inspection in the Public Information and Records Integrity Branch, Information Resources and Services Division (7502C), Office of Pesticide Programs, Environmental Protection Agency, Rm. 119, CM #2, Arlington, VA 22202 (703–305–5805). Requests for data must be made in accordance with the provisions of the Freedom of Information Act and must be addressed to the Freedom of Information Office (A-101), 401 M St., SW., Washington, DC 20460. Such requests should: (1) Identify the product name and registration number and (2) specify the data or information desired.

Authority: 7 U.S.C. 136.

List of Subjects

Environmental protection, Pesticides and pests, Product registration.

Dated: December 7, 1998.

James Jones,

Director, Registration Division, Office of Pesticide Programs.

[FR Doc. 98–33118 Filed 12–15–98; 8:45 am]

BILLING CODE 6560–50–F

ENVIRONMENTAL PROTECTION AGENCY

[OPP–50847; FRL–6040–6]

Issuance of an Experimental Use Permit

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice.

SUMMARY: EPA has granted an experimental use permit to the following applicant. The permit is in accordance with, and subject to, the provisions of 40 CFR part 172, which defines EPA procedures with respect to the use of pesticides for experimental use purposes.

FOR FURTHER INFORMATION CONTACT: By mail: Diana Horne, Biopesticides and Pollution Prevention Division (7511C), Office of Pesticide Programs, Environmental Protection Agency, 401 M St., SW., Washington, DC 20460. Office location, telephone number, and e-mail address: Rm. 9W29, CM #2, 1921 Jefferson Davis Hwy., Arlington, VA, Telephone: 703–308–8367, e-mail: horne.diana@epamail.epa.gov.

SUPPLEMENTARY INFORMATION: EPA has issued the following experimental use permit:

69834–EUP–1. Issuance. EDEN Bioscience Corporation, 11816 North Creek Parkway N., Bothell, WA 98011–8205. This experimental use permit allows the use of 548.58 pounds of the biological pesticide Harpin on 4,997 acres to evaluate the control of various bacterial, viral, and fungal diseases. Commodities included in the program are: alfalfa, apples, blueberry, citrus (oranges, grapefruit, lemons, limes, tangerines, and tangelos), conifer seedlings, corn, sweet corn, cotton, cranberry, cucurbits (cucumbers, squash, and melons), small grains (winter or spring wheat and barley), grapes (wine and table varieties), ornamental roses, ornamentals (greenhouse foliage and bedding plants), peanuts, peppers (bell and chile), potatoes, raspberry, rice, soybeans (dry), strawberries, sugar cane, tobacco (burley and flue-cured), tomatoes (fresh market and processing), and turf (lawn and garden). The program is authorized only in the States of Alabama, Arizona, Arkansas, California, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Montana, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, and Washington. The experimental use permit is effective from October 31, 1998 to October 31, 2000.

Persons wishing to review this experimental use permit are referred to the designated contact person. Inquiries concerning this permit should be directed to the person cited above. It is suggested that interested persons call before visiting the EPA office, so that the appropriate file may be made available for inspection purposes from 8 a.m. to 4 p.m., Monday through Friday, excluding legal holidays.

Authority: 7 U.S.C. 136.

List of Subjects

Environmental protection, Experimental use permits.

Dated: December 2, 1998.

Janet L. Andersen,

Director, Biopesticides and Pollution Prevention Division, Office of Pesticide Programs.

[FR Doc. 98–33335 Filed 12–15–98; 8:45 am]

BILLING CODE 6560–50–F

FARM CREDIT ADMINISTRATION

[BM–10–DEC–98–02]

Interest Rate Risk Management

AGENCY: Farm Credit Administration.

ACTION: Final policy statement.

SUMMARY: The Farm Credit Administration (FCA or Agency), through the FCA Board (Board), is issuing a final policy statement that provides guidance on interest rate risk management to Farm Credit System (System) institutions, excluding the Federal Agricultural Mortgage Corporation (Farmer Mac). The policy statement also describes the Agency's approach to evaluating interest rate risk when making a determination of capital adequacy. The policy statement identifies key elements of sound business principles and practices for interest rate risk management by a System institution. The policy statement also provides criteria by which examiners will evaluate the adequacy and effectiveness of a System institution's interest rate risk management.

EFFECTIVE DATE: December 10, 1998.

