appraisal firm within the previous 12 months in accordance with USPAP. In such case, the existing updated real estate appraisal may be used to make or service a loan.

List of Subjects

7 CFR Part 761

Accounting, Accounting servicing, Loan programs—Agriculture, Real property—Appraisals, Rural Areas.

7 CFR Part 762

Agriculture, Loan programs—Agriculture.

Accordingly, 7 CFR parts 761 and 762 are corrected by making the following correcting amendments:

PART 761—GENERAL AND ADMINISTRATIVE

1. The authority citation for part 761 continues to read as follows:

Authority: 7 U.S.C. 1989.

2. Revise paragraphs (a) and (d) of § 761.7 to read as follows:

§761.7 Appraisals

(a) *General.* This section describes requirements for:

(1) real estate and chattel appraisals made in connection with the making and servicing of direct Farm Loan Program and nonprogram loans; and,

(2) appraisal reviews conducted on appraisals made in connection with the making and servicing of direct and guaranteed Farm Loan Program and nonprogram loans.

* * * * *

(d) *Use of an existing real estate appraisal.* The Agency may use an existing real estate appraisal to reach a loan making or servicing decision under either of the following conditions:

(1) The appraisal was completed within the previous 12 months and the Agency determines that:

(i) The appraisal meets the provisions of this section and the applicable Agency loan making or servicing requirements, and

(ii) Current market values have remained stable since the appraisal was completed; or

(2) The appraisal was not completed in the previous 12 months, but has been updated by the appraiser or appraisal firm that completed the appraisal, and both the update and original appraisal were completed in accordance with USPAP.

* * * * *

PART 762—GUARANTEED FARM LOANS

4. The authority citation for part 762 continues to read as follows:

Authority: 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

5. Revise paragraph (d) of § 762.127 by adding the following at the end of the introductory text:

§762.127 Appraisal requirements.

(d) * * * Agency officials may accept an appraisal that is not current if there have been no significant changes in the market or on the subject real estate and the appraisal was either completed within the past 12 months or updated by a qualified appraisal if not completed within the past 12 months.

* * * * *

Signed in Washington, D.C., on March 7, 2000.

Parks Shackelford,

Acting Administrator Farm Service Agency.

[FR Doc. 00–6429 Filed 3–16–00; 8:45 am]

BILLING CODE 3410–05–P

FEDERAL RESERVE SYSTEM

12 CFR Part 225

[Regulation Y; Docket No. R–1062]

Bank Holding Companies and Change in Bank Control

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interim rule with request for public comments.

SUMMARY: The Board of Governors of the Federal Reserve System is amending its Regulation Y on an interim basis effective March 11, 2000, to include a list of the financial activities permissible for a financial holding company under the Gramm-Leach-Bliley Act. The Board also is adopting procedures a financial holding company must follow in order to engage in listed financial activities, as well as activities that are complementary to a financial activity. In addition, the Board is adopting procedures by which a financial holding company or any other interested party may make requests that the Board determine that activities not listed in the Gramm-Leach-Bliley Act are permissible for a financial holding company. The Board is promulgating this rule on an interim basis in order to make a list of permissible activities and the applicable notification procedures for engaging in those activities available to financial holding companies on the effective date of the financial holding company provisions of the Gramm-Leach-Bliley Act.

The interim rule adds five sections to Subpart I of Regulation Y. The first two sections list the financial activities in which the Gramm-Leach-Bliley Act permits a financial holding company to engage and explain that Board approval generally is not required to engage in those activities. The third section explains the post-commencement notice procedures applicable to listed activities. The fourth section establishes a procedure by which any interested party may request that the Board find an activity that is not listed in the Gramm-Leach-Bliley Act or the rule to be financial in nature or incidental to a financial activity. The fifth section establishes a procedure by which a financial holding company may seek a Board determination that a particular activity is complementary to a financial activity and receive approval to engage in that activity.

The Board solicits comments on all aspects of the interim rule and will amend the rule as appropriate in response to comments received.

DATES: This interim rule is effective on March 11, 2000. Comments must be received by May 12, 2000.

ADDRESSES: Comments should refer to docket number R–1062 and should be sent to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C., 20551 or mailed electronically to regs.comments@federalreserve.gov. Comments addressed to Ms. Johnson also may be delivered to the Board's mail room between the hours of 8:45 a.m. and 5:15 p.m. and, outside those hours, to the Board's security control room. Both the mail room and the security control room are accessible from the Eccles Building courtyard entrance, located on 20th Street between Constitution Avenue and C Street, N.W. Members of the public may inspect comments in room MP–500 of the Martin Building between 9 a.m. and 5 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT: Scott G. Alvarez, Associate General Counsel (202/452–3583) or Adrianne G. Threatt, Attorney (202/452–3554); Legal Division; Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C., 20551. For users of Telecommunications Device for the Deaf (''TDD''), contact Janice Simms at 202/452–4984.

SUPPLEMENTARY INFORMATION:

Background

The Gramm-Leach-Bliley Act (Pub. L. No. 106–102, 113 Stat. 1338 (1999)) (the ''GLB Act'') authorizes affiliations among banks, securities firms, insurance firms, and other financial companies. The GLB Act amends the Bank Holding Company Act (''BHC Act'') (12 U.S.C. 1841 *et seq.*) to allow a bank holding company or foreign bank that qualifies as a financial holding company to engage in a broad range of activities that are defined by the GLB Act to be financial in nature or incidental to a financial activity, or that the Board, in consultation with the Secretary of the Treasury, determines to be financial in nature or incidental to a financial activity. The GLB Act also allows a financial holding company to seek Board approval to engage in any activity that the Board determines both to be complementary to a financial activity and not to pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. Bank holding companies that do not qualify as financial holding companies are limited to engaging in those nonbanking activities that were permissible for bank holding companies prior to the enactment of the GLB Act.

The GLB Act provides that, in most cases, a financial holding company may engage or acquire the shares of a company that is engaged in financial activities without obtaining prior approval from the Board. A financial holding company is required instead to provide a post-commencement notice to the Board within 30 days after commencing a financial activity or acquiring a company under the new section 4(k).

As noted above, the GLB Act allows the expansion by the Board in consultation with the Secretary of the Treasury of the list of financial activities that are permissible for financial holding companies. Any interested party may request that the Board determine that an activity not listed in the GLB Act is financial in nature or incidental to a financial activity. In making its determination, the Board must consult with the Secretary of the Treasury and must take into account four factors: (1) The purposes of the GLB and BHC Acts; (2) the changes or reasonably expected changes in the marketplace in which financial holding companies compete; (3) the changes or reasonably expected changes in technology for delivering financial services; and (4) whether the proposed activity is necessary or appropriate to allow a financial holding company to compete effectively with companies seeking to provide financial services in the United States, efficiently deliver financial information and services through technological means, and offer customers any available or emerging technological means for using financial services or for the document imaging of data. The Secretary of the Treasury also may at any time recommend that the Board find an activity to be financial in nature or incidental to a financial activity.

