

	Six-rowed malting barley	Two-rowed malting barley
Protein (dry basis) .....	14.0% maximum .....	14.0% maximum.
Plump kernels .....	65.0% minimum .....	75.0% minimum.
Thin kernels .....	10.0% maximum .....	10.0% maximum.
Germination .....	95.0% minimum .....	95.0% minimum.
Blight damaged .....	4.0% maximum .....	4.0% maximum.
Injured by mold .....	5.0% maximum .....	5.0% maximum.
Mold damaged .....	0.4% maximum .....	0.4% maximum.
Sprout damaged .....	1.0% maximum .....	1.0% maximum.
Injured by frost .....	5.0% maximum .....	5.0% maximum.
Frost damaged .....	0.4% maximum .....	0.4% maximum.

(c) Harvested production that does not meet the minimum acceptance standards for the factors listed in subsection 4(b) of this option, but that is accepted by a buyer for malting purposes.

(d) No reduction in value will be allowed for moisture content; damage due to uninsured causes; costs or reduced value associated with drying, handling, processing, or quality factors other than those contained in subsection (b) of this section; or any other costs associated with normal handling and marketing of malting barley. All grade and quality determinations must be based on the results of objective tests. No indemnity will be paid for any loss established by subjective tests. We may obtain one or more samples of the insured crop and have tests performed at an official grain inspection location established under the Grain Standards Act to verify the result of any test. In the event of a conflict in the test results, our results will be used to determine the amount of production to count. If failure to meet the quality standards is due to insurable causes, the quantity of such production may be reduced for quality deficiencies by:

(1) Adding the maximum barley price election under the Small Grains Crop Provisions and the maximum additional value price;

(2) Dividing this sum into the value per bushel of the damaged production; and

(3) Multiplying the resulting factor (not to exceed 1.0) by the number of bushels of damaged production.

5. No claim under this option may be settled until the earlier of:

(a) The date final disposition of production from all acreage planted to approved malting barley varieties is completed; or

(b) May 31 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. Production to count for malting barley that has not been sold by this May 31 date will include all production established in accordance with subsection 4(b) of this option.

The limitations specified in subsections 5 (a) and (b) will not apply when all production from the insured malting barley unit grades U.S. No. 4 or worse in accordance with the grades and grade requirements for the subclasses Six-rowed barley, Two-rowed barley, and the class Barley in accordance with the Official United States Standards for Grain.

6. In the event of loss or damage covered by this policy, we will settle your claim by:

(a) Multiplying the insured acreage by the malting barley production guarantee per acre;

(b) Multiplying the result by your elected additional value price per bushel;

(c) Multiplying the number of bushels of production to count by your elected additional value price per bushel; and

(d) Subtracting the result of step (c) from the result of step (b).

7. For example, assume you insure two units of barley under the Small Grains Crop Provisions in which you have a 100% share and that are planted to approved malting varieties. Assume that unit contains 40 acres. Further assume that your production guarantee under the Small Grains Crop Provisions is 30 bushels per acre or a total of 2,400 bushels. Your malting barley unit production guarantee is limited to 2,100 bushels by subsection 2(b). A loss causes the total production to count under the basic barley policy to drop to 1,000 bushels, none of which meet the minimum acceptance standards covered under this option. The indemnity for the malting barley unit would be based on a combined production and quality loss of 2,100 bushels. The indemnity would be paid at the additional value price per bushel. If the price were \$0.60 per bushel, the indemnity for the malting barley unit would be \$1,260.00 (2,100 × \$0.60). The basic loss is paid under the Small Grains Crop Provisions for feed barley.

Done in Washington, D.C., on December 5, 1995.

Kenneth D. Ackerman,  
Manager, Federal Crop Insurance  
Corporation.