FOR FURTHER INFORMATION CONTACT:

Andrew D. Jacob, Senior Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, Virginia 22102–5090, (703) 883–4498, TDD (703) 883–4444,

or

Wendy R. Laguarda, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, Virginia 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION:

I. Background

The Agency published a proposed policy statement on interest rate risk management on May 21, 1998 (63 FR 27962). We received comments on the proposed policy statement from the System's Presidents' Finance Committee (System joint comments) and the Independent Bankers Association of America (IBAA comments). The comments, discussed in greater detail below, reflect the views of System banks and associations and community banks, respectively. We carefully considered the comments in the formulation of the final policy statement and have adopted the policy statement substantially as proposed. The final policy statement also includes minor technical, grammatical, and syntactical changes.

II. System Joint Comments

The System provided six comments on the proposed policy statement. First, the System expressed its concern that the policy statement does not apply to Farmer Mac and requested an explanation for the exclusion. The System banks and associations believe that the interest rate risk management principles set forth in the policy statement also are applicable to Farmer Mac.

The Agency did not make the policy statement applicable to Farmer Mac because the subject of interest rate risk must be addressed in risk-based capital regulations for Farmer Mac. The Farm Credit Act of 1971, as amended (Act), at 12 U.S.C. 2279bb–1, requires the Agency, acting through the Office of Secondary Market Oversight (OSMO), to issue regulations that will include a risk-based capital test which, along with other factors, will include interest rate risk. We also note that the statute precludes publishing these regulations prior to February 10, 1999. In light of the statutory provisions and forthcoming regulations, we decided not to apply this policy statement to Farmer Mac.

In the last sentence of section IV.A. of the policy statement, entitled ''Risk Limits,'' the System suggested that the phrase ''A System institution's board and senior management'' be replaced with ''Each System institution.'' The System recommended this change because it felt that System board responsibilities were adequately detailed in section II. of the policy statement. We decided not to make this change because we want to emphasize the responsibility of boards to set risk limits prior to the introduction of new business approaches involving new products, hedging activities, or position-taking strategies. We believe this phrase is necessary to specifically identify that this responsibility rests with the board and senior management.

In section IV.E. of the policy statement, entitled ''Additional Guidance on the Interest Rate Risk Management Process,'' the System wanted additional guidance on when or why a System association needs to establish limits on market value of equity (MVE). The Agency expects an association to establish an MVE limit when it implements decisions regarding the duration of its equity position, such as by mismatching the repricing or maturity of its assets or liabilities either directly or through the use of a derivative instrument. We have revised the first bullet of the second paragraph of section IV.E. of the policy statement to explain when an association should establish an MVE limit.

Also, in the first sentence of the third paragraph of section IV.E. of the policy statement, the System recommended replacing the phrase ''essentially all'' with the word ''primary'' in the sentence: ''Finally, a direct lender association that relies on its funding bank to manage essentially all sources of interest rate risk and that has minimal level of interest rate risk exposure should establish an interest rate risk management program that includes . . .'' The System commented that ''essentially all'' could be interpreted in a broad number of ways, including the impact of changing interest rates on earnings from an association's ''own funds position'' or spread compression due to competition. The FCA Board agrees that the phrase ''essentially all'' could be interpreted to include interest rate risk that is under the direct control of the association. The policy statement has been changed to use the phrase ''primary sources of interest rate risk.'' In the context of the policy statement, ''primary sources of interest rate risk'' encompasses interest rate risk from sources such as:

- Maturity or coupon adjustment timing differences of assets, liabilities, and off-balance-sheet instruments (repricing or mismatch risk);
- Changes in the slope of the yield curve (yield curve risk);
- Imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics (basis risk); and
- Interest rate-related options embedded in assets, liabilities, and off-balance-sheet instruments (options risk).

Finally, in the first and second bullets of the third paragraph of section IV.E. of the policy statement, the System recommended replacing the phrase ''tolerance for'' with ''philosophy regarding'' as well as deleting the phrase ''and exposure levels.'' This section of the proposed policy statement provides that an association should establish an interest rate risk management program that includes: ''A policy that establishes the board's tolerance for interest rate risk . . .'' and ''Procedures to ensure that the board and senior management understand the sources and exposure levels of interest rate risk . . . .'' The System suggests that its wording is more appropriate to reflect an association's interest rate risk management responsibilities when primary sources of interest rate risk are managed by its funding bank. We believe that an association should establish interest rate risk tolerances and quantify interest rate risk exposure levels under its direct control. Therefore, we have not made the changes suggested by the System. However, we have added the phrase ''within the association's direct control'' in the first and second bullets of the third paragraph in section IV.E. to make it clear that tolerance limits and exposure levels need only be established for those interest rate risks directly under an association's control. For example, although the bank may manage primary sources of interest rate risk, an association may still be exposed to risk from the following sources:

- Repricing of administered rate loans;
- Adjustments in loan spreads; and
- Rate movements on an association's loanable funds position.

