

addition, copies may be obtained by writing to the individual listed under **FOR FURTHER INFORMATION CONTACT.**

#### Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the information collection or recordkeeping requirements included in this rule have been approved by the Office of Management and Budget (OMB) under OMB control number 0579-0144.

#### List of Subjects in 9 CFR Part 94

Animal diseases, Imports, Livestock, Meat and meat products, Milk, Poultry and poultry products, Reporting and recordkeeping requirements.

Accordingly, we are amending 9 CFR part 94 as follows:

#### **PART 94—RINDERPEST, FOOT-AND-MOUTH DISEASE, FOWL PEST (FOWL PLAGUE), EXOTIC NEWCASTLE DISEASE, AFRICAN SWINE FEVER, HOG CHOLERA, AND BOVINE SPONGIFORM ENCEPHALOPATHY: PROHIBITED AND RESTRICTED IMPORTATIONS**

1. The authority citation for part 94 continues to read as follows:

**Authority:** 7 U.S.C. 147a, 150ee, 161, 162, and 450; 19 U.S.C. 1306; 21 U.S.C. 111, 114a, 134a, 134b, 134c, 134f, 136, and 136a; 31 U.S.C. 9701; 42 U.S.C. 4331 and 4332; 7 CFR 2.22, 2.80, and 371.2(d).

2. A new § 94.22 is added to read as follows:

#### **§ 94.22 Importation of poultry meat and other poultry products from Sinaloa and Sonora, Mexico.**

Notwithstanding any other provisions of this part, poultry meat and other poultry products from the States of Sinaloa and Sonora, Mexico, may be imported into the United States under the following conditions:

(a) The poultry meat or other poultry products are derived from poultry born and raised in Sinaloa or Sonora and slaughtered in Sinaloa or Sonora at a federally inspected slaughter plant under the direct supervision of a full-time salaried veterinarian of the Government of Mexico, and the slaughter plant must be approved to export poultry meat and other poultry products to the United States in accordance with 9 CFR 381.196.

(b) If processed, the poultry meat or other poultry products were processed in either Sinaloa or Sonora, Mexico, in a federally inspected processing plant that is under the direct supervision of a full-time salaried veterinarian of the Government of Mexico.

(c) The poultry meat or other poultry products have not been in contact with poultry from any State in Mexico other than Sinaloa or Sonora or with poultry from any other region not listed in § 94.6 as a region where exotic Newcastle disease is not known to exist.

(d) The foreign meat inspection certificate accompanying the poultry meat or other poultry products (required by 9 CFR 381.197) includes statements certifying that the requirements in paragraphs (a), (b), and (c) of this section have been met and, if applicable, listing the numbers of the seals required by paragraph (e)(1) of this section.

(e) The shipment of poultry meat or other poultry products has not been in any State in Mexico other than Sinaloa or Sonora or in any other region not listed in § 94.6 as a region where exotic Newcastle disease is not known to exist, unless:

(1) The poultry meat or other poultry products arrive at the U.S. port of entry in shipping containers bearing intact, serially numbered seals that were applied at the federally inspected slaughter plant by a full-time salaried veterinarian of the Government of Mexico, and the seal numbers correspond with the seal numbers listed on the foreign meat inspection certificate; or

(2) The poultry meat or other poultry products arrive at the U.S. port of entry in shipping containers bearing seals that have different numbers than the seal numbers on the foreign meat inspection certificate, but, upon inspection of the hold, compartment, or container and all accompanying documentation, an APHIS representative is satisfied that the poultry containers were opened and resealed en route by an appropriate official of the Government of Mexico and the poultry meat or other poultry products were not contaminated or exposed to contamination during movement from Sinaloa or Sonora to the United States.

Done in Washington, DC, this 20th day of March 2000.

**Bobby R. Acord,**

*Acting Administrator, Animal and Plant Health Inspection Service.*

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#### **FEDERAL DEPOSIT INSURANCE CORPORATION**

#### **12 CFR Parts 303 and 362**

**RIN 3064-AC38**

#### **Activities and Investments of Insured State Banks**

**AGENCY:** Federal Deposit Insurance Corporation (FDIC).

**ACTION:** Interim final rule; request for comment.

**SUMMARY:** The FDIC is adopting a rule on an interim basis to implement certain provisions of the Gramm-Leach-Bliley Act. The interim final rule impacts the FDIC's rules and regulations governing activities and investments of insured state banks. Under the rule, FDIC insured state nonmember banks must file a notice before they may conduct activities as principal through a subsidiary that a national bank can conduct only in a financial subsidiary. State nonmember banks must comply with four requirements to carry out these activities. Also, state nonmember banks along with their insured depository institution affiliates must have received a rating of not less than satisfactory under the Community Reinvestment Act. Under the rule, the FDIC may impose standards and prudential safeguards to insulate the bank from liability for activities of the subsidiary.

