

the overall population of livestock at a 2 percent prevalence rate with 95 percent confidence. The designated tuberculosis epidemiologist must review reports of all testing for each zone within the State within 30 days of the testing; and

(3) The State must enter into a memorandum of understanding with APHIS in which the State agrees to adhere to any conditions for zone recognition particular to that request.

(b) Retention of APHIS recognition of a tuberculosis status zone is subject to annual review by the Administrator. To retain recognition of a zone, a State must continue to comply with the requirements of paragraphs (a)(1), (a)(2), and (a)(3) of this section, and must retain for 2 years all certificates required under this part for the movement of cattle, bison, and captive cervids.

#### § 77.12 [Amended]

8. Newly redesignated § 77.12 is amended as follows:

a. In the definition of Accredited herd, by removing the reference to “§ 77.10(f)” and adding in its place a reference to “§ 77.14(f)”, and by removing the reference to “§ 77.12” and adding in its place a reference to “§ 77.16”.

b. In the definition of *Affected herd*, by removing the reference to “§ 77.16(d)” and adding in its place a reference to “§ 77.20(d)”.

c. In the definition of *Monitored herd*, by removing the reference to “§ 77.14” and adding in its place a reference to “§ 77.18”.

d. In the definition of *Qualified herd*, by removing the reference to “§ 77.10(f)” and adding in its place a reference to “§ 77.14(f)”.

#### § 77.13 [Amended]

9. Newly redesignated § 77.13 is amended as follows:

a. In paragraph (a), by removing the reference to “§ 77.12” and adding in its place a reference to “§ 77.16”.

b. In paragraph (b), by removing the reference to “§ 77.17” and adding in its place a reference to “§ 77.21”.

c. In paragraph (c), by removing the reference to “§ 77.17” and adding in its place a reference to “§ 77.21”.

#### § 77.14 [Amended]

10. Newly redesignated § 77.14 is amended as follows:

a. In paragraph (a)(1), by removing the reference to “§ 77.11(a)(2)” and adding in its place a reference to “§ 77.15(a)(2)”, and by removing the reference to “§ 77.16(e)” and adding in its place a reference to “§ 77.20(e)”.

b. In paragraph (e)(1), by removing the reference to “§ 77.11(a)” and adding in its place a reference to “§ 77.15(a)”.

c. In paragraph (e)(2), by removing the reference to “§ 77.11(b)” and adding in its place a reference to “§ 77.15(b)”.

d. In paragraph (e)(3), by removing the reference to “§ 77.11(c)” and adding in its place a reference to “§ 77.15(c)”.

e. In paragraph (f), by removing the reference to “§ 77.12(a)(1)” and adding in its place a reference to “§ 77.16(a)(1)”, and by removing the reference to “§ 77.13(a)(1)” and adding in its place a reference to “§ 77.17(a)(1)”.

#### § 77.15 [Amended]

11. In newly redesignated § 77.15, paragraph (c)(2) is amended by removing the reference to “§ 77.16(e)” and replacing it with a reference to “§ 77.20(e)”.

#### § 77.16 [Amended]

12. In newly redesignated § 77.16, paragraph (a)(1) is amended by removing the reference to “§ 77.10(f)” and adding in its place a reference to “§ 77.14(f)”, and paragraph (b) is amended by removing the reference to “§ 77.9(c)” and adding in its place a reference to “§ 77.13(c)”.

#### § 77.17 [Amended]

13. In newly redesignated § 77.17, paragraph (a)(1) is amended by removing the reference to “§ 77.10(f)” and adding in its place a reference to “§ 77.14(f)”, and paragraph (b)(2) is amended by removing the reference to “§ 77.9(c)” and adding in its place a reference to “§ 77.13(c)”.

#### § 77.18 [Amended]

14. In newly redesignated § 77.18, paragraph (b)(2) is amended by removing the reference to “§ 77.9(c)” and adding in its place a reference to “§ 77.13(c)”.