In addition to permitting a financial holding company to engage in activities that are financial in nature or incidental to a financial activity, the GLB Act provides that a financial holding company may engage in activities that the Board determines are complementary to existing financial activities and do not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Act requires that a financial holding company receive approval under section 4(j) of the BHC Act prior to conducting or acquiring a company engaged in an activity that the company believes to be complementary to a financial activity.

Interim Rule

In order to implement the provisions of the GLB Act governing the activities in which financial holding companies may engage, the Board is amending Regulation Y by adding sections that (1) list the activities in which a financial holding company may engage; (2) set forth the procedures for engaging in the listed activities; (3) establish procedures for requesting that an additional activity be deemed to be financial in nature or incidental to a financial activity; and (4) establish procedures by which a financial holding company may request that the Board determine that an activity is complementary to a financial activity and receive Board approval to conduct a complementary activity.

Section-by-Section Analysis

Section 225.85—Is Notice To or Approval From the Board Required Prior To Engaging in a Financial Activity?

Subsection (a)(1) provides that, in most cases, a financial holding company may, without providing prior notice to or obtaining prior approval from the Board, conduct an activity that is financial in nature or incidental to a financial activity (a ''financial activity''). A financial holding company may conduct a financial activity by engaging directly in the activity or by acquiring and retaining the shares of any company that is engaged exclusively in one or more financial activities. A financial holding company may conduct a financial activity at any location inside or outside of the United States, subject to the laws of the jurisdiction in which the activity is conducted.

Subsection (a)(2) and (3) provide that a financial holding company may control or acquire more than 5 percent of the voting shares of a company that is not engaged exclusively in financial activities that are permissible for a financial holding company. Under paragraph (2), a financial holding company may acquire control or shares of a company that, in addition to financial activities, engages in other activities permissible for the acquiring financial holding company. In this case, the financial holding company must comply with any approval, notice or other requirement that governs the other activities. Paragraph (3) would allow acquisitions of a company with some impermissible activities, in keeping with the Board's prior practice regarding bank holding company acquisitions of companies that were not engaged exclusively in activities that were permissible for bank holding companies.

The acquisition of a company with limited impermissible activities must meet three requirements. First, the acquired company must be engaged substantially in financial activities and other activities permissible for the financial holding company. A financial holding company that is uncertain about whether a proposed acquisition meets this standard should consult with the Board. Second, in the post-commencement notice provided by the financial holding company to the Board regarding the acquisition, the financial holding company must commit to terminate or divest the impermissible activities, and the company must complete the divestiture or termination within two years of the acquisition. Finally, after being acquired by a financial holding company, the company engaged in impermissible activities may not engage in or acquire a company engaged in any activity that is not permissible for the financial holding company.

Subsection (c) identifies two circumstances under which Board approval still is required to engage in financial activities. First, prior approval in accordance with section 4(j) of the BHC Act and § 225.24 of Regulation Y is required to acquire more than 5 percent of the shares or control of a savings association.[1] In addition, the

[1] The GLB Act did not change in any way the requirement that a company receive prior approval

Board may, in the exercise of its supervisory authority, require a financial holding company to provide prior notice to or obtain prior approval from the Board if circumstances warrant.

Section 225.86—What Activities Are Permissible for Financial Holding Companies?

This section consolidates in one place a description of all activities that the GLB Act defines as financial in nature. Subsection (a) states that financial holding companies may engage in any activity that the Board had found to be closely related to banking under section 4(c)(8) of the BHC Act by a regulation or order that is in effect on November 12, 1999. Subsection (a)(1) provides a cross reference to § 225.28, which contains a list of the relevant activities approved by regulation. Subsection (a)(2) lists activities that have been found by Board order in effect on November 12, 1999, to be closely related to banking but that are not otherwise included in the statutory list of permissible financial activities. For example, section 20 activities are not included in the list of activities approved by order because securities underwriting, dealing, and market making now is authorized for financial holding companies in a broader form at section 4(k)(4)(E) of the BHC Act. The Board specifically requests comment on whether there are other activities approved only by Board order that should be listed in § 225.86(a)(2), and whether the scope of any listed activity should be clarified.

All activities in which a financial holding company engages pursuant to subsection (a) must be conducted subject to the terms and conditions contained in Regulation Y and in the Board orders authorizing the activities. Bank holding companies that are not financial holding companies may continue to seek approval to engage in any activity that the Board determined by regulation or order in effect on November 12, 1999, to be closely related to banking. These bank holding companies must continue to use the prior notice and approval procedures listed at §§ 225.22 to 225.24.

Section 4(k)(4)(G) of the BHC Act defines as financial in nature any activity in which a bank holding company may engage outside the United States and that the Board has determined in regulations prescribed or interpretations issued under section (4)(c)(13) of the BHC Act that are in effect on November 11, 1999, to be usual in connection with the transaction of banking or other financial services abroad. Section 225.86(b) lists the three activities that have been found by the Board to be usual in connection with the transaction of banking or other financial operations abroad as listed in Regulation K (*see* 12 CFR 211.5(d)) that are not otherwise permissible for a bank holding company under the Board's Regulation Y or included on the statutory list of financial activities. These activities are management consulting services, operating a travel agency, and organizing, sponsoring, or managing a mutual fund.

In each case, the rule describes certain limitations that apply to the conduct of the activity. In the case of management consulting services, the services may be provided to any person on nonfinancial matters. However, the services must be advisory and not allow the financial holding company to control the person to whom the services are provided.

A financial holding company may also operate a travel agency in connection with financial services offered by the holding company or by others. Finally, a fund organized, sponsored or managed by a financial holding company may not exercise managerial control over the companies in which the fund invests and the financial holding company must reduce its ownership of the fund, if any, to less than 25 percent of the equity of the fund within one year of sponsoring the fund (or such additional period as the Board permits).