**DATES:** The interim final rule is effective March 11, 2000. Comments must be received by May 22, 2000.

**ADDRESSES:** Send written comments to Robert E. Feldman, Executive Secretary, Attention: Comments/OES, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429. Comments may be hand delivered to the guard station at the rear of the 17th Street Building (located on F Street), on business days between 7:00 a.m. and 5:00 p.m. Fax number (202) 898-3838; Internet Address: comments@fdic.gov. Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, N.W., Washington, D.C. 20429, between 9:00 a.m. and 4:30 p.m. on business days.

**FOR FURTHER INFORMATION CONTACT:** Curtis Vaughn, Examination Specialist ((202) 898-6759), Division of Supervision; Linda L. Stamp, Counsel ((202) 898-7310) or Janet V. Norcom, Counsel ((202) 898-8886), Legal Division, FDIC, 550 17th Street, N.W., Washington, D.C. 20429.

**SUPPLEMENTARY INFORMATION:****I. Financial Subsidiary Activities**

On November 12, 1999, President Clinton signed the Gramm-Leach-Bliley Act (G-L-B Act) (Pub. L. 106-102) into law. Section 121(d) of the G-L-B Act amended the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1811 *et seq.*) by adding a new section 46 (12 U.S.C. 1831w). New section 46(a) of the FDI Act provides that an insured state bank may control or hold an interest in a subsidiary that engages as principal in activities that would be permissible for a national bank to conduct only through a "financial subsidiary," subject to certain conditions.

A financial subsidiary is a new type of subsidiary for national banks, governed by new section 5136A of the Revised Statutes as created under section 121(a) of the G-L-B Act. Section 5136A permits a financial subsidiary to engage in specified, newly authorized activities that are financial in nature and in activities that are incidental to financial activities if the bank and the subsidiary meet certain requirements and comply with stated safeguards. A financial subsidiary also may combine these financial subsidiary activities with activities that are permissible for national banks to engage in directly. The financial subsidiary activities include many of the activities which are authorized for the new "financial holding companies" as laid out in new section 4(k) of the Bank Holding Company Act (BHCA) (12 U.S.C. 1841 *et seq.*) as created by section 103(a) of the G-L-B Act. Section 5136A also permits the Secretary of the Treasury (in consultation with the Board of Governors of the Federal Reserve System) to determine that additional activities are authorized for a financial subsidiary.

A state bank seeking to engage as principal in a financial subsidiary activity under section 46(a) must comply with four conditions listed in section 46(a) itself. In addition, section 103(a) of the G-L-B Act added a new subsection (4)(l)(2) to the BHCA (12 U.S.C. 1843(l)(2)), which contains a mandatory Community Reinvestment Act (CRA) (12 U.S.C. 2901 *et seq.*) requirement enforceable by the FDIC. This differs from the situation before enactment of the G-L-B Act, when some of these activities were impermissible for a national bank and the FDIC reviewed such activities under section 24 of the FDI Act (12 U.S.C. 1831a) as implemented in part 362 of the FDIC's rules and regulations. Among other things, section 24 provides that a state bank subsidiary may not engage as

principal in activities which are not permissible for a subsidiary of a national bank, unless the state bank meets its applicable capital requirements and the FDIC determines that the activity does not pose a significant risk to the appropriate deposit insurance fund.

Certain activities which the FDIC has addressed under subpart A of part 362, such as general securities underwriting, are now authorized for a financial subsidiary of a national bank. This means such activities will now be analyzed under section 46(a), and the restrictions the FDIC previously outlined in subpart A of part 362 will not apply to new state bank subsidiaries (or to existing state bank subsidiaries engaging in new financial activities). Existing state bank subsidiaries are grandfathered by section 46(b). 12 U.S.C. 1831w(b).