#### § 77.20 [Amended]

15. Newly redesignated § 77.20 is amended as follows:

a. In paragraph (a)(2), by removing the reference to “§ 77.16(b)” and adding in its place a reference to “§ 77.20(b)”.

b. In the introductory text to paragraph (b), by removing the reference to “§ 77.16(e)” and adding in its place a reference to “§ 77.20(e)”.

c. In paragraph (b)(2), by removing the reference to “§ 77.17” and adding in its place a reference to “§ 77.21”.

d. In paragraph (b)(2)(i), by removing the reference to “§ 77.16(c)” and adding in its place a reference to “§ 77.20(c)”.

e. In paragraph (b)(2)(ii), by removing the reference to “§ 77.16(d)” and adding in its place a reference to “§ 77.20(d)”.

f. In paragraph (c), by removing the reference to “§ 77.16(a)” and adding in its place a reference to “§ 77.20(a)”.

g. In paragraph (d), by removing the reference to “§ 77.15” and adding in its place a reference to “§ 77.19”.

h. In paragraph (e), by removing the reference to “§ 77.16(d)” and adding in its place a reference to “§ 77.20(d)”.

i. In paragraph (e)(1), by removing the reference to “§ 77.16(d)” and adding in its place a reference to “§ 77.20(d)”.

j. In paragraph (g)(2), by removing the reference to “§ 77.16(a)” and adding in its place a reference to “§ 77.20(a)”.

#### § 77.21 [Amended]

16. In newly redesignated § 77.21, paragraph (a)(3) is amended by removing the reference to “§ 77.8” and adding in its place a reference to “§ 77.12”.

Done in Washington, DC, this 20th day of October 1999.

**Bobby R. Acord,**

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

[FR Doc. 99-27746 Filed 10-29-99; 8:45 am]

BILLING CODE 3410-34-U

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 211

[Regulation K; Docket No. R-1048]

#### International Banking Operations

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Interpretation.

**SUMMARY:** The Board of Governors of the Federal Reserve System has issued an interpretation concerning the scope of the data processing provision of Regulation K. The interpretation clarifies that a banking organization may not engage in a broader range of data processing activities outside the United States under Regulation K than is permissible under Regulation Y, without the Board's approval.

**EFFECTIVE DATE:** November 1, 1999.

#### FOR FURTHER INFORMATION CONTACT:

Kathleen M. O'Day, Associate General Counsel (202/452-3786), or Jonathan D. Stoloff, Counsel (202/452-3269), Legal Division. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Diane Jenkins (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, D.C. 20551.

**SUPPLEMENTARY INFORMATION:** Regulation K provides that a bank holding company or Edge corporation may control a foreign company that engages in

activities usually in connection with the transaction of banking or other financial operations abroad. 12 CFR 211. Section 211.5(d)(10) of Regulation K states:

“*Permissible activities.* The Board has determined that the following activities are usual in connection with the transaction of banking or other financial operations abroad: Data processing”.

Section 211.5(d)(10) of Regulation K was adopted in 1979. 12 CFR 211 (1980). It was intended to incorporate into the regulation earlier decisions that had allowed an Edge corporation to engage in somewhat broader data processing activities abroad than were permitted domestically, although the activity was intended to consist predominately of processing financial information. At that time, Regulation Y significantly restricted the ability of a bank holding company to engage in data processing activities in the United States. Since 1979, the provision of Regulation Y that encompasses data processing has been amended several times and in some respects can be considered a broader grant of authority than under Regulation K (for example, with respect to the manufacture of hardware, the provision of software, and related activities). Regulation Y also now specifically authorizes a company to derive up to 30 percent of its revenues from processing non-financial data. 12 CFR 225.28(b)(14).

The Board has never specifically considered the scope of activities permitted by section 211.5(d)(10) of Regulation K. A recent prior notice received under Regulation K raised the issue of the scope of this provision. A bank holding company proposed to acquire a foreign data processing company that engaged in a small amount of data processing and related activities that did not otherwise qualify under the standards set out in Regulation Y. The bank holding company assumed there were no restrictions on its ability to engage in any type of data processing or related activities under Regulation K.

Given the potential for misinterpretation of the data processing provision of Regulation K, the Board believes it would be appropriate to clarify the situation and issue this interpretation.

Prior to the issuance of Regulation K in 1979, the Board approved applications to engage in data processing activities abroad. At the time, Regulation Y authorized only “(i) providing bookkeeping or data processing services for the internal operations of the holding company and its subsidiaries and (ii) storing and

processing other banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services.”<sup>1</sup>

Initially, the Board authorized data processing services abroad subject to the same limitations in Regulation Y. Subsequently, the Board authorized a limited expansion of data processing services abroad beyond that permissible under Regulation Y. The Board approved this expansion with the expectation that, as indicated in the application materials, data processing activities overseas would primarily be financial in nature.

The Board subsequently codified the data processing authority under Regulation K in 1979. This authority was based upon the conditions the Board had customarily imposed on such activities. Accordingly, the scope of data processing under Regulation K continued to be somewhat broader than that permitted under Regulation Y.