The remainder of the activities listed at § 211.5(d) have been either (1) authorized for financial holding companies in a broader form by the GLB Act (*e.g.,* underwriting, distributing, and dealing in securities and underwriting various types of insurance); or (2) authorized in the same or a broader form in Regulation Y (*e.g.,* data processing activities, real and personal property leasing, and acting as agent, broker, or adviser in leasing property). The Board notes that section 4(k)(4)(G) of the Act and this interim rule only authorize financial holding companies to engage in the activities that are listed in § 211.5(d) of Regulation K as interpreted by the Board, not in activities that the Board has approved in individual orders under section 4(c)(13).

Subsection (c) incorporates by reference the remaining activities authorized by section 4(k)(4) of the BHC Act. Those activities include activities that previously have not been permissible for bank holding companies, such as acting as principal, agent, or broker for purposes of insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, and issuing annuity products. Permissible insurance activities as principal include reinsuring insurance products. A financial holding company acting under that section may conduct insurance activities without regard to the restrictions on the insurance activities imposed on bank holding companies under section 4(c)(8).

The GLB Act also authorizes underwriting, dealing in, and making a market in securities without regard to whether such securities may be sold by a bank. This activity includes underwriting or distributing shares of open-end investment companies commonly referred to as mutual funds.

Securities underwriting activities conducted under section 4(k)(4)(E) rather than section 4(c)(8) may be conducted without regard to the 25 percent revenue limitation that is applicable to section 20 subsidiaries of bank holding companies that engage in securities underwriting and dealing under section 4(c)(8). In addition, dealing may be done without regard to the 5 percent limitation on ownership of voting securities.

In a separate proposal, the Board has determined that the operating standards applicable to section 20 companies do not apply to financial holding companies that engage in securities underwriting, dealing, and market making under section 4(k)(4)(E) of the BHC Act with two exceptions. First, intra-day extensions of credit to a securities firm from an affiliated bank or thrift or U.S. branch or agency of a foreign bank must be on market terms consistent with section 23B of the Federal Reserve Act (''FRA''). Second, the limitations of sections 23A and 23B of the FRA apply to covered transactions between a U.S. branch or agency of a foreign bank and a U.S. securities affiliate. The operating standards and revenue limit continue to apply to bank holding companies that are not financial holding companies, and to financial holding companies that continue to conduct securities activities pursuant to section 4(c)(8) of the BHC Act.

In cases where a financial holding company already has approval under section 4(c)(8) to engage in an activity now available in an expanded scope under section 4(k), the company must provide the Board with a post-commencement notice as described in § 225.87 informing the Board that the company has expanded the scope of the activity in accordance with section 4(k). Unless otherwise notified by the Board,

of the Board under section 3 of the BHC Act before acquiring shares or control of a bank.

the financial holding company may then conduct the activity subject to the limitations set forth in section 4(k)(4)(A) through (E), § 225.86 and other applicable laws governing the activity.

Any financial holding company that feels it needs specific relief from a commitment or condition to conduct an activity in accordance with section 4(k)(4) may request in writing a determination that the condition or commitment is no longer appropriate. The Board specifically seeks comment on the types of commitments and conditions the Board has imposed on financial holding companies under section 4(c)(8) that may hinder their ability to conduct expanded activities under section 4(k)(4).

The Board reminds financial holding companies that commitments and conditions that relate to activities for which the GLB Act has not provided any additional authority, such as data processing, remain in effect. Moreover, the Board notes that this action does not relieve any financial holding company of its obligation to conduct each activity in accordance with relevant state and federal law governing the activity.

Should a company that has notified the Board that the company has expanded a section 4(c)(8) activity consistent with section 4(k)(4) choose at a later date to conduct the activity under section 4(c)(8), the company should consult with Board staff to determine the conditions under which the activity should be conducted.

The GLB Act also allows a financial holding company to engage in merchant banking activities. This activity involves directly or indirectly acquiring shares, assets, or ownership interests of a company engaged in an activity that is impermissible for a financial holding company, whether or not that interest constitutes control of the company. The Board and the Secretary of the Treasury have separately proposed interim rules regarding the conduct of this activity that are separate from this rule.

The GLB Act requires the Board to define the extent to which three activities listed in section 4(k)(5) of the BHC Act are financial in nature or incidental to a financial activity. The Board expects to initiate a rulemaking to provide further guidance concerning the 4(k)(5) activities in the near future.

An activity that is not described in the list of activities and references in this section is not a financial activity unless the Board, in consultation with the Treasury, determines that the activity is financial in nature or incidental to a financial activity. The procedures for obtaining a Board determination are described in detail in the analysis of § 225.88 below. That section also contains a procedure by which a financial holding company that is uncertain about the scope of an authorized activity may request an advisory opinion from the Board.

Section 225.87—Is Notice to the Board Required After Engaging in a Financial Activity?

Section 4(k)(6)(A) of the BHC Act generally provides that a financial holding company may engage in financial activities or acquire companies engaged in financial activities pursuant to section (4)(k)(4) by providing the Board with a written notice that describes the activity commenced or the name of and activity conducted by the acquired company, as appropriate, within 30 days of commencing the activity or consummating the acquisition.

Section 225.87 implements the post-commencement notice procedure for applicable activities commenced pursuant to section 4(k)(4). As a general matter, § 225.87(a) states that financial holding companies engaging in activities and making acquisitions listed in § 225.86 need only provide a simple written notice to the appropriate Federal Reserve Bank within 30 days after commencing the activity or making the acquisition. The notice must describe the activity commenced and the subsidiaries engaged in the activity, or identify the company acquired and describe the activities such company conducts, as relevant.

Subsection (b) describes two circumstances in which no notice to the Board is required in order to engage in an activity. First, no notice to the Board is required when a financial holding company acquires shares of a company without acquiring control of the company. The second exception applies to a financial holding company that is engaged in securities activities under 4(k)(4)(E), that makes merchant banking investments under 4(k)(4)(H), or that makes insurance company investments under 4(k)(4)(I) and has provided the System with the appropriate notice regarding the relevant activity. Under those circumstances, the company need only submit a notice in connection with the acquisition of the shares of any company as part of the securities, merchant banking or insurance investment activity if the cost of the acquisition exceeds the lesser of 5 percent of the financial holding company's Tier 1 capital or $200 million.

Section 225.88—How To Request the Board To Determine That an Activity Is Financial in Nature or Incidental to a Financial Activity?

The GLB Act provides that the Board may determine that activities are financial in nature or incidental to financial activities after consulting with the Secretary of the Treasury. Subsection (a) provides that requests for a determination that a new activity is a financial activity may be made by a financial holding company or by any other interested party.

A request for a determination that an activity is financial in nature or incidental to a financial activity must identify and define the activity for which the determination is sought. The request must also provide specific information about what the activity would involve and how it would be conducted, and explain in detail why the activity should be considered financial in nature or incidental to a financial activity. Importantly, the request must provide information that is sufficient to support a Board finding that the activity is financial. The request also must provide any additional information required by the Board.