[FR Doc. 95-30085 Filed 12-6-95; 4:03 pm]

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## DEPARTMENT OF THE TREASURY

### Office of the Comptroller of the Currency

#### 12 CFR Part 31

[Docket No. 95-29]

RIN 1557-AB40

#### Extensions of Credit to Insiders and Transactions With Affiliates

**AGENCY:** Office of the Comptroller of the Currency, Treasury.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Office of the Comptroller of the Currency (OCC) proposes to

revise its rules governing extensions of credit to national bank insiders and to relocate to part 31 several interpretive rulings dealing with transactions with affiliates. This proposal is another component of the OCC's Regulation Review Program to update and streamline OCC regulations and to reduce unnecessary regulatory costs and other burdens. The proposal modernizes and clarifies the insider lending rules and reduces unnecessary regulatory burdens where feasible, consistent with statutory requirements.

**DATES:** Comments must be received by February 9, 1996.

**ADDRESSES:** Comments should be directed to: Office of the Comptroller of the Currency, Communications Division, 250 E Street, SW, Washington, DC 20219, Attention: Docket No. 95-29. Comments will be available for public inspection and photocopying at the same location. In addition, comments may be sent by facsimile transmission to FAX number (202) 874-5274 or by electronic mail to [reg.comments@occ.treas.gov](mailto:reg.comments@occ.treas.gov).

**FOR FURTHER INFORMATION CONTACT:** Aline Henderson, Senior Attorney, Bank Activities and Structure (202) 874-5300; Emily McNaughton, National Bank Examiner, Credit & Management Policy (202) 874-5170; or Mark Tenhundfeld, Senior Attorney, Legislative and Regulatory Activities (202) 874-5090.

#### SUPPLEMENTARY INFORMATION:

Background

*Summary of Regulation Review Program*

The OCC proposes to revise 12 CFR part 31 as another component of its Regulation Review Program (Program). The goal of the Program is to review all of the OCC's rules and to eliminate provisions that do not contribute significantly to maintaining the safety and soundness of national banks or to accomplishing the OCC's other statutory responsibilities. Another goal of the Program is to clarify regulations so that they more effectively convey the standards the OCC seeks to apply.

The OCC intends for this proposal to reduce regulatory costs and other burdens on national banks by eliminating regulatory requirements that are neither essential to maintaining the safety and soundness of national banks nor needed to accomplish the OCC's statutory responsibilities. The proposal also seeks comments on whether it would be useful for the OCC to issue additional guidance on the differences between the requirements of part 31 and 12 CFR part 32 (Lending Limits).

#### Discussion

Current part 31 contains two subparts. Subpart A implements 12 U.S.C. 375a(4) and 375b(3) by setting a limit on the amount that a national bank may lend to any one of its executive officers other than for housing- and education-related loans and by establishing a threshold above which approval of the bank's board of directors is required for any loan to an insider. Subpart B implements 12 U.S.C. 1817(k) and 1972(2)(G)(ii) by requiring a national bank to disclose, upon request, the names of its executive officers and principal shareholders who borrow more than specified amounts from the bank itself or the bank's correspondent banks and to maintain records related to requests for this information. Subpart B also implements 12 U.S.C. 1972(2)(G)(i), which requires a national bank's executive officers and principal shareholders to report on loans they or their related interests receive from the bank's correspondent banks.

This proposal creates three exceptions to the limit on loans that a national bank may make to its executive officers for situations where the lending bank's position is clearly protected by virtue of the type of collateral involved. It also clarifies and simplifies the current rule by removing provisions that are no longer necessary. Finally, it invites comments on whether guidance would be helpful on the differences between the insider lending limits and the loans-to-one-borrower limits and, if so, the areas where clarification may be most needed.

The following discussion identifies and explains material proposed changes to part 31. The OCC invites general comments on the proposed regulation as well as specific comments on the areas identified.

#### Title of Regulation

The current rule is titled "Extensions of Credit to National Bank Insiders."