Where section 5136A of the Revised Statutes specifically prohibits financial subsidiaries from engaging in certain activities as principal, such as real estate development or investment, these activities are outside the scope of section 46(a) and will continue to be dealt with under section 24 and subpart A of part 362. Also, as the Secretary of the Treasury exercises his or her authority in the future to determine that additional activities are authorized for a financial subsidiary, such activities will cease being governed by section 24 or subpart A of part 362, and will begin being governed by section 46(a).

**II. Status of Rulemakings Addressing State Bank Activities**

Among other things, subpart B of part 362 creates safety and soundness guidelines for an insured state nonmember bank subsidiary which engages in real estate investment activities that would be permissible for a subsidiary of a national bank but not permissible for a national bank directly. On December 1, 1998, the FDIC proposed an amendment to subpart B that would have added safety and soundness guidelines to govern an insured state nonmember bank subsidiary which engages in the public sale, distribution or underwriting of stocks, bonds, debentures, notes or other securities activity that would be permissible for a subsidiary of a national bank but not permissible for a national bank directly.<sup>1</sup> These real estate and securities provisions were intended to address pending or approved applications under regulations issued by the Office of the Comptroller of the Currency (OCC) which permitted

national banks to request OCC approval to engage in certain activities through subsidiaries, even though the activities were not permissible for the national bank itself.<sup>2</sup> In an effort to be proactive in terms of future approvals of activities by the OCC under these regulations, the FDIC also sought comment on a requirement that a notice be filed with the FDIC before an insured state nonmember bank subsidiary engages in any other activity permissible for a subsidiary of a national bank that is not permissible for the parent national bank directly. Now that the OCC is proposing to eliminate its regulations and the G-L-B Act, through section 5136A and section 46(a), has established a new analytical framework, the FDIC will not be pursuing these amendments to subpart B.

The FDIC's December 1, 1998 proposal to amend subpart B also included a proposal to consolidate the remaining provisions of the FDIC's securities activities regulation, § 337.4, into subpart B. In light of the changes made as a result of the G-L-B Act, these revisions will be technical in nature. The FDIC will deal with those aspects of its proposal when the FDIC finalizes the interim final rule adopted in this rulemaking, or at a later time.

The interim final rule adopted in this rulemaking establishes conditions and procedures that apply when a subsidiary of a state nonmember bank seeks to engage as principal in financial activities as authorized under section 46(a). The interim rule contains a general provision advising state nonmember banks of the inapplicability of subpart A of part 362, but the FDIC has not published revised regulatory text modifying subpart A provisions addressing those financial activities which are now addressed by section 46(a). When the FDIC adopts a final version of the interim final rule proposed in this rulemaking, the FDIC will revise current subpart A of part 362 to modify treatment of those activities, such as securities underwriting, which will now be treated under section 46(a) rather than section 24 and subpart A. Also, the real estate provisions of subpart B of part 362 are no longer of any effect, and will be removed. The FDIC invites public comment on such revisions.

<sup>2</sup> Part 5 of the OCC's regulations governs operating subsidiaries. Section 5.34(f), which confirmed that there could be activities not permissible for a national bank itself that could be conducted by an operating subsidiary, has been superseded. The OCC is currently proposing to eliminate that section of its rule. 65 FR 3157 (January 20, 2000).

<sup>1</sup> 63 FR 66339 (December 1, 1998).

### III. Description of the Interim Final Rule

The implementation of section 46(a) is lodged in a new subpart E of part 362. Section 362.16 sets out the purpose and scope of the subpart, including the scope of the activities covered. Subpart E will apply to any "financial subsidiary activity," which is defined as an activity which has been authorized for a financial subsidiary of a national bank under section 5136A of the Revised Statutes and which may be conducted by a national bank only through a financial subsidiary. Similar to subpart A of part 362, the purpose and scope section also clarifies what is meant by "as principal" activities, and specifies that the financial subsidiary activity also must be in conformance with other applicable state and federal law.

Sections 362.18(a)–(c) reiterate the four statutory conditions applicable to financial subsidiary activities under section 46(a) as well as the mandatory CRA requirement under section 4(l) of the BHCA. Section 362.18(a) also provides the FDIC with a mechanism which gives the FDIC an opportunity to impose safety and soundness constraints or prudential safeguards on insured state nonmember bank subsidiaries that engage in financial subsidiary activities as principal. If a bank meeting the statutory requirements chooses to engage in such activities, then the bank must file a notice with the FDIC 30 days before the bank's subsidiary may engage in such activities. If the FDIC does not object, the bank's subsidiary may commence the activity. This 30-day advance notice is designed to allow the FDIC time to review the activity and consider whether safety and soundness considerations make it prudent that additional conditions be placed on the conduct of the activity.