On receiving a request, the Board will provide the Secretary of the Treasury with a copy of the proposal and consult with the Secretary in accordance with section 4(k)(2) of the BHC Act. The Board also may request public comment on the proposal. The Board will endeavor to act on all requests for a determination within 60 days of completion of the consultative process and the close of the public comment period, if applicable. The Board's initial determination regarding a particular activity will clarify whether a financial holding company that subsequently seeks to engage in the activity may do so using the post-commencement notice procedure of § 225.87, or whether a different notification or approval requirement applies.

Section 225.88(e) establishes a procedure by which financial holding companies may request from the Board an advisory opinion concerning whether a specific proposed activity falls within the scope of an activity that is permissible for a financial holding company. Such requests must be in writing and must provide detailed information about the proposed activity, including an explanation that supports a finding that the activity is within the scope of a permissible activity. The Board will provide an advisory opinion to the requester within 45 days of receiving a complete written request.

Section 225.89—How To Request Approval To Engage in an Activity That Is Complementary to a Financial Activity?

The GLB Act provides that a financial holding company may engage in an activity that the Board determines to be complementary to a financial activity. The legislative history of the GLB Act suggests that complementary activities are activities that are closely associated with a financial activity or that are normally conducted with or flow from a financial activity. However, the GLB Act itself does not define what qualifies as a complementary activity. The Board therefore requests comment on the definition of the term of ''complementary activity.''

The GLB Act provides that a financial holding company must obtain prior Board approval in accordance with section 4(j) of the BHC Act to engage in or acquire a company engaged in any activity that the financial holding company believes to be complementary to a financial activity. In addition to applying the standards under section 4(j), the Board must determine that the activity is complementary to a financial activity and would not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally.

Section 225.87(b) implements this requirement by requiring that a request for prior approval to engage in a complementary activity provide a detailed description of the proposed complementary activity (including the projected scope and relative size of the activity), identify the particular financial activity for which the proposed activity would be complementary, and provide a detailed explanation for why the proposed activity should be considered complementary to a financial activity. The request also must discuss the impact of the proposed activity on the safety and soundness of depository institutions controlled by the financial holding company and on the financial system generally. In addition, the request must describe the potential adverse effects that conducting the activity could raise and explain measures the financial holding company intends to take to address those concerns. Requests regarding complementary activities also must include any financial, managerial, and other information required by the Board. The Board will act on requests to engage in complementary activities within the time period described in section 4(j) of the BHC Act.

The Board invites comment on all aspects of the interim rule, and particularly on the items specifically identified in the foregoing discussion.

Section 225.24—Procedures for Other Nonbanking Proposals

The Board has deleted the existing text of subsection (a)(3), which discusses the information requirements for proposals to engage in activities that are not listed in § 225.28. The GLB Act amends section 4(c)(8) to remove the Board's authority to authorize additional nonbanking activities for bank holding companies under that section. Therefore, subsection (a)(3) is unnecessary and has been deleted.

Regulatory Flexibility Act

In accordance with section 3(a) of the Regulatory Flexibility Act (5 U.S.C. 603(a)), the Board must publish an initial regulatory flexibility analysis with this interim regulation. This rule implements the provisions of Title I of the GLB Act that allow financial holding companies to engage in a broad range of financial activities by using a streamlined notification procedure. In most cases, the company need only provide the Board a brief written notice that identifies the activity commenced and the subsidiary that conducts the activity within 30 days of commencing an activity.

In addition, the rule establishes procedures by which a party can request that the Board determine additional activities are financial in nature or incidental to a financial activity and procedures by which a financial holding company can seek approval to engage in an activity it proposes to be complementary to a financial activity. These provisions are designed to require only the information necessary for the Board to evaluate the status of a proposed activity.

The procedures described in this rule apply only to bank holding companies that voluntarily elect to be financial holding companies, and those procedures apply to all financial holding companies regardless of their size. For financial holding companies that seek to engage in activities that previously were permissible under section 4(c)(8) of the BHC Act, the procedures described in this rule represent a reduction in the amount of paperwork required to engage in such activities. In addition, the notification procedures applicable to financial holding companies and the procedures for requesting the Board to determine that an activity is complementary are specified by the GLB Act itself. The Board has attempted in this rule to implement the requirements of the statute by requiring from a financial holding company only that information that is necessary for the Board to discharge its statutory responsibility. The Board specifically requests comment on the likely burden this interim rule will impose on financial holding companies that seek to engage in financial activities or to propose that the Board authorize additional activities as permissible for a financial holding company.

Administrative Procedure Act

The Board will make this interim rule effective on March 11, 2000, without first reviewing public comments. Pursuant to 5 U.S.C. 553, the Board finds that it is impracticable to review public comments prior to the effective date of the interim rule and that there is good cause to make the rule effective on March 11, 2000. Specifically, the rule sets forth requirements relating to activities that are permissible for financial holding companies as of March 11, 2000, due to statutory changes that become effective on that date. The Board is seeking comment on the interim rule and will amend the rule as appropriate after reviewing all comments it receives.

Paperwork Reduction Act

In accordance with section 3506 of the Paperwork Reduction Act of 1995 (44 U.S.C. Ch. 35; 5 CFR 1320 Appendix A.1), the Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget.

The collection of information requirements in this proposed rulemaking are found in 12 CFR 225.87, 225.88, and 225.89. This information is required to evidence compliance with the requirements of Title I of the Gramm-Leach-Bliley Act (Pub. L. 106–103, 113 Stat. 1338 (1999)) which amends section 4 of the Bank Holding Company Act (12 U.S.C. 1843). The respondents are financial holding companies.

The notice cited in 12 CFR 225.87(a) provides that a financial holding company that commences an activity or acquires shares of a company engaged in an activity listed in § 225.86, must notify the appropriate Federal Reserve Bank in writing within 30 calendar days. See 12 CFR 225.87(a) for specific details on the content of the notice. The Federal Reserve estimates that financial holding companies will make 500 filings of this notice annually and that it would take approximately 1 hour to complete this notification. This would result in an estimated annual burden of

500 hours. Based on a rate of $20 per hour, the annual cost to the public for this information collection would be $10,000.