The proposed rule changes the title to "Extensions of Credit to Insiders and Transactions with Affiliates." This change reflects the proposed relocation

to 12 CFR part 31 of several interpretations regarding transactions with affiliates that currently are set out in part 7. (See "Interpretations" and text that follows for further discussion of the relocation.)

#### Subpart A—Loans to Insiders

##### *Definitions (Proposed § 31.2)*

Current § 31.3 states that the definitions contained in §§ 215.2 and 215.3 of Regulation O (12 CFR part 215) apply to subpart A of part 31.

Proposed § 31.2 also states that the definitions used in §§ 215.2 and 215.3 of Regulation O apply. However, because proposed § 31.3 uses a term (capital and surplus) that is Not defined in Regulation O, proposed § 31.2 states that "capital and surplus" will be defined in the same way as that term is defined in part 32 (Lending Limits) (12 CFR 32.2(b)). This clarifies that national banks calculate their loans-to-one-borrower lending limits and their insider lending limits using the same capital base.<sup>1</sup>

##### *Loan Limits (Proposed § 31.3)*

Current § 31.2(a) prohibits a national bank from making a loan to an executive officer if the loan, when aggregated with all other loans outstanding from the bank to the officer, would exceed the higher of \$25,000 or 2.5 percent of the bank's capital and unimpaired surplus, up to \$100,000. However, the current rule exempts home mortgage and educational loans from this limit pursuant to sections 22(g)(2) and 22(g)(3) of the Federal Reserve Act (12 U.S.C. 375a (2) and (3)).<sup>2</sup> Loans that do not comply with sections 22(g)(2) or 22(g)(3) often are referred to as "other purpose loans," because they are for purposes other than those identified in those sections of the Federal Reserve Act.

Pursuant to the rulemaking authority in 12 U.S.C. 375(a)(4), proposed § 31.3(a) exempts a loan from the limits applicable to "other purpose loans" if

<sup>1</sup> Regulation O uses the term "unimpaired capital and unimpaired surplus." See 12 CFR 215.2(i). The Board of Governors of the Federal Reserve System (Board) recently amended Regulation O to conform the definition of "unimpaired capital and unimpaired surplus" to the definition of "capital and surplus" as defined in part 32 (60 FR 31053, June 13, 1995). Accordingly, the capital base from which different limits are measured now is the same, despite the different terminology.

<sup>2</sup> Section 22(g)(2) of the Federal Reserve Act permits a member bank (and, therefore, a national bank) to make a loan to one of its executive officers if the loan is secured by a first lien on a dwelling that the officer will own and use as his or her residence after the loan is made. Section 22(g)(3) permits a member bank to make a loan to an executive officer to finance the education of the officer's children.

the loan is secured by United States obligations, obligations guaranteed by a Federal agency, or a segregated deposit account.<sup>3</sup> The proposal effects this change by incorporating the exceptions set forth in the OCC's Lending Limits regulation at 12 CFR 32.3(c)(3), (c)(4)(ii), and (c)(6). The proposal also clarifies that the limits prescribed by § 31.3(a) do not apply to executive officers of affiliates of the lending bank.

The OCC believes that the proposed exceptions, which entail situations where the lending bank's position is secure by the nature of the collateral required, are consistent with safe and sound banking practices and would eliminate unnecessary restrictions on lending by national banks. Moreover, in the insider lending context, loans that qualify for the exceptions remain subject to the safeguards found in sections 22(g)(1) and 22(h)(2) of the Federal Reserve Act (12 U.S.C. 375a(1) and 375b(2)), thereby providing additional protection against abuse.<sup>4</sup>

Both the Federal Deposit Insurance Corporation (FDIC) and the Board have amended their insider lending rules to include exemptions similar to those noted above. See 59 FR 66666 (December 28, 1994) (amending the FDIC's rule at 12 CFR 337.3) and 59 FR 8831 (February 24, 1994) (amending the Board's rule at 12 CFR 215.5).<sup>5</sup> The OCC

<sup>3</sup> The OCC currently exempts these loans from the limits on loans to one borrower. See 12 CFR 32.3(c)(3), (4), and (6). The only difference between the exceptions in proposed part 31 and the exceptions currently available under part 32 is that the proposal does not include the exemption for loans to a Federal agency (12 CFR 32.3(c)(4)(i)), given that this exemption does not apply to loans to executive officers.

