarding and custody of the securities. The savings association is also subject to other provisions requiring written agreements, confirmations and disclosures, including disclosures that the obligation is not a deposit and is not insured by the FDIC.¹¹ Moreover, Thrift Bulletin 23-2, Interagency Statement on Retail Sales of Non-deposit Investment Products (February 22, 1994) provides for certain customer protections, including disclosures, for retail sales of non-deposit investment products, including government securities repurchase agreements. In addition, OTS notes that state and federal anti-fraud provisions, which generally require the disclosure of facts that would be material to a decision to invest in a security, also apply to repurchase transactions.¹²

OTS also believes that § 563.84 may unduly restrict savings associations' ability to engage in certain types of transactions. Since none of the other federal banking agencies currently have

investment vehicle, and swept back to the DDA the next morning to pay checks as needed. This process is repeated each business day.

⁹ The Government Securities Act of 1986 (Pub. L. 99-571, 100 Stat 3208), as amended by, Pub. L. 103-202, 107 Stat 2344.

¹⁰ 17 CFR parts 400 through 450.

¹¹ Savings associations that enter into repurchase agreements should pay particular attention to the requirements and required disclosures at 17 CFR 403.5.

¹² See The Federal Financial Institutions Examination Council's Policy Statement on Repurchase Agreements of Depository Institutions with Security Dealers and Others, 63 FR 6935 (February 11, 1998) and Thrift Bulletin 23-2.

similar provisions, OTS believes that the retention of this rule may have a negative impact on the ability of OTS-regulated institutions to compete on an equal footing.

For example, in a recent opinion letter, OTS clarified the authority of savings associations to offer various types of sweep accounts, including the use of repurchase agreements in sweep accounts.¹³ Section 563.84, however, requires that the interest of a repurchase agreement purchaser in the security or securities underlying the repurchase agreement constitute a perfected security interest under applicable state law. Various state laws¹⁴ no longer allow for the perfection of a security interest in a security through placement with a trustee, such as a Federal Home Loan Bank. Other perfection methods may be operationally impractical in the context of repurchase agreement sweep accounts that typically involve repeated collateralizations of varying dollar amounts.¹⁵ As a result, this regulation may effectively bar savings associations' use of repurchase agreement sweep accounts to accommodate the cash management needs of their commercial customers. As noted above, other financial institutions are not subject to similar restrictions.

For these reasons, OTS is proposing to delete § 563.84. In the absence of this provision, federal savings associations would continue to be authorized to engage in repurchase agreements. This authority would be subject to applicable statutes and regulations, including the GSA, Treasury's implementing regulations, Thrift Bulletin 23-2, and state and federal securities laws. In addition, the Federal Financial Institutions Examination Council's Policy Statement on Repurchase Agreements of Depository Institutions with Securities Dealers and Others¹⁶ provides safety and soundness guidance to depository institutions entering into repurchase agreements. The FFIEC Policy Statement cautions that institutions should have adequate policies and controls for their particular circumstances, provides explicit guidance for controlling collateral for securities sold under an agreement to

¹³ Op. Chief Counsel (March 2, 1998).

¹⁴ See Uniform Commercial Code, Article 8, as amended by the various states.

¹⁵ Although this rule eliminates the requirement that the purchaser under the repurchase agreement obtain a perfected security interest in the securities under state law, 17 CFR 450.4 of the Treasury GSA regulations provides specific protections for safeguarding and custody of the securities.

¹⁶ 63 FR 6935 (February 11, 1998).

repurchase, and contains other pertinent guidance.

Comments; Accompanying Direct Final Rule

If no significant adverse comments are timely received, no further activity is contemplated relative to this proposed rule. Rather, the related direct final rule published elsewhere in this issue of the **Federal Register** will automatically go into effect on the date specified in that rule. If significant adverse comments are timely received, the direct final rule will be withdrawn and all public comments received will be addressed in a subsequent final rule. Because OTS will not institute a second comment period for this proposed rule, any parties interested in commenting should do so during this comment period.

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act,¹⁷ the Director certifies that this proposed rule will not have a significant economic impact on a substantial number of small entities. The rule would merely remove an unnecessary regulation that imposes overly burdensome requirements on all savings associations, including small savings associations.

Executive Order 12866

OTS has determined that this proposed rule is not a "significant regulatory action" for purposes of Executive Order 12866.

Unfunded Mandates Reform Act of 1995

OTS has determined that the requirements of this proposed rule will not result in expenditures by State, local, and tribal governments or by the private sector of \$100 million or more in any one year. Accordingly, a budgetary impact statement is not required under section 202 of the Unfunded Mandates Reform Act of 1995.

Federalism

Executive Order 13132 imposes certain requirements on an agency when formulating and implementing policies that have federalism implications or taking actions that preempt state law. OTS has determined that this proposed rule 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, and will not preempt State law.