Financial holding companies requesting the Board's determination that an activity is financial in nature or incidental to a financial activity must provide to the Board the information described in 12 CFR 225.88(b). Financial holding companies may request an advisory opinion from the Board about whether a specific proposed activity falls within the scope of an activity listed in 12 CFR 225.86 as financial in nature or incidental to a financial activity by submitting the information described in 12 CFR 225.88(e). Financial holding companies that seek prior approval to engage in an activity that the financial holding company believes is complementary to a financial activity must provide to the Board the information identified in 12 CFR 225.89(a). The Federal Reserve estimates that only 25 financial holding companies would file the information requested in these sections annually and that it would take approximately 1 hour to complete each information collection. This would result in estimated annual burden of 25 hours. Based on a rate of $20 per hour, the annual cost to the public for this information collection would be $500.

The Board requests comment on the accuracy of these burden estimates. These notifications and requests will have no formal reporting form and may be submitted in the form of a letter. They will be assigned the agency form number FR 4012. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, these information collections unless they display currently valid OMB control numbers. The OMB control number for these information collections will be 7100–0292.

A bank holding company may request confidentiality for the information contained in these information collections pursuant to section (b)(4) and (b)(6) of the Freedom of Information Act (5 U.S.C. 552(b)(4) and (b)(6)).

Comments are invited on: (a) Whether the collections of information are necessary for the proper performance of the Federal Reserve's functions, including whether the information has practical utility; (b) the accuracy of the Federal Reserve's estimate of the burden of the information collections, including the cost of compliance; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology. Comments on the collections of information should be sent to the Office of Management and Budget, Paperwork Reduction Project, Washington, DC 20503, with copies of such comments to be sent to Mary M. West, Federal Reserve Board Clearance Officer, Division of Research and Statistics, Mail Stop 97, Board of Governors of the Federal Reserve System, Washington, DC 20551.

List of Subjects in 12 CFR Part 225

Administrative practice and procedures, Banks, Banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

For the reasons set out in the preamble, the Board amends 12 CFR part 225 as follows:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 is revised to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831(i), 1831p–1, 1843(c)(8), 1843(k), 1844(b), 1972(l), 3106, 3108, 3310, 3331–3351, 3907, and 3909.

2. In § 225.24, remove paragraph (a)(3).

3. In subpart I, add §§ 225.85 through 225.89 to read as follows:

§ 225.85 Is notice to or approval from the Board required prior to engaging in a financial activity?

(a) *No prior approval required generally*—(1) *In general.* A financial holding company and any subsidiary (other than a depository institution or subsidiary of a depository institution) of the financial holding company may engage in any activity listed in § 225.86, or acquire control or shares of a company engaged exclusively in any activity listed in § 225.86, without providing prior notice to or obtaining prior approval from the Board unless required under paragraph (c) of this section.

(2) *May a financial holding company acquire a company engaged in other permissible activities?* In addition to the activities listed in § 225.86, a company acquired or to be acquired by a financial holding company under paragraph (a)(1) of this section may engage in activities otherwise permissible for a financial holding company under this part in accordance with any applicable notice, approval, or other requirement.

(3) *May a financial holding company acquire a financial company engaged in limited nonfinancial activities?* A financial holding company may control or acquire more than 5 percent of the voting shares of a company that is not engaged exclusively in activities that are financial in nature or incidental to a financial activity or otherwise permissible for a financial holding company if:

(i) Substantially all of the activities conducted by the company are financial in nature, incidental to a financial activity, or otherwise permissible for the financial holding company;

(ii) As part of the notice provided under § 225.87, the financial holding company commits to the Board to terminate or divest all activities that are not financial in nature or incidental to a financial activity or otherwise permissible for the financial holding company and the financial holding company completes that termination or divestiture within 2 years of the date the financial holding company acquires the company; and

(iii) Following the acquisition of the company by the financial holding company, the company does not engage in or acquire shares of any company engaged in any activity that is not permissible for the financial holding company.

(b) *In what locations may a financial holding company conduct financial activities?* A financial holding company may conduct any activity listed in § 225.86 at any location in the United States or at any location outside of the United States subject to the laws of the jurisdiction in which the activity is conducted.

(c) *Under what circumstances is prior notice to the Board required?* (1) *Acquisition of more than 5 percent of the shares of a savings association.* A financial holding company must obtain Board approval in accordance with section 4(j) of the Bank Holding Company Act (12 U.S.C. 1843(j)) and either § 225.23 or § 225.24, as appropriate, prior to acquiring control or more than 5 percent of the voting shares of a savings association.

(2) *Supervisory actions.* The Board may, if appropriate in supervisory cases, including under § 225.82(d) or § 225.83(d) or other relevant authority, require a financial holding company to provide prior notice to or obtain prior approval from the Board to engage in any activity or acquire shares or control of any company.

§ 225.86 What activities are permissible for financial holding companies?

The following activities are financial in nature or incidental to a financial activity:

(a) *Activities that were closely related to banking.* (1) Any activity that the Board had determined by regulation prior to November 12, 1999, to be so closely related to banking as to be a proper incident thereto, subject to the terms and conditions contained in this part, unless modified by the Board. These activities are listed in § 225.28.

(2) Any activity that the Board had determined by an order that was in effect on November 12, 1999, to be so closely related to banking as to be a proper incident thereto, subject to the terms and conditions contained in this part and those in the authorizing orders. These activities are:

(i) Providing administrative and other services to mutual funds (*see, e.g., Societe Generale*, 84 Federal Reserve Bulletin 680 (1998));

(ii) Owning shares of a securities exchange (*J.P. Morgan & Co, Inc., and UBS AG*, 86 Federal Reserve Bulletin 61 (2000));

(iii) Acting as a certification authority for digital signatures (*Bayerische Hypo- und Vereinsbank AG, et.al.*, 86 Federal Reserve Bulletin 56 (2000));

(iv) Providing employment histories to third parties for use in making credit decisions and to depository institutions and their affiliates for use in the ordinary course of business (*Norwest Corporation,* 81 Federal Reserve Bulletin 732 (1995));

(v) Check cashing and wire transmission services (*Midland Bank, PLC*, 76 Federal Reserve Bulletin 860 (1990) (check cashing); *Norwest Corporation*, 81 Federal Reserve Bulletin 1130 (1995) (money transmission));

(vi) In connection with offering banking services, providing notary public services, selling postage stamps and postage-paid envelopes, providing vehicle registration services, and selling public transportation tickets and tokens (*Popular, Inc.*, 84 Federal Reserve Bulletin 481 (1998)); and

(vii) Real estate title abstracting (*The First National Company*, 81 Federal Reserve Bulletin 805 (1995)).