As noted above, during this period Regulation Y did not permit *any* nonfinancial data processing for non-affiliates, other than as an incidental activity on a very limited basis. In the revisions to Regulation Y in the 1980s and 1990s, however, the Board substantially expanded the scope of domestic data processing and related activities, which now include data transmission services, manufacture of certain hardware, provision of software, and the ability to derive up to 30 percent of their data processing revenues from nonfinancial data processing activities. Regulation K does not specifically describe these activities. The Board wishes to clarify that such activities are authorized under Regulation K and that the scope of the data processing activity permissible under Regulation K is coextensive with those activities permitted under section 225.28(b)(14) of Regulation Y, as amended. If a banking organization wishes to engage outside the United States in data processing or related activities beyond those permitted in Regulation Y, it should apply to the Board under Regulation K.

#### List of Subjects in 12 CFR Part 211

Exports, Federal Reserve System, Foreign banking, Holding companies,

<sup>1</sup> 12 CFR 222.4(a)(8) (1971). At the time, the Board also authorized limited incidental activities pursuant to section 222.123 of Regulation Y; however, the Board noted that the authority to engage in data processing was “not intended to permit holding companies to engage in automated data processing activities by developing programs either upon their own initiative or upon request, unless the data involved are financially oriented.” 12 CFR 222.123 (1971).

Investments, Reporting and recordkeeping requirements.

#### Authority and Issuance

For the reasons set forth in the preamble, the Board amends Regulation K, 12 CFR part 211 as follows:

#### PART 211—INTERNATIONAL BANKING OPERATIONS (REGULATION K)

1. The authority citation for part 211 continues to read as follows:

**Authority:** 12 U.S.C. 221 *et seq.*, 1818, 1835a, 1841 *et seq.*, 3101 *et seq.*, and 3901 *et seq.*

2. Part 211 is amended by adding a new § 211.604 to read as follows:

#### § 211.604. Data processing activities.

(a) *Introduction.* As a result of a recent proposal by a bank holding company to engage in data processing activities abroad, the Board has considered the scope of permissible data processing activities under Regulation K (12 CFR part 211). This question has arisen as a result of the fact that § 211.5(d)(10) of Regulation K does not specifically indicate the scope of data processing as a permissible activity abroad.

(b) *Scope of data processing activities.*  
(1) Prior to 1979, the Board authorized specific banking organizations to engage in data processing activities abroad with the expectation that such activity would be primarily related to financial activities. When Regulation K was issued in 1979, data processing was included as a permissible activity abroad. Although the regulation did not provide specific guidance on the scope of this authority, the Board has considered such authority to be coextensive with the authority granted in specific cases prior to the issuance of Regulation K, which relied on the fact that most of the activity would relate to financial data. Regulation K does not address related activities such as the manufacture of hardware or the provision of software or related or incidental services.

(2) In 1979, when the activity was included in Regulation K for the first time, the data processing authority in Regulation K was somewhat broader than that permissible in the United States under Regulation Y (12 CFR part 225) at that time, as the Regulation K authority permitted limited non-financial data processing. In 1979, Regulation Y authorized only financial data processing activities for third parties, with very limited exceptions. By 1997, however, the scope of data processing activities under Regulation Y was expanded such that bank holding

companies are permitted to derive up to 30 percent of their data processing revenues from processing data that is not financial, banking, or economic. Moreover, in other respects, the Regulation Y provision is broader than the data processing provision in Regulation K.

(3) In light of the fact that the permissible scope of data processing activities under Regulation Y is now equal to, and in some respects, broader than the activity originally authorized under Regulation K, the Board believes that § 211.5(d)(10) should be read to encompass all of the activities permissible under § 225.28(b)(14) of Regulation Y. In addition, the limitations of that section would also apply to § 211.5(d)(10).

(c) *Applications.* If a U.S. banking organization wishes to engage abroad in data processing or data transmission activities beyond those described in Regulation Y, it must apply for the Board's prior consent under § 211.5(d)(20) of Regulation K. In addition, if any investor has commenced activities beyond those permitted under § 225.28(b)(14) of Regulation Y in reliance on Regulation K, it should consult with staff of the Board to determine whether such activities have been properly authorized under Regulation K.

By order of the Board of Governors,  
October 26, 1999.