<sup>4</sup> Section 22(g)(1) of the Federal Reserve Act requires that any loan by a member bank to one of its executive officers be promptly reported to the bank's board of directors. The bank may make the loan to the executive officer only if it is authorized to make the loan to borrowers other than its officers, the loan is on terms not more favorable than those afforded other borrowers, and the officer has submitted a detailed current financial statement. Section 22(h)(2) authorizes a member bank to make a loan to a bank insider only if the loan is made on substantially the same terms as those prevailing at the time for comparable transactions by the bank with persons who are not insiders, the loan does not involve more than the normal risk of repayment or present other unfavorable features, and the bank follows credit underwriting procedures that are not less stringent than those applicable to comparable transactions by the bank with non-insiders.

<sup>5</sup> The Office of Thrift Supervision's regulation automatically applies the Board's insider lending rule to thrifts. See 12 CFR 563.43. Accordingly, the amendment to 12 CFR 215.5 also applies to thrifts. The OCC also believes that the current restrictions run counter to section 303(a)(1)(A) of the CDRI, which requires the Federal banking agencies to eliminate unwarranted constraints on credit availability. The OCC has observed no significant problems arising from the exemptions in the loans-to-one-borrower context. This experience, coupled with the safeguards provided by sections 22(g) and

believes the disparity between its rule and those of the other Federal banking agencies is both unnecessary and inconsistent with section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (CDRI) (12 U.S.C. 4803), which requires each agency to work with the other Federal banking agencies to make uniform all regulations and guidelines implementing common statutory or supervisory policies. CDRI, section 303(a)(2).

For these reasons, the OCC proposes to eliminate the special restrictions on extensions of credit by national banks to their executive officers, provided the loans are secured in the manner previously described. The OCC seeks comment on whether interested parties agree that the exemptions are appropriate for national banks.

Current § 31.2(b) requires a majority of the directors of a national bank to approve in advance a loan to one of the bank's executive officers, principal shareholders, or directors (or to any related interest of such persons) if the amount of the loan, when aggregated with other loans outstanding to that insider and his or her related interests, exceeds the higher of \$25,000 or 5 percent of the bank's capital and surplus. In no event may a national bank lend more than \$500,000 to an insider and his or her related interests without the majority of the bank's board first approving the loan. Interested directors must abstain from the voting.

Proposed § 31.3(b) amends the OCC's rule to conform to recent changes made to the definitions of "director," "executive officer," and "principal shareholder" in Regulation O (12 CFR 215.2(d), (e), and (m), respectively). The Board narrowed these definitions so that they generally apply just to insiders of the bank and not to its affiliates. At the same time the Board narrowed these definitions, it also clarified, in 12 CFR 215.4(b)(1), that the prior approval requirements continue to apply to insiders of the bank as well as insiders of the bank's affiliates. Proposed § 31.3(b) also makes this clarification.

It should be noted that the exemptions set forth in proposed § 31.3(a) do not apply to proposed § 31.3(b). Thus, a loan secured, for instance, by a segregated deposit account still must be counted for purposes of determining whether prior approval is required under proposed § 31.3(b). This provides an additional protection against insider abuse by

insuring that a bank's directors will have the opportunity to review loans to insiders in amounts that exceed the specified thresholds.

#### Subpart B—Reports and Public Disclosure

##### *Authority and OMB Control Number (§ 31.4)*

Current § 31.4 states the authority pursuant to which subpart B is issued and sets forth the Office of Management and Budget (OMB) control number.