(b) *Activities that are usual in connection with the transaction of banking abroad.* Any activity that the Board has determined by regulation in effect on November 11, 1999, to be usual in connection with the transaction of banking or other financial operations abroad (*see* § 211.5(d) of this chapter), subject to the terms and conditions in part 211 and Board interpretations in effect on that date regarding the scope and conduct of the activity. In addition to the activities listed in paragraphs (a) and (c) of this section, these activities are:

(1) Providing management consulting services, including to any person with respect to nonfinancial matters, so long as the management consulting services are advisory and do not allow the financial holding company to control the person to which the services are provided;

(2) Operating a travel agency in connection with financial services offered by the financial holding company or others; and

(3) Organizing, sponsoring, and managing a mutual fund, so long as:

(i) The fund does not exercise managerial control over the entities in which the fund invests; and

(ii) The financial holding company reduces its ownership in the fund, if any, to less than 25 percent of the equity of the fund within one year of sponsoring the fund or such additional period as the Board permits.

(c) *Activities permitted under section 4(k)(4) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)).* Any activity defined to be financial in nature under sections 4(k)(4)(A) through (E), (H) and (I) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(A) through (E) (H) and (I)).

§ 225.87 Is notice to the Board required after engaging in a financial activity?

(a) *Post-commencement notice is generally required to engage in a financial activity.* A financial holding company that commences an activity or acquires shares of a company engaged in an activity listed in § 225.86 must notify the appropriate Federal Reserve Bank in writing within 30 calendar days after commencing the activity or consummating the acquisition. The notice must describe, as relevant:

(1) The activity commenced and the identity of each subsidiary engaged in the activity; or

(2) The identity of the company acquired and the activities conducted by the company.

(b) *Are there any cases in which notice to the Board is not required?*

(1) *Acquisitions that do not result in control of a company.* A notice under paragraph (a) of this section is not required to acquire shares of a company if, following the acquisition, the financial holding company does not control the company.

(2) *Conduct of certain investment activities.* Except as otherwise provided in this part or as determined by the Board in the exercise of its supervisory authority, no post-commencement notice is required as part of the conduct by a financial holding company or its subsidiary of:

(i) Securities underwriting, dealing, or market making activities as described in section 4(k)(4)(E) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(E));

(ii) Merchant banking activities conducted pursuant to section 4(k)(4)(H) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H)), except as provided in § 225.174(d); or

(iii) Insurance company investment activities conducted pursuant to section 4(k)(4)(I) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(I)), so long as the financial holding company provides the notice described in § 225.174(d) in connection with any insurance company investment that meets the thresholds in that section.

(3) *Condition for exceptions.* The exception provided in paragraph (b)(2) of this section applies only if the financial holding company previously has provided notice to the Board under paragraph (a) of this section that the financial holding company has commenced or acquired control of a company engaged in the relevant activity for which an exception is claimed.

§ 225.88 How to request the Board to determine that an activity is financial in nature or incidental to a financial activity?

(a) *Requests regarding activities that may be financial in nature or incidental to a financial activity.* A financial holding company or other interested party may request a determination from the Board that an activity not listed in § 225.86 is financial in nature or incidental to a financial activity.

(b) *What information must the request contain?* A request submitted under this section must be in writing and must:

(1) Identify and define the activity for which the determination is sought, specifically describing what the activity would involve and how the activity would be conducted;

(2) Explain in detail why the activity should be considered financial in nature or incidental to a financial activity; and

(3) Provide information supporting the requested determination and any other information required by the Board concerning the proposed activity.

(c) *What action will the Board take after receiving a request?* (1) *Consultation with the Secretary of the Treasury.* Upon receipt of the request, the Board will provide the Secretary of the Treasury a copy of the request and consult with the Secretary in accordance with section 4(k)(2)(A) of the Bank Holding Company Act (12 U.S.C. 1843(k)(2)(A)).

(2) *Public notice.* The Board may, as appropriate and after consultation with the Secretary, publish a description of the proposal in the **Federal Register** with a request for public comment.

(d) *When will the Board act on a request?* The Board will endeavor to make a decision on any request filed under paragraph (a) of this section within 60 days following the completion of both the consultative process described in paragraph (c)(1) of this section and the public comment period, if any.

(e) *What should a financial holding company do if it has a question about the scope of a financial activity?* (1) *Written request.* A financial holding company may request an advisory opinion from the Board about whether a specific proposed activity falls within the scope of an activity listed in § 225.86 as financial in nature or incidental to a financial activity. The request must be submitted in writing and must contain:

(i) A detailed description of the particular activity in which the company proposes to engage or the product or service the company proposes to provide;

(ii) An explanation supporting an interpretation regarding the scope of the permissible financial activity; and

(iii) Any additional information requested by the Board regarding the activity.

(2) *Board response.* The Board will provide an advisory opinion within 45 days of receiving a complete written request under paragraph (b) of this section.

§ 225.89 How to request approval to engage in an activity that is complementary to a financial activity?

(a) *Prior Board approval is required.* A financial holding company that seeks to engage in or acquire a company engaged in an activity that the financial holding company believes is complementary to a financial activity must obtain prior approval from the Board in accordance with section 4(j) of the Bank Holding Company Act (12 U.S.C. 1843 (j)). The notice must be in writing and must:

(1) Identify and define the proposed complementary activity, specifically describing what the activity would involve and how the activity would be conducted;

(2) Identify the financial activity for which the proposed activity would be complementary and provide information sufficient to support a finding that the proposed activity should be considered complementary to the identified financial activity;

(3) Describe the scope and relative size of the proposed activity, as measured by the percentage of the projected financial holding company revenues expected to be derived from and assets associated with conducting the activity;

(4) Discuss the risks that conducting the activity may reasonably be expected to pose to the safety and soundness of the subsidiary depository institutions of the financial holding company and to the financial system generally;

(5) Describe the potential adverse effects, including potential conflicts of interest, decreased or unfair competition, or other risks, that conducting the activity could raise, and explain the measures the financial holding company proposes to take to address those potential effects; and

(6) Provide any information about the financial and managerial resources of the financial holding company and any other information requested by the Board.

(b) *What standards will the Board apply in evaluating the notice?* In evaluating a notice to engage in a complementary activity, the Board must consider whether:

(1) The proposed activity is complementary to a financial activity;

(2) The proposed activity would pose a substantial risk to the safety or soundness of depository institutions or the financial system generally; and

(3) The proposal meets the standards in section 4(j)(2) of the Bank Holding Company Act (12 U.S.C. 1843(j)(2)).

(c) *How and when will the Board act on a notice?* The Board will inform the financial holding company in writing of the Board's determination regarding the proposed activity within the period described in section 4(j) of the Bank Holding Company Act (12 U.S.C. 1843(j)).