We also have added to section IV.E in the second bullet of the third paragraph the phrase: ''and the sources of interest rate risk being managed by the funding bank.'' We added this phrase to emphasize that even when the funding bank manages primary sources of interest rate risk, it is still necessary for the association board and management to maintain an awareness of such risk.

III. IBAA Comments

The IBAA commented that the guidance on interest rate risk management developed by the FCA, particularly in the area of examination criteria, is not as thorough as similar guidance provided by other Federal financial institution regulatory agencies (*see* 61 FR 33166, June 26, 1996).[1] The FCA policy statement is a flexible document providing broad guidance on the subject of interest rate risk management. Our policy statement includes all the subject areas addressed in the joint policy statement issued by other Federal financial institution regulatory agencies. We believe that the policy statement appropriately covers all areas of interest rate risk management for System institutions. Finally, like other Federal financial institution regulators, we will include more detailed criteria for examining interest rate risk management practices in our publicly available FCA Examination Manual.

The final policy statement, as adopted by the Board, is set forth below in its entirety.

Policy Statement on Interest Rate Risk Management

[BM–10–DEC–98–02; FCA–PS–74]

Effective Date: December 10, 1998.

Effect on Previous Actions: None.

Source of Authority: Sections 5.9 and 5.17 of the Farm Credit Act of 1971, as amended.

I. Purpose

Interest rate risk is the exposure of a Farm Credit System (System) institution's financial condition to adverse movements in interest rates. This policy statement provides guidance

[1] Other Federal financial agencies that issued a joint policy statement on interest rate risk management are the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

to System institutions on principles for prudent interest rate risk management. The policy statement also provides criteria by which the Farm Credit Administration (FCA or Agency) will evaluate the adequacy and effectiveness of a System institution's interest rate risk management.

II. Board of Directors' Responsibilities

Effective board of directors' (board) oversight of an institution's interest rate risk activities is the cornerstone of a sound risk management process and a critical element of a board's asset/liability management policy. A board should understand the nature and level of interest rate risks and how such risks relate to the overall business strategies of the institution. A board should also define its risk tolerance levels and expectations for interest rate risk management. To properly fulfill its responsibilities a board should, at a minimum:

- Approve major business strategies and policies addressing interest rate risk, including setting relevant risk limits, and integrating such strategies and policies into the institution's overall strategic and financial planning processes;
- Ensure that senior management implements a sound risk management process that facilitates the identification, measurement, monitoring, reporting, and control of interest rate risk;
- Monitor the institution's performance and overall interest rate risk profile to ensure that risk is maintained at prudent levels; and
- Ensure that adequate resources and proper control systems are devoted to interest rate risk management, including measurement activities.

III. Senior Management Responsibilities

Senior management is responsible for ensuring that interest rate risk is properly managed on both a long-range and day-to-day basis. In managing the institution's activities senior management should, at a minimum:

- Develop and implement procedures that translate the board's major business strategies and policies addressing interest rate risk, including risk limits, into operating standards;
- Ensure adherence to the lines of authority and responsibility that the board has approved for managing, measuring, and reporting interest rate risk exposures;
- Oversee the implementation and maintenance of a management information system and other systems that appropriately manage and control interest rate risk; and
- Establish proper internal controls and audits [2] of the interest rate risk management process.

An institution's board or senior management may delegate authority for implementing many aspects of board policy on risk management to an internal committee composed of qualified officers and staff members. The risk management committee should be a decision-making body involved in the acquisition, allocation, and pricing of the institution's resources in a manner consistent with both the goals established in the institution's business plan and the risk tolerances established by the board.

IV. Interest Rate Risk Management Process

Effective control of interest rate risk requires a comprehensive management process that includes the following elements:

- Policies and procedures designed to control the nature and amount of interest rate risk that the institution assumes;
- A system for identifying and measuring interest rate risk;
- A system for monitoring and reporting interest rate risk; and
- A system of internal controls and audits to ensure the integrity of the overall risk management process.

Each of these elements is discussed below.

A. Risk Limits

Each System institution should establish appropriate controls to effectively limit interest rate risk exposures within the risk tolerances established by its board. Established risk limits should be consistent with the institution's overall measurement of interest rate risk and should consider capital levels and earnings performance. Risk limits must be clearly defined, ensure that exposures will not lead to an unsafe or unsound condition, be consistent with the nature and complexity of the institution's activities, and be evaluated within the institution's total risk-bearing capacity. The risk limits should address the potential impact of changes in market interest rates on both reported earnings and the market value of equity (MVE). Exceptions to established risk limits should be appropriately controlled, approved, and reported. In addition, risk limits should be reviewed at least annually to ensure that they remain appropriate. A System institution's board and senior management should further ensure that adequate operational procedures, controls, and risk limits are in place prior to introducing new business approaches. New business approaches have the potential to increase materially an institution's interest rate risk exposure, particularly when they involve new products, hedging activities, or position-taking strategies.