The four statutory conditions contained in section 46(a) and reiterated in § 362.18(a) are:

- Each insured depository institution affiliate of the state bank must be well capitalized, and the state bank must be well capitalized after deducting the bank's investment, including retained earnings, in all subsidiaries engaged in financial subsidiary activities as principal.
- The state bank must disclose the capital deduction and the separate assets and liabilities of the subsidiary in any published financial statement.
- The state bank must comply with the financial and operational safeguards required by section 5136A(d) of the Revised Statutes of the United States, which require operational safeguards to

separate the bank from the risks of the subsidiary.

- The state bank must comply with sections 23A and 23B of the Federal Reserve Act as amended by section 121(b) of the G–L–B Act, requiring certain transactional restrictions to be observed.

Section 362.18(b) provides that the bank must comply with the above requirements at the time of filing of its notice and continue to comply with these four requirements as long as the bank's subsidiary is engaged in the financial activity. In addition, as specified in § 362.18(c), a subsidiary of an insured state nonmember bank may not commence any financial subsidiary activity as principal if the state bank or any of the state bank's insured depository institution affiliates has received at each one's most recent examination a CRA rating of less than a satisfactory record of meeting community credit needs.<sup>3</sup>

The prior notice procedure under § 362.18 will give the FDIC an opportunity to review a state nonmember bank's proposal and, if necessary, impose additional prudential safeguards to insulate the bank from liability for the activities of the subsidiary. The FDIC holds authority to impose such safeguards under the FDIC's supervisory authority in section 8 of the FDI Act (12 U.S.C. 1818). In addition, section 114(c) of the G–L–B Act (12 U.S.C. 1828a(c)) confirms the FDIC's prudential authority to govern the relationships or transactions between a state nonmember bank and its subsidiaries. Although one of the four conditions imposed by section 46(a) itself requires the bank to have financial and operational safeguards to separate the bank from risks of the subsidiary, the FDIC believes that it is still necessary that the FDIC review the activities that state nonmember banks propose to undertake to evaluate whether the bank's financial and operational safeguards are sufficient. The financial and operational safeguard requirement in section 46(a) cross-references to the same requirement as imposed on financial subsidiaries of national banks under section 5136A(d) of the Revised Statutes, but the OCC has not released any guidance or interpretations of these financial and operational safeguards. The FDIC's review is likely to be especially important in the area of securities underwriting. The FDIC has a long history of imposing prudential

safeguards to protect the bank from liability from subsidiaries and affiliates that engage in securities underwriting.<sup>4</sup>

Section 362.18(d) incorporates the grandfather provided under section 46(b), permitting insured state banks to retain their interests in subsidiaries lawfully held before the date of enactment of the G–L–B Act. Section 362.18(d) also clearly states that state banks may not apply to the FDIC under section 24 or subpart A of part 362 (as well as § 337.4 of the FDIC's rules) for approval to engage in a financial subsidiary activity subject to restrictions different than are contemplated under section 46.

The FDIC also has amended its notice processing rules at 303.122(a) to add a reference to the new notices required by the interim final rule.

### IV. Administrative Procedure Act

The FDIC will make this interim final rule effective on March 11, 2000 without first reviewing public comments. Pursuant to 5 U.S.C. 553, the FDIC finds that it is impracticable to review public comments prior to the effective date of the interim final rule, and that there is good cause to make the interim rule effective on March 11, 2000, due to the fact that the rule sets forth procedures to implement statutory changes that will become effective on March 11, 2000. The FDIC is seeking public comment on all aspects of the interim final rule and will amend the rule as appropriate after reviewing the comments. The FDIC is specifically seeking comment on whether the FDIC should set forth specific standards applicable to activities conducted under the new section 46 of the FDI Act as it has done in subpart A with respect to activities conducted under section 24 of the FDI Act.

### V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*), the FDIC may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget (OMB) control number. The collection of information contained in this rule has been submitted to OMB for review. OMB will take action within 60 days of this **Federal Register** publication. The FDIC will publish notice if OMB takes an action other than approval of the collection. The FDIC invites comment on:

- (1) Whether the collection of information contained in the regulation

<sup>3</sup> This prohibition is required by section 4(l)(2) of the BHCA as enacted in section 103(a) of the G–L–B Act which is to be codified at 12 U.S.C. 1843(l)(2).