By order of the Board of Governors of the Federal Reserve System, March 10, 2000.

Dated: March 10, 2000.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 00–6469 Filed 3–16–00; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

12 CFR Part 225

[Regulation Y; Docket No. R–1063]

Bank Holding Companies and Change in Bank Control; Securities Underwriting, Dealing, and Market-Making Activities of Financial Holding Companies

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interim rule with request for public comments.

SUMMARY: Underwriting, dealing in, and making a market in securities are financial activities permissible for financial holding companies under the Gramm-Leach-Bliley Act. Bank holding companies may currently engage in these activities only to a limited extent through so-called section 20 subsidiaries. Under the Board's current rules, section 20 subsidiaries are subject to eight operating standards imposed by the Board in order to address certain potential risks and conflicts associated with the affiliation of a bank and a securities firm.

The Board is adopting this interim rule to impose two of these operating standards on financial holding companies engaged in securities underwriting, dealing or market-making activities. Under the interim rule, intra-day extensions of credit by a bank or thrift, or U.S. branch or agency of a foreign bank, to a securities affiliate engaged in securities underwriting, dealing, or market-making must be on market terms. In addition, foreign banks that are financial holding companies or that are treated as financial holding companies will be required to comply with certain affiliate transaction restrictions with respect to lending and securities purchase transactions between a U.S. branch or agency of a foreign bank and a securities affiliate engaged in securities underwriting, dealing, or market-making.

DATES: The interim rule is effective on March 11, 2000. Comments must be received by May 12, 2000.

ADDRESSES: Comments, which should refer to docket number R–1063, may be mailed to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551 or mailed electronically to regs.comments@federalreserve.gov. Comments addressed to Ms. Johnson also may be delivered to the Board's mail room between the hours of 8:45 a.m. and 5:15 p.m. and, outside of those hours, to the Board's security control room. Both the mail room and the security control room are accessible from the Eccles Building courtyard entrance, located on 20th Street between Constitution Avenue and C Street, NW. Members of the public may inspect comments in Room MP–500 of the Martin Building between 9 a.m. and 5 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT: Thomas Corsi, Managing Senior Counsel, Legal Division (202) 452–3275; Michael J. Schoenfeld, Senior Supervisory Financial Analyst, Division of Banking Supervision and Regulation

(202) 452–2836; for the hearing impaired only, Telecommunications Device for the Deaf (TDD), Janice Simms (202) 872–4984.

SUPPLEMENTARY INFORMATION: The Gramm-Leach-Bliley Act differs from prior regulatory and statutory schemes in the manner that it addresses potential risks to a depository institution associated with securities and other activities conducted by affiliates. The current section 20 operating standards,[1] like the bills to repeal the Glass-Steagall Act that were considered in the late 1980s and early 1990s contain detailed restrictions on relationships and transactions between depository institutions and securities affiliates. The Gramm-Leach-Bliley Act relies instead on requirements that each depository institution affiliated with a securities firm be and remain well capitalized and well managed. The Gramm-Leach-Bliley Act also relies on functional regulation of the securities firm by the SEC, full supervision of the depository institution by the appropriate federal banking agency, and umbrella supervision of the overall organization by the Board to identify and address potential risks to the depository institution associated with the securities and other activities in the organization.

The Gramm-Leach-Bliley Act grants the Board authority to impose restrictions or requirements on relationships or transactions between a depository institution and any affiliate. The Board may impose a prudential limitation if the Board finds that the limitation is appropriate to avoid a significant risk to the safety and soundness of the depository institution or the Federal deposit insurance funds, to avoid other adverse effects or to prevent evasions of the banking laws.[2] The Board believes that most of the concerns that are raised by the affiliation of a securities firm with a financial holding company are addressed by the requirements of the Gramm-Leach-Bliley Act, other banking laws and regulations, and securities laws and regulations.

Two concerns that the Board believes are not addressed by current law or regulation relate to intra-day extensions of credit to a securities firm by an affiliated depository insitution, and to transactions between a U.S. branch or agency of a foreign bank that elects to become or be treated as a financial holding company, and an affiliated securities firm.

Intra-day extensions of credit: One operating standard applicable to section 20 subsidiaries (''operating standard 5'') requires that intra-day extensions of credit to a section 20 subsidiary by an affiliated bank or thrift, or U.S. branch or agency of a foreign bank be on market terms consistent with section 23B of the Federal Reserve Act. In considering whether to apply this limitation to financial holding companies, the Board notes that the Gramm-Leach-Bliley Act requires the Board, within the next 18 months, to address how the restrictions in section 23A apply to intra-day extensions of credit to all affiliates. Until such time as that effort is complete, however, the Board believes that operating standard 5 remains important to ensure that intra-day extensions of credit by a depository institution to an affiliated securities firm for clearing or other purposes are not subsidizing the activities of the securities firm to the detriment of the depository institution affiliate. Accordingly, the Board is applying the limitations in operating standard 5 to financial holding companies and foreign banks treated as financial holding companies to cover intra-day extensions of credit to their subsidiary securities firms from their subsidiary banks or thrifts or U.S. branches or agencies at least until such time as the analysis regarding the application of section 23A to intra-day extensions of credit is complete.

Transactions with U.S. branches and agencies of foreign banks: Another operating standard (''operating standard 8'') applicable to section 20 subsidiaries requires that a U.S. branch or agency of a foreign bank comply with sections 23A and 23B of the Federal Reserve Act[3] when extending credit to a section 20 affiliate, or when purchasing securities for which a section 20 affiliate is a principal underwriter.[4] A branch or agency also may not advertise or suggest that it is responsible for the obligations of a section 20 affiliate. Operating standard 8 permits a branch or agency of a foreign bank to engage in funding and securities purchase transactions with a section 20 affiliate subject to the same restrictions applicable to a U.S. depository institution.

The purpose of sections 23A and 23B of the Federal Reserve Act, which limit credit and other transactions between a bank and its affiliate, is to limit the possibility that the risks of activities conducted in a nonbank affiliate of a depository institution be transferred to the depository institution. The Board originally applied lending restrictions to transactions between U.S. branches and agencies of a foreign bank and a section 20 affiliate as a prudential limitation, recognizing that U.S. branches and agencies are part of the U.S. financial structure.[5] In addition, the Board adopted operating standard 8 because sections 23A and 23B apply to U.S. banks and thrifts, and the operating standard ensures competitive equity between foreign banks and U.S. banking organizations in the funding of section 20 affiliates. These are the types of concerns that section 114 of the Gramm-Leach-Bliley Act would require the Board to consider in imposing restrictions on foreign banks that become financial holding companies.