B. Interest Rate Risk Identification and Measurement

Senior management should ensure the adequacy and completeness of the interest rate risk identification and measurement system. The quality and reliability of the identification and measurement system depend on the type of system used, the quality of the data, and various assumptions used in the model; therefore, close attention to these areas is needed. Senior management should ensure that the identification and measurement system:

- Enables management to identify in a timely and accurate manner risks arising from the institution's existing activities and from new business activities;
- Captures and measures all material sources of interest rate risk in ways that are consistent with the scope of the institution's activities [3] and considers all relevant repricing and maturity data such as current balances, contractual rates, principal payments, interest reset dates, maturities, index rates, and rate caps and floors;
- Utilizes assumptions that are clearly communicated to and understood by risk managers and the board of directors; and
- Measures an institution's vulnerability to loss under stressful market conditions, including a breakdown of key assumptions.

When assessing the scope of an institution's exposure, risk managers should consider the effect on earnings and, when appropriate, MVE. The effect on earnings is important because reduced earnings or losses can adversely

[2] "Audits" refers to audits performed by either internal or external auditors. An institution can rely on qualified internal auditors to perform the audit functions. However, we encourage institution boards to consider using external auditors if the interest rate risk exposures are complex and appropriate interest rate risk management practices are critical to controlling risk exposures at prudent levels.

[3] For a System institution with a high level of interest rate risk or a complex risk exposure, interest rate risk should be measured over a range of potential interest rate changes, economic scenarios, and yield curve shifts so as to capture effectively all material exposures (options, mismatch/repricing, basis, and yield curve). For a System association where the funding bank manages the majority of interest rate risk, any locally managed interest rate risk should be measured at least annually as part of the association's annual financial planning process.

affect liquidity and capital adequacy. The effect on MVE is important because adverse changes in the market value of assets, liabilities, and off-balance-sheet instruments can affect the future performance and liquidity of a System institution.

C. Monitoring and Reporting

Each System institution must have adequate information systems for monitoring and reporting interest rate risk exposures. These systems should provide the board, senior management, and any risk management committee with clear, concise, and timely summaries of the institution's aggregate exposures, compare current exposure to policy limits, and allow for a determination of whether the institution holds sufficient capital in relation to the level of risk exposure. Risk reports should provide sufficient information for the board and senior management to assess exposure. The frequency of internal reporting should be determined by the board and senior management and should depend on the amount and complexity of an institution's level of risk.

D. Internal Controls and Audits

Each System institution should maintain an effective system of internal controls as part of its interest rate risk management process. Controls should include a process for identifying and evaluating risk, establishing appropriate exposure limits and approval processes, and requiring reconciliations, audits, and other mechanisms designed to provide reasonable assurance that interest rate risk is managed in a safe and sound manner. The controls should clearly define official lines of authority and the appropriate separation of duties to avoid conflicts of interest, and should ensure that personnel follow established policies and procedures.

An institution with more complex risk exposures should ensure that its interest rate risk process is audited on a regular basis. Qualified individuals who are independent of the function they are assigned to audit or external auditors should conduct the audits. The audits should test the effectiveness of controls and ensure appropriate follow-up with management where risk limits have been exceeded or deficiencies in interest rate risk management are identified. Audits of risk measurement systems and models should include assessments of the assumptions, parameters, and methodologies used. The audit results should be reported to the board and senior management.

E. Additional Guidance on the Interest Rate Risk Management Process

The interest rate risk management process will vary among System institutions in accordance with the level of interest rate risk exposure. For instance, a System bank, direct lender association, or a service corporation that is managing major sources of interest rate risk should employ comprehensive interest rate risk management techniques. Similarly, measurement practices should address all applicable elements of an effective process for interest rate risk management discussed in this policy statement. These practices should help ensure the establishment and maintenance of adequate controls over the identification, measurement, monitoring, and reporting of all sources of interest rate risk.

The formality and comprehensiveness of the risk management process will vary among System associations depending on the extent to which the funding bank centrally manages interest rate risk. For instance, a direct lender association that is managing some sources of interest rate risk locally and that has the potential for a moderate level of interest rate risk exposure should implement an interest rate risk program that includes:

- A policy that defines the board's interest rate risk