<sup>4</sup> See 12 CFR 337.4.

is necessary for the proper performance of the FDIC's functions, including whether the information has practical utility;

(2) The accuracy of the estimate of the burden of the information collection;

(3) Ways to enhance the quality, utility, and clarity of the information to be collected;

(4) Ways to minimize the burden of the information collections on respondents, including the use of automated collection techniques or other forms of information technology; and

(5) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

For further information on the Paperwork Reduction Act aspect of this rule, contact Steven F. Hanft at FDIC Clearance Officer, Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429, (202) 898-3907.

*Title of the collection:* The interim final rule modifies an information collection previously approved by OMB titled "Activities and Investments of Insured State Banks" under control number 3064-0111.

*Summary of the collection:* Generally, the collection includes the description of the activity in which an insured state bank or its subsidiary proposes to engage that would be impermissible absent the FDIC's consent or nonobjection, and information about the relationship of the activity to the bank's and/or subsidiary's operation and compliance with applicable laws and regulations.

*Need and Use of the information:* The FDIC uses the information to determine whether to grant consent or provide a nonobjection for the insured state bank or its subsidiary to engage in the activity that otherwise would be impermissible. The FDIC's uses its authority under section 8 of the FDI Act and 12 CFR part 362.

*Changes to the collection:* The interim final rule will modify the collection by adding at § 362.18(a) the requirement of a notice to the FDIC before the state nonmember bank engages through a subsidiary in activities that are authorized for a financial subsidiary of a national bank under section 5136A of the Revised Statutes but are not permissible for the national bank itself. The contents of the notice are described at § 303.121(b).

*Respondents:* Banks or their subsidiaries desiring to engage in activities that would be impermissible

absent the FDIC's consent or nonobjection.

*Estimated annual burden resulting from this rulemaking:*

*Frequency of response:* Occasional.

*Number of responses:* 1.

*Average number of hours to prepare a response:* 8 hours.

*Total annual burden:* 8 hours.

## VI. Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act, the FDIC certifies that this interim final rule will not have a significant economic impact on a substantial number of small entities. As noted above in connection with the Paperwork Reduction Act, the FDIC estimates that the incidences in which insured state nonmember banks will be required to file a notice under the rule will be infrequent and will not require significant time to complete. Furthermore, the interim final rule streamlines requirements for insured state nonmember banks. It simplifies the requirements that apply when insured state nonmember banks conduct certain activities through subsidiaries. Whenever possible, the interim final rule clarifies the expectations of the FDIC when it requires notices or applications to consent to activities by insured state banks. The interim final rule also will make it easier for small insured state banks to locate the rules that apply to their investments.

## VII. Assessment of Impact of Federal Regulation on Families

The FDIC has determined that this regulation will not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, enacted as part of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Pub. L. 105-277, 112 Stat. 2681).

## VIII. Congressional Review Act

The OMB has determined that this interim final rule is not a "major rule" within the meaning of the Congressional Review Act (5 U.S.C. 801 *et seq.*). The FDIC will file the appropriate reports with Congress and the General Accounting Office so that this interim final rule can be reviewed.

## List of Subjects

### 12 CFR Part 303

Administrative practice and procedure, Authority delegations (Government agencies), Banks, banking, Bank deposit insurance, Reporting and recordkeeping requirements, Savings associations.

### 12 CFR Part 362

Administrative practice and procedure, Authority delegations (Government agencies), Bank deposit insurance, Banks, banking, Insured depository institutions, Investments, Reporting and record keeping requirements, Savings associations.

For the reasons set forth above and under the authority of 12 U.S.C. 1819(a)(Tenth), the FDIC Board of Directors hereby amends 12 CFR chapter III as follows:

## PART 303—FILING PROCEDURES AND DELEGATIONS OF AUTHORITY

1. The authority citation for part 303 is revised to read as follows:

**Authority:** 12 U.S.C. 378, 1813, 1815, 1816, 1817, 1818, 1819 (Seventh and Tenth), 1820, 1823, 1828, 1828a, 1831a, 1831e, 1831o, 1831p-1, 1831w, 1835a, 1843(l), 3104, 3105, 3108; 3207; 15 U.S.C. 1601-1607.