Under the Gramm-Leach-Bliley Act, foreign banks, as well as U.S. bank holding companies, that become financial holding companies will be able to engage in a broader range of securities activities than is permitted now. In view of this, the prudential and competitive equity concerns that led the Board to adopt operating standard 8 would justify applying that prudential limit in the case of a foreign bank that becomes a financial holding company. This restriction would apply only to transactions between a securities affiliate that underwrites, deals in, or makes a market in securities, and a U.S. branch or agency of a foreign bank, and not to the foreign bank itself.

Customer disclosures: The Board is not at this time imposing any customer disclosure requirements on financial holding companies with respect to the activities of a subsidiary securities firm engaged in securities underwriting, dealing, or market-making pursuant to section 4(k)(4)(E) of the BHC Act. To the extent that the securities firm makes a sale to a customer on the premises of a depository institution, or through a depository institution employee, or as a result of a referral by a depository institution, it will be required to make the disclosures contained in the Interagency Statement on Retail Sales of Nondeposit Investment Products (Interagency Statement).

Whether or not the activities of subsidiary securities firms of financial holding companies are covered by the Interagency Statement, the Board expects financial holding companies to take all necessary steps to ensure that customers are not confused about the nature of investment products they are purchasing. If the Board becomes aware

[1] 12 CFR 225.200. The operating standards would continue to apply to section 20 subsidiaries controlled by bank holding companies that do not qualify as financial holding companies.

[2] Pub. L. No. 106–102, 113 Stat. 1338, 1369–71 (1999).

[3] 12 U.S.C. 371c and 371c–1

[4] 12 CFR 225.200(b)(8).

[5] *See Canadian Imperial Bank of Commerce, et al.,* 76 Federal Reserve Bulletin 158, 163 (1990).

that customer confusion is occurring, or that action is necessary to prevent abuses, the Board may impose additional disclosure requirements on financial holding companies to address these issues.

Regulatory Flexibility Act

In accordance with the Regulatory Flexibility Act (5 U.S.C. 601–612), the Board must publish an initial regulatory flexibility analysis with this interim regulation. The purpose of the interim rule is to address concerns raised by the affiliation of a securities firm with a financial holding company that are not otherwise addressed by current law or regulation. The rule applies only to bank holding companies and foreign banks that voluntarily elect to become or be treated as financial holding companies under the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act, and also engage in certain securities activities. The interim rule applies to all financial holding companies regardless of size, and requires them to comply with certain restrictions that already apply to bank holding companies that control section 20 subsidiaries engaged in securities activities. The rule applies fewer restrictions to financial holding companies seeking to engage in securities activities than apply to bank holding companies that control section 20 subsidiaries and thus represents a reduction in the limitations on engaging in certain securities underwriting and dealing activities. The Board specifically seeks comment on the likely burden this interim rule will impose on small business entities and financial holding companies that seek to engage in securities activities.

Administrative Procedure Act

The Board will make this interim rule effective on March 11, 2000 without first reviewing public comments. Pursuant to 5 U.S.C. 553, the Board finds that it is impracticable to review public comments prior to the effective date of the interim 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 a requirement relating to activities that financial holding companies will be able to engage in on March 11, 2000, due to statutory changes that become effective on that date. The Board is seeking public comment on the interim rule and will amend the rule as appropriate after reviewing the comments.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the interim rule under the authority delegated to the Board by the Office of Management and Budget. No collections of information pursuant to the Paperwork Reduction Act are contained in the interim rule.

List of Subjects in CFR 12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

For the reasons set out in the preamble, the Board amends 12 CFR part 225 as follows:

PART 225—BANK HOLDING COMPANY AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831(i), 1831p–1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331–3351, 3907, and 3909.

2. Section 225.4 is amended by adding a new paragraph (g) to read as follows:

§ 225.4 Corporate practices.

* * * * *

(g) *Requirements for financial holding companies engaged in securities underwriting, dealing, or market-making activities.* (1) Any intra-day extension of credit by a bank or thrift, or U.S. branch or agency of a foreign bank to an affiliated company engaged in underwriting, dealing in, or making a market in securities pursuant to section 4(k)(4)(E) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(E)) must be on market terms consistent with section 23B of the Federal Reserve Act. (12 U.S.C. 371c–1).

(2) A foreign bank that is or is treated as a financial holding company under this part shall ensure that:

(i) Any extension of credit by any U.S. branch or agency of such foreign bank to an affiliated company engaged in underwriting, dealing in, or making a market in securities pursuant to section 4(k)(4)(E) of the Bank Holding Company Act (12 U.S.C. 1843(k)(4)(E)), conforms to sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c–1) as if the branch or agency were a member bank;

(ii) Any purchase by any U.S. branch or agency of such foreign bank, as principal or fiduciary, of securities for which a securities affiliate described in paragraph (g)(2)(i) of this section is a principal underwriter conforms to sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c–1) as if the branch or agency were a member bank; and

(iii) Its U.S. branches and agencies not advertise or suggest that they are responsible for the obligations of a securities affiliate described in paragraph (g)(2)(i) of this section, consistent with section 23B(c) of the Federal Reserve Act (12 U.S.C. 371c–1(c)) as if the branches or agencies were member banks.

By order of the Board of Governors of the Federal Reserve System, March 10, 2000.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 00–6502 Filed 3–16–00; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 95

[Docket No. 29950; Amdt. No. 421]

IFR Altitudes; Miscellaneous Amendments

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts miscellaneous amendments to the required IFR (instrument flight rules) altitudes and changeover points for certain Federal airways, jet routes, or direct routes for which a minimum or maximum en route authorized IFR altitude is prescribed. This regulatory action is needed because of changes occurring in the National Airspace System. These changes are designed to provide for the safe and efficient use of the navigable airspace under instrument conditions in the affected areas.

EFFECTIVE DATE: 0901 UTC, April 20, 2000.

FOR FURTHER INFORMATION CONTACT: Donald P. Pate, Flight Procedure Standards Branch (AMCAFS–420), Flight Technologies and Programs Division, Flight Standards Service, Federal Aviation Administration, Mike Monroney Aeronautical Center, 6500 South MacArthur Blvd., Oklahoma City, OK 73169 (Mail Address: P.O. Box 25082, Oklahoma City, OK 73125) telephone: (405) 954–4164.

SUPPLEMENTARY INFORMATION: This amendment to part 95 of the Federal Aviation Regulations (14 CFR part 95)