The proposed rule removes the statement of the OMB control number from part 31 but retains the statement of authority. In a separate rulemaking, the OCC will relocate all OMB control numbers to 12 CFR part 4.

##### *Definitions (Proposed § 31.5)*

Current § 31.5(d) states, as a general matter, that the definitions found in subpart B of Regulation O (12 CFR 215.20 through 215.23) apply to subpart B of part 31. Current § 31.5(d) also states that, for purposes of the requirement governing reports of loans to insiders from the insider's bank, the term "bank" means Federally-chartered insured bank.

The proposal relocates the definition section to proposed § 31.5 and incorporates into subpart B of part 31 the definitions found in subpart B of Regulation O. The proposal also clarifies, for the reasons stated in the discussion of proposed § 31.2, that the term "capital and surplus" in part 31 has the same meaning as "capital and surplus" as that term is used in 12 CFR part 32. The proposal also removes an obsolete reference to 12 U.S.C. 1817.

##### *Disclosure of Insider Indebtedness (Proposed § 31.6)*

Current § 31.5 requires a national bank to disclose, if requested, the names of each executive officer and principal shareholder whose aggregate indebtedness (including debt of the insider's related interests) from either the bank or its correspondent banks equals or exceeds the lesser of 5 percent of the bank's capital and unimpaired surplus or \$500,000.<sup>6</sup> The current rule also requires a national bank to maintain records of requests for information for two years following the request.

Proposed § 31.6 makes no substantive change, but revises the current section's style in order to improve clarity. Proposed § 31.6(a) uses the term "capital and surplus" instead of "capital and unimpaired surplus," which is used

in the current regulation. This change conforms subpart B of part 31 to subpart A. The proposal also clarifies, in § 31.6(c), that the two-year period for retaining records of requests and the disposition of requests begins on the date of the request.

##### *Reports by Executive Officers and Principal Shareholders (Proposed § 31.7)*

Current § 31.6 implements 12 U.S.C. 1972(2)(G)(i), which requires national bank executive officers and principal shareholders to file annual reports with their bank's board of directors showing indebtedness from correspondent banks to the insiders or their related interests. The current rule states that "This requirement is restated in Regulation O, 12 CFR 215.22," thereby implicitly incorporating the provisions of the section cited.

Proposed § 31.7 clarifies that 12 U.S.C. 1972(2)(G)(i) requires reports only if the executive officer or principal shareholder (or their related interests) have credit outstanding at some point during the year. The proposed rule also clarifies that all of the provisions of 12 CFR 215.22 apply. The OCC does not intend any substantive change by these proposed amendments.

#### Interpretations

On March 3, 1995, the OCC proposed to relocate several interpretations that currently appear in part 7. See 60 FR 11924, 11930 (proposing to relocate 12 CFR 7.7355 (debts of affiliates), 7.7360 (loans secured by stock or obligations of an affiliate), 7.7365 (Federal funds transactions between affiliates), and 7.7370 (deposits between affiliated banks)). The OCC proposed to relocate these interpretations to part 31 because the interpretations and part 31 stem from the same concern about persons or entities taking undue advantage of positions of influence and thereby adversely affecting the safety and soundness of a national bank. Given the similarities in the supervisory concerns that prompted both part 31 and the interpretations, the OCC believes that it is more appropriate to include the interpretations in part 31 rather than in a collection of unrelated interpretations. The OCC also believes that relocating the interpretations to part 31 will make them easier to find.

The proposed rule restates the latter three of these interpretations at new §§ 31.100–31.102. Current § 7.7355, which interprets the prohibition against a national bank withdrawing its capital, will be relocated to part 5 to consolidate all provisions related to changes in a national bank's equity capital. The OCC

<sup>22</sup>(h), leads the OCC to conclude that limiting the amount of loans secured in the manner in question is unwarranted.

<sup>6</sup>This requirement applies only to aggregate indebtedness that exceeds \$25,000.

invites comments on these interpretations.