2. Section 303.120 is revised to read as follows:

### § 303.120 Scope.

This subpart sets forth procedures for complying with notice and application requirements contained in subpart A of part 362 of this chapter, governing insured state banks and their subsidiaries engaging in activities which are not permissible for national banks and their subsidiaries. This subpart sets forth procedures for complying with notice and application requirements contained in subpart B of part 362 of this chapter, governing certain activities of insured state nonmember banks, their subsidiaries, and certain affiliates. This subpart also sets forth procedures for complying with the notice requirements contained in subpart E of part 362 of this chapter, governing subsidiaries of insured state nonmember banks engaging in certain financial activities.

3. Section 303.121 is revised to read as follows:

### § 303.121 Filing procedures.

(a) *Where to file.* A notice or application required by subparts A, B or E of part 362 of this chapter shall be submitted in writing to the appropriate regional director (DOS).

(b) *Contents of filing.* A complete letter notice or letter application shall include the following information:

(1) *Filings generally.*—(i) A brief description of the activity and the manner in which it will be conducted;

(ii) The amount of the bank's existing or proposed direct or indirect investment in the activity as well as calculations sufficient to indicate compliance with any specific capital ratio or investment percentage

limitation detailed in subparts A, B or E of part 362 of this chapter;

(iii) A copy of the bank's business plan regarding the conduct of the activity;

(iv) A citation to the state statutory or regulatory authority for the conduct of the activity;

(v) A copy of the order or other document from the appropriate regulatory authority granting approval for the bank to conduct the activity if such approval is necessary and has already been granted;

(vi) A brief description of the bank's policy and practice with regard to any anticipated involvement in the activity by a director, executive officer or principal shareholder of the bank or any related interest of such a person; and

(vii) A description of the bank's expertise in the activity.

(2) [Reserved]

(3) *Copy of application or notice filed with another agency.* If an insured state bank has filed an application or notice with another federal or state regulatory authority which contains all of the information required by paragraph (b) (1) of this section, the insured state bank may submit a copy to the FDIC in lieu of a separate filing.

(4) *Additional information.* The appropriate regional director (DOS) may request additional information to complete processing.

4. In § 303.122, the first sentence of paragraph (a) is revised to read as follows:

**§ 303.122 Processing.**

(a) *Expedited processing.* A notice filed by an insured state bank seeking to commence or continue an activity under § 362.4(b)(3)(i), § 362.4(b)(5), § 362.8, or § 362.18(a) of this chapter will be acknowledged in writing by the FDIC and will receive expedited processing, unless the applicant is notified in writing to the contrary and provided a basis for that decision. \* \* \*

\* \* \* \* \*

5. In § 303.123, paragraph (b) is revised to read as follows:

**§ 303.123 Delegations of authority.**

\* \* \* \* \*

(b) *Other applications, notices, and actions.* The authority to review and act upon applications and notices filed pursuant to this subpart G and to take any other action authorized by this subpart G or subparts A, B and E of part 362 of this chapter is delegated to the Director (DOS), and except as limited by paragraph (a) of this section, to the Deputy Director and where confirmed in writing by the Director to an associate

director and the appropriate regional director and deputy regional director.

**PART 362—ACTIVITIES OF INSURED STATE BANKS AND INSURED SAVINGS ASSOCIATIONS**

6. The authority citation for part 362 is revised to read as follows:

**Authority:** 12 U.S.C. 1816, 1818, 1819(a) (Tenth), 1828(m), 1828a, 1831a, 1831e, 1831w, 1843(l) .

7. A new subpart E is added as follows:

**Subpart E—Financial Subsidiary Activities of Insured State Nonmember Banks**

Sec.

326.16 Purpose and scope.

326.17 Definitions.

326.18 Restrictions on financial subsidiary activities of insured state nonmember bank subsidiaries.

**Subpart E—Financial Subsidiary Activities of Insured State Nonmember Banks**

**§ 362.16 Purpose and scope.**

(a) This subpart, along with the notice procedures in subpart G of part 303 of this chapter apply to certain banking practices that may have adverse effects on the safety and soundness of insured state nonmember banks. This subpart implements section 46 of the Federal Deposit Insurance Act (12 U.S.C. 1831w) and requires that notices be filed with the FDIC before subsidiaries of insured state nonmember banks conduct financial subsidiary activities. The phrase "financial subsidiary activity" means an activity which has been authorized for a financial subsidiary of a national bank under section 5136A of the Revised Statutes (12 U.S.C. 24 A) and which may be conducted by a national bank only through a financial subsidiary. Under this subpart, the FDIC may impose standards and prudential safeguards when subsidiaries of insured state nonmember banks engage in financial subsidiary activities. This subpart also implements the statutory Community Reinvestment Act (CRA) (12 U.S.C. 2901 *et seq.*) requirement applicable to these financial subsidiary activities.