¹⁷ Pub. L. No. 96-354, 5 U.S.C. 601.

List of Subjects*12 CFR Part 563*

Accounting, Advertising, Crime, Currency, Investments, Reporting and recordkeeping requirements, Savings associations, Securities, Surety bonds.

12 CFR Part 563c

Accounting, Savings associations, Securities.

12 CFR Part 563g

Reporting and recordkeeping requirements, Savings associations, Securities.

Accordingly, the Office of Thrift Supervision hereby proposes to amend title 12, chapter V of the Code of Federal Regulations as set forth below.

PART 563—OPERATIONS

1. The authority citation for part 563 continues to read as follows:

Authority: 12 U.S.C. 375b, 1462, 1462a, 1463, 1464, 1467a, 1468, 1817, 1820, 1828, 1831i, 3806; 42 U.S.C. 4106.

§ 563.84 [Removed]

2. Section 563.84 is removed.

PART 563c—ACCOUNTING REQUIREMENTS

3. The authority citation for part 563c continues to read as follows:

Authority: 12 U.S.C. 1462a, 1463, 1464; 15 U.S.C. 78c(b), 78m, 78n, 78w.

4. Section 563c.101 is amended by revising paragraph (c) to read as follows:

§ 563c.101 Application of this subpart.

* * * * *

(c) Any offering circular required to be used in connection with the issuance of mutual capital certificates under § 563.74 and debt securities under § 563.80 and § 563.81 of this chapter.

PART 563g—SECURITIES OFFERINGS

5. The authority citation for part 563g continues to read as follows:

Authority: 12 U.S.C. 1462a, 1463, 1464; 15 U.S.C. 78c(b), 78l, 78m, 78n, 78p, 78w.

§ 563g.3 [Amended]

6. Section 563g.3 is amended by removing and reserving paragraph (a).

Dated: March 21, 2000.

By the Office of Thrift Supervision.

Ellen Seidman,

Director.

[FR Doc. 00-7420 Filed 3-27-00; 8:45 am]

BILLING CODE 6720-01-P

DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Part 39**

[Docket No. 99-SW-35-AD]

Airworthiness Directives; Eurocopter France Model AS332C, L, and L1 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) applicable to Eurocopter France Model AS332C, L, and L1 helicopters. This proposal would require inspecting the horizontal stabilizer spar tube (spar tube) for corrosion, hardness, cracks, and scratches, and if necessary, replacing any unairworthy spar tube and bushing with an airworthy spar tube and bushing. This proposal is prompted by the loss of a horizontal stabilizer in flight due to a spar tube failure. The actions specified by the proposed AD are intended to prevent failure of the spar tube, separation of the horizontal stabilizer and impact with the main or tail rotor, and subsequent loss of control of the helicopter.

DATES: Comments must be received on or before May 30, 2000.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99-SW-35-AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas. Comments may be inspected at this location between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from American Eurocopter Corporation, 2701 Forum Drive, Grand Prairie, Texas 75053-4005, telephone (972) 641-3460, fax (972) 641-3527. This information may be examined at the FAA, Office of the Regional Counsel, Southwest Region, Room 663, Fort Worth, Texas.

FOR FURTHER INFORMATION CONTACT: Jim Grigg, Aerospace Engineer, FAA, Rotorcraft Directorate, Rotorcraft Standards Staff, 2601 Meacham Blvd., Fort Worth, Texas 76137, telephone (817) 222-5116, fax (817) 222-5961.

SUPPLEMENTARY INFORMATION:**Comments Invited**

Interested persons are invited to participate in the making of the

proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments, specified above, will be considered before taking action on the proposed rule. The proposals contained in this notice may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their comments submitted in response to this notice must submit a self-addressed, stamped postcard on which the following statement is made: "Comments to Docket No. 99-SW-35-AD." The postcard will be date stamped and returned to the commenter.

Availability of NPRMs

Any person may obtain a copy of this NPRM by submitting a request to the FAA, Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99-SW-35-AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137.

Discussion

The Direction Generale De L'Aviation Civile (DGAC), the airworthiness authority for France, notified the FAA that an unsafe condition may exist on Eurocopter France Model AS332C, L, and L1 helicopters. The DGAC advises that a horizontal stabilizer was lost in flight due to spar tube fatigue failure.

Eurocopter France has issued Eurocopter Service Bulletin 01.00.57R1, dated November 24, 1999 (SB), which specifies inspecting any spar tube, part number (P/N) 330A13-2024-01, -02, -03, -04, installed on metal horizontal stabilizers, P/N's 332A13-1000-00, -01, -02, -03 and 332A13-1040-00, -01, for corrosion, hardness, cracks, or scratches, and, if necessary, replacing the spar tubes and bushing. This SB was issued as a result of the loss of a horizontal stabilizer in flight due to spar tube failure. The failure of the spar tube was due to an improperly installed bushing that led to corrosion and fatigue