**Additional Guidance Regarding Differences Between Lending Limits and Insider Lending Standards**

The OCC seeks comment on whether it would be useful for the OCC to issue guidance clarifying the differences between the loans-to-one-borrower limits (12 CFR part 32) and the insider lending limits (part 31). For instance, the attribution rules and the definition of "extension of credit" applied by the OCC in the two regulations are similar but sufficiently different that a banker or bank counsel must keep straight two different sets of rules that often will apply to the same transaction. In many cases, these differences are compelled by differences in the underlying statutory authority for the two parts. The OCC requests that commenters who believe that this type of guidance would be helpful also identify areas where the intersection of the two rules gives rise to the most uncertainty. In this way, the OCC can focus any guidance it provides on those areas where help is most needed. The OCC also requests comment on whether the guidance should appear in an appendix to part 31, as an OCC bulletin, or in some other format.

The following table directs readers to the provision(s) of the current regulation, if any, upon which the proposed provision is based, and identifies generally the action taken.

DERIVATION TABLE

Revised section	Original section	Comments
31.1 .....	31.1 .....	No change.
31.2 .....	31.3 .....	Relocated and modified.
31.3(a)(1) ....	31.2(a) .....	Modified.
31.3(a)(2) ....	31.2(a) .....	Added.
31.3(b) .....	31.2(b) .....	Modified.
31.4 .....	31.4 .....	Modified.
31.5 .....	31.5(d) .....	Relocated and modified.
31.6(a) .....	31.5(a) .....	Modified.
31.6(b) .....	31.5(b) .....	Modified.
31.6(c) .....	31.5(c) .....	Modified.
31.7 .....	31.6 .....	Modified.
31.100 .....	7.7360 .....	Relocated and modified.
31.101 .....	7.7365 .....	Relocated.
31.102 .....	7.7370 .....	Relocated and modified.

**Regulatory Flexibility Act**

It is hereby certified that this regulation will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis is not required. This regulation will reduce the

regulatory burden on national banks, regardless of size, by eliminating and clarifying current regulatory requirements.

**Executive Order 12866**

The OCC has determined that this proposal is not a significant regulatory action under Executive Order 12866.

**Unfunded Mandates Act of 1995**

Section 202 of the Unfunded Mandates Act of 1995 (Unfunded Mandates Act) requires that an agency prepare a budgetary impact statement before promulgating a proposal likely to result in a rule that includes a Federal mandate that may result in the annual expenditure of \$100 million or more in any one year by State, local, and tribal governments, in the aggregate, or by the private sector. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act requires an agency to identify and consider a reasonable number of alternatives before promulgating a proposal. The OCC has determined that the proposal, if adopted, will not result in expenditures by State, local, and tribal governments, or by the private sector, of more than \$100 million in any one year. Accordingly, the OCC has not prepared a budgetary impact statement or specifically addressed the regulatory alternatives considered.

**List of Subjects in 12 CFR Part 31**

Credit, Disclosure, Executive officers, National banks, Principal shareholders, Reporting and recordkeeping requirements.

**Authority and Issuance**

For the reasons set out in the preamble, the OCC proposes to revise part 31 of chapter I of title 12 of the Code of Federal Regulations as set forth below:

**PART 31—EXTENSIONS OF CREDIT TO INSIDERS AND TRANSACTIONS WITH AFFILIATES**

**Subpart A—Loans to Insiders**

- Sec.
- 31.1 Authority.
- 31.2 Definitions.
- 31.3 Loan limits.

**Subpart B—Reports and Public Disclosure**

- 31.4 Authority.
- 31.5 Definitions.
- 31.6 Disclosure of insider indebtedness.
- 31.7 Reports by executive officers and principal shareholders.

**Interpretations**

- 31.100 Loans secured by stock or obligations of an affiliate.