(b) This subpart does not cover activities conducted other than "as principal", defined for purposes of this subpart as activities conducted as agent for a customer, conducted in a brokerage, custodial, advisory, or administrative capacity, or conducted as trustee, or in any substantially similar capacity. For example, this subpart does not cover acting solely as agent for the sale of insurance, securities, real estate, or travel services; nor does it cover

acting as trustee, providing personal financial planning advice, or safekeeping services.

(c) The FDIC intends to allow insured state nonmember bank subsidiaries to undertake only safe and sound activities and investments that would not present a significant risk to the deposit insurance fund and that are consistent with the purposes of federal deposit insurance and other applicable law. This subpart does not authorize any insured state nonmember bank subsidiary to conduct activities that are not authorized or that are prohibited by either state or federal law.

**§ 362.17 Definitions.**

For the purposes of this subpart, the following definitions will apply:

(a) *Activity, company, control, insured depository institution, insured state bank, insured state nonmember bank, and subsidiary* have the same meaning as provided in subpart A of this part.

(b) *Affiliate* has the same meaning contained in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

**§ 362.18 Restrictions on financial subsidiary activities of insured state nonmember bank subsidiaries.**

(a) *Financial subsidiary activities.* The FDIC Board of Directors has found that depending on the facts and circumstances of a particular case, the conduct of a financial subsidiary activity as principal in a subsidiary of an insured state nonmember bank may have adverse effects on the safety and soundness of the insured state nonmember bank. The FDIC Board of Directors has found that the FDIC cannot make a determination whether there are adverse effects on the safety and soundness of an insured state nonmember bank engaging in such activities through a subsidiary and whether additional prudential safeguards are necessary, unless the FDIC has had an opportunity for prior review of the activities. Therefore, an insured state nonmember bank may not establish, acquire or hold a subsidiary that engages in financial subsidiary activities as principal or commence any such new activity pursuant to section 46(a) of the Federal Deposit Insurance Act (12 U.S.C. 1831w) unless:

(1) The insured state nonmember bank submits a notice under § 303.121 of this chapter and the FDIC processes the notice without objection under § 303.122(a) of this chapter. Consent only will be given if the FDIC determines the activity poses no adverse effects on the safety and soundness of

the insured state nonmember bank. Approvals granted under § 303.122(a) may be made subject to any conditions or restrictions found by the FDIC to be necessary to protect the deposit insurance funds from risk, prevent unsafe or unsound banking practices, and/or ensure that the activity is consistent with the purposes of federal deposit insurance and other applicable law.

(2) The insured state nonmember bank and the subsidiary comply with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1), as if the subsidiary were a financial subsidiary within the meaning of section 23A(e)(1).

(3) All insured depository institution affiliates of the insured state nonmember bank are well-capitalized as defined in the appropriate capital regulation and guidance of each institution's primary federal regulator, and the insured state nonmember bank complies with the capital deduction requirement in accordance with § 362.4(e)(1) through (3), discloses that capital separation in any published financial statements and does not consolidate the subsidiary's assets and liabilities with those of the insured state bank in any published financial statements.

(4) The insured state nonmember bank and the subsidiary meet the financial and operational safeguards applicable to a financial subsidiary of a national bank conducting the same activities as provided in section 5136A(d) of the Revised Statutes of the United States (12 U.S.C. 24A(d)).

(b) *Time of compliance.* Any insured state nonmember bank that files a notice under paragraph (a) of this section to which the FDIC does not object must, at the time of the filing of such notice and as long as the insured state nonmember bank's subsidiary is engaged in the financial subsidiary activity, comply with the requirements of paragraphs (a)(2), (a)(3), and (a)(4) of this section.