**Robert deV. Frierson,**

*Associate Secretary of the Board.*

[FR Doc. 99-28380 Filed 10-29-99; 8:45 am]

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Parts 1 and 301

[TD 8827]

#### Removal of Regulations Providing Guidance Under Subpart F, Relating to Partnerships and Branches; Correction

**AGENCY:** Internal Revenue Service, Treasury.

**ACTION:** Correction of temporary and final regulations.

**SUMMARY:** This document contains corrections to the temporary and final regulations (TD 8827), which were published in the **Federal Register** on Tuesday, July 13, 1999, (64 FR 37677). The regulations relate to the treatment under subpart F of certain payments involving branches of a controlled foreign corporation that are treated as

separate entities for foreign tax purposes or partnerships in which CFC's are partners.

**DATES:** These corrections are effective July 13, 1999.

**FOR FURTHER INFORMATION CONTACT:** Valerie Mark, (202) 622-3840 (not a toll-free number).

#### SUPPLEMENTARY INFORMATION:

##### Background

The temporary and final regulations that are the subject of these corrections are under sections 904, 954, and 7701.

##### Need for Correction

As published, the temporary and final regulations (TD 8827) contain errors that may prove to be misleading and are in need of clarification.

##### Correction of Publication

Accordingly, the publication of the temporary and final regulations (TD 8827), which are the subject of FR Doc. 99-17369, is corrected as follows:

##### § 1.904-5 [Corrected]

1. On page 37677, column 3, amendatory instructions "**Par. 2.**", last line, the language "amended by removing the last sentence" is corrected to read "amended by removing the last two sentences".

2. On page 37678, column 1, amendatory instruction "**Par. 7.**", the language "**Par. 7.**" is corrected to read "**Par. 6.**".

3. On page 37678, column 1, amendatory instruction "**Par. 9.**", the language "**Par. 9.**" is corrected to read "**Par. 7.**".

4. On page 37678, column 1, amendatory instruction "**Par. 10.**", the language "**Par. 10.**" is corrected to read "**Par. 8.**".

##### § 301.7701-3 [Corrected]

5. On page 37678, column 1, the amendatory instruction for "**Par. 11.**" is corrected to read as follows:

**Par. 9.** In § 301.7701-3, the last two sentences in paragraph (f)(1) are removed.

6. On page 37678, column 1, amendatory instruction "**Par. 12.**", the language "**Par. 12.**" is corrected to read "**Par. 10.**".

**Cynthia E. Grigsby,**

*Chief, Regulations Unit, Assistant Chief Counsel (Corporate).*

[FR Doc. 99-28037 Filed 10-29-99; 8:45 am]

BILLING CODE 4830-01-U

## DEPARTMENT OF JUSTICE

### 28 CFR Parts 0 and 27

[A.G. Order No. 2264-99]

RIN 1105-AA60

#### Whistleblower Protection For Federal Bureau of Investigation Employees

**AGENCY:** Department of Justice.

**ACTION:** Final rule.

**SUMMARY:** The Department of Justice (Department) adopts as final, with certain changes discussed below, the interim rule published last year in the **Federal Register** establishing procedures under which employees of the Federal Bureau of Investigation (FBI) may make disclosures of information protected by the Civil Service Reform Act of 1978 and the Whistleblower Protection Act of 1989. The interim rule also established procedures under which the Department will investigate allegations by FBI employees of reprisal for making such protected disclosures, and under which it will take appropriate corrective action.

**DATES:** This rule is effective November 1, 1999.

**FOR FURTHER INFORMATION CONTACT:** Stuart Frisch, General Counsel, or John Caterini, Attorney-Advisor, Office of the General Counsel, Justice Management Division, U.S. Department of Justice, 950 Pennsylvania Ave., NW, Washington, DC 20530; telephone: (202) 514-3452; e-mail: John.Caterini@usdoj.gov.

#### SUPPLEMENTARY INFORMATION:

##### A. Background

On November 10, 1998, the Department issued an interim rule establishing procedures under which FBI employees may make disclosures of information protected by the Civil Service Reform Act of 1978, Pub. L. 95-454, and the Whistleblower Protection Act of 1989, Pub. L. 101-12, codified at 5 U.S.C. 2303. The interim rule also established procedures under which the Department will investigate allegations by FBI employees of reprisal for making such protected disclosures and under which it will take appropriate corrective action.

Under sections 1214 and 1221 of title 5 of the United States Code, most federal employees who believe they have been subjected to a prohibited personnel practice, including reprisal for whistleblowing, may request an investigation by the Office of Special Counsel (OSC) (section 1214) or, in appropriate circumstances, pursue an individual right of action before the