- 31.101 Federal funds transactions between affiliates.
- 31.102 Deposits between affiliated banks.  
Authority: 12 U.S.C. 375a(4), 375b(3), 1817(k), and 1972(2)(G)(ii), as amended.

**Subpart A—Loans to Insiders**

**§ 31.1 Authority.**

The part is issued by the Comptroller of the Currency pursuant to 12 U.S.C. 375a(4) and 375b(3), as amended.

**§ 31.2 Definitions.**

For the purposes of this subpart, the definitions of the terms contained in Regulation O, 12 CFR 215.2 and 215.3, apply, except that the term "capital and surplus" as used in this subpart has the same meaning as "capital and surplus" as defined in 12 CFR 32.2(b).

**§ 31.3 Loan limits.**

(a) *Lending limit on loans to executive officer*—(1) *General limit.* Except as provided in paragraph (a)(2) of this section, a national bank may not extend credit to an executive officer of the bank in an amount that, when aggregated with all other outstanding extensions of credit to that officer, exceeds the greater of \$25,000 or 2.5 percent of the bank's capital and surplus, or in any event \$100,000. The restrictions of this section apply only to executive officers of the national bank and not to executive officers of its affiliates.

(2) *Exceptions.* The general limit specified in paragraph (a)(1) of this section does not apply to the following:

(i) A loan made for the purpose described in 12 U.S.C. 375a(2) (housing-related loans) or 12 U.S.C. 375a(3) (loans made to finance the education of the officer's children); and

(ii) A loan secured in a manner described in 12 CFR 32.3(c)(3) (secured by United States obligations), 12 CFR 32.3(c)(4)(ii) (secured by obligations guaranteed by a Federal agency), or 12 CFR 32.3(c)(6) (secured by a segregated deposit account).

(b) *Approval limits on all loans to an insider.* Notwithstanding paragraph (a) of this section, a national bank may not extend credit to an insider of the bank or insider of its affiliates in an amount that, when aggregated with all other extensions of credit to that insider, exceeds the greater of \$25,000 or 5 percent of the bank's capital and surplus, or in any event \$500,000, unless:

(1) A majority of the lending bank's entire board of directors approves the loan in advance; and

(2) The interested party abstains from participating directly or indirectly in the vote.

## Subpart B—Reports and Public Disclosure

### § 31.4 Authority.

This subpart is issued by the Comptroller of the Currency pursuant to 12 U.S.C. 1817(k) and 12 U.S.C. 1972(2)(G)(ii), as amended.

### § 31.5 Definitions.

The definitions set forth in 12 CFR 215.21 apply to this subpart, except that "capital and surplus" has the same meaning as "capital and surplus" as defined in 12 CFR 32.2(b), and, for purposes of § 31.5(a)(1), "bank" means an insured national bank.

### § 31.6 Disclosure of insider indebtedness.

(a) Upon receipt of a written request, a national bank shall disclose the name of each of its executive officers and principal shareholders whose aggregate indebtedness (including indebtedness of related interests of such persons) from either—

(1) The insider's bank as of the latest calendar quarter, or

(2) The bank's correspondent banks at any time during the previous calendar year, equals or exceeds the lesser of 5 percent of the bank's capital and surplus or \$500,000. This requirement applies only if the insider's (and his or her related interest's) aggregate indebtedness described in paragraphs (a)(1) or (a)(2) of this section exceeds \$25,000.

(b) A national bank need not disclose additional information concerning indebtedness of its executive officers and principal shareholders. The bank may base its disclosure under paragraph (a)(1) of this section on the bank's most recent Consolidated Report of Condition and Income. The bank may base its disclosure under paragraph (a)(2) of this section on information contained in the reports referred to in § 31.6.

(c) A national bank shall maintain records of any requests for information under paragraph (a) of this section and records of the disposition of these requests for two years from the date of the request.