(c) *Community Reinvestment Act (CRA).* An insured state nonmember bank may not commence any new financial subsidiary activity through a subsidiary as principal or directly or indirectly establish or acquire control of a company engaged in any such activity pursuant to paragraph (a) of this section, if the bank or any of its insured depository institution affiliates received a CRA rating of less than "satisfactory record of meeting community credit needs" on its most recent CRA examination prior to when the bank files a notice under this section.

(d) *Coordination with section 24 of the Federal Deposit Insurance Act.* (1) *Grandfathered subsidiaries.*

Notwithstanding paragraphs (a) through (c) of this section, an insured state bank may retain its interest in any subsidiary that:

- (i) Was conducting the financial subsidiary activity as principal before November 12, 1999;
- (ii) With authorization in accordance with section 24 of the Federal Deposit Insurance Act (12 USC 1831a) and its implementing regulation found in subpart A of this part 362; and
- (iii) Which continues to meet the conditions and restrictions of the part 362 order or regulation approving the activity as well as other applicable law.

(2) *New financial subsidiary activities.* Notwithstanding subpart A of this part 362 or § 337.4 of this chapter, an insured state bank may not, on or after November 12, 1999, establish, acquire or hold a subsidiary that engages in financial subsidiary activities as principal or commence any such new activity other than as provided in this section.

By order of the Board of Directors.

Dated at Washington, D.C. this 9th day of March, 2000.

Federal Deposit Insurance Corporation.

**Robert E. Feldman,**

*Executive Secretary.*

[FR Doc. 00-7161 Filed 3-22-00; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

**[Docket No. 96-ANE-36-AD; Amendment 39-11624; AD 2000-05-14]**

**RIN 2120-AA64**

#### **Airworthiness Directives; AlliedSignal Inc. ALF502 and LF507 Series Turbofan Engines**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule.

**SUMMARY:** This amendment supersedes two existing airworthiness directives (AD's), applicable to AlliedSignal Inc. ALF502 and LF507 series turbofan engines, that require rework or replacement of No. 4 and 5 bearing oil system hardware, initial and repetitive inspections of the oil system, optional installation of an improved oil filter bypass valve, and repetitive inspection of No. 4 and 5 bearing oil inlet tube, to ensure the integrity of the reduction gear system and overspeed protection system. This action would require replacement of the existing power turbine bearing housing assembly with

a new, improved power turbine bearing housing assembly, and installation of a reworked or modified fourth turbine rotor disk assembly as a part of a design change to the new No. 4 bearing configuration that eliminates the requirement for repetitive inspections of oil system and No. 4 and 5 bearing oil inlet tube assembly. This amendment is prompted by one report of a contained power turbine rotor shaft separation forward of the Stage 4 low pressure turbine (LPT) rotor on an AlliedSignal Inc. ALF502R-5 engine. The LPT failure was caused by improper inspection of the engine oil system required by AD 97-05-11 R1.

The actions specified by this AD are intended to prevent a No. 4 and 5 duplex bearing failure, which can result in a Stage 4 LPT rotor failure, an uncontained engine failure, and damage to the airplane.

**DATES:** Effective date April 27, 2000.

The incorporation by reference of SB ALF 502R-72-0160, revision 2, dated May 26, 1987; ALF 502R-72-0160, revision 1, dated March 23, 1987; SB ALF502R 79-9 revision 1, dated November 27, 1996; SB ALF502L 79-0171, revision 1, dated November 27, 1996; SB ALF502R-79-0162, revision 2, dated September 8, 1987; SB ALF502R-79-0162, revision 1, dated May 26, 1987; SB ALF502R-79-0162, dated March 23, 1987; SB LF507-1F-79-5, revision 1, dated November 27, 1996; and SB LF507-1H 79-5, revision 1, dated November 27, 1996, was previously approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51 as of April 16, 1997 (62 FR 15378).

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of April 27, 2000.

**ADDRESSES:** The service information referenced in this AD may be obtained from AlliedSignal Aerospace, Attn: Data Distribution, M/S 64-3/2101-201, P.O. Box 29003, Phoenix, AZ 85038-9003; telephone (602) 365-2493, fax (602) 365-5577. This information may be examined at the Federal Aviation Administration (FAA), New England Region, Office of the Regional Counsel, 12 New England Executive Park, Burlington, MA; or at the Office of the Federal Register, 800 North Capitol Street, NW, suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Robert Baitoo, Aerospace Engineer, Los Angeles Aircraft Certification Office, FAA, Transport Airplane Directorate,