### § 31.7 Reports by executive officers and principal shareholders.

Pursuant to 12 U.S.C. 1972(2)(G)(i), each executive officer and principal shareholder of a national bank shall report annually to the bank's board of directors his or her indebtedness, and the indebtedness of his or her related interests, from correspondent banks of the insider's bank. For purposes of this section, the requirements stated in 12 CFR 215.22 (which implements the insider reporting requirements imposed by 12 U.S.C. 1972(2)(G)(i)) apply.

## Interpretations

### § 31.100 Loans secured by stock or obligations of an affiliate.

If a loan to an affiliate is otherwise adequately secured in compliance with 12 U.S.C. 371c(c), a national bank may take a security interest in the securities of an affiliate as additional collateral without the loan being considered a covered transaction for purposes of the limits on transactions with affiliates in 12 U.S.C. 371c(a)(1) (A) and (B).

### § 31.101 Federal funds transactions between affiliates.

The limitations contained in 12 U.S.C. 371c apply to the sale of federal funds by a national bank to an affiliate of the bank.

### § 31.102 Deposits between affiliated banks.

(a) *General rule.* The OCC considers a deposit made by a bank in an affiliated bank to be a loan or extension of credit to the affiliate under 12 U.S.C. 371c. These deposits must be secured in accordance with 12 U.S.C. 371c(c). However, a national bank may not pledge assets to secure private deposits unless otherwise permitted by law (see, e.g., 12 U.S.C. 90 (permitting collateralization of deposits of public funds); 12 U.S.C. 92a (trust funds); and 25 U.S.C. 156 and 162a (Native American funds)). Thus, unless one of the exceptions to 12 U.S.C. 371c noted in paragraph (b), of this section, applies or unless another exception applies that enables a bank to meet the collateral requirements of 12 U.S.C. 371c(c), a national bank may not:

(1) Make a deposit in an affiliated national bank;

(2) Make a deposit in an affiliated State-chartered bank unless the affiliated State-chartered bank can legally offer collateral for the deposit in conformance with applicable State law and 12 U.S.C. 371c; or

(3) Receive deposits from an affiliated bank.

(b) *Exceptions.* The restrictions of 12 U.S.C. 371c (other than 12 U.S.C. 371c(a)(4), which requires affiliate transactions to be consistent with safe and sound banking practices) do not apply to deposits:

(1) Made in the ordinary course of correspondent business; or

(2) Made in an affiliate that qualifies as a "sister bank" under 12 U.S.C. 371c(d)(1).

Dated: November 28, 1995.

Eugene A. Ludwig,

Comptroller of the Currency.

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 94-NM-226-AD]

### Airworthiness Directives; Boeing Model 747 Series Airplanes

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

**ACTION:** Supplemental notice of proposed rulemaking; reopening of comment period.

**SUMMARY:** This document revises an earlier proposed airworthiness directive (AD), applicable to certain Boeing Model 747 series airplanes, that would have required modification of the left and right inboard elevator servo assemblies and the hydraulic routing of the right inboard elevator power control package (PCP). That proposal was prompted by a report of an uncommanded right elevator deflection after takeoff and reports of elevator/control column bumps during landing gear retraction on these airplanes. This action revises the proposed rule by revising the applicability of the proposed AD to add additional airplanes and additional part numbers of the elevator PCP's, and by including additional service information. The actions specified by this proposed AD are intended to prevent uncommanded elevator deflection, which could result in structural damage and reduced controllability of the airplane.

**DATES:** Comments must be received by January 5, 1996.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-103, Attention: Rules Docket No. 94-NM-226-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056. Comments may be inspected at this location between 9:00 a.m. and 3:00 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from Boeing Commercial Airplane Group, P.O. Box 3707, Seattle, Washington 98124-2207; and Parker Hannifin Corporation, Customer Support Operations, 16666 Von Karman Avenue, Irvine, California 92714. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington.

**FOR FURTHER INFORMATION CONTACT:** Kathi N. Ishimaru, Aerospace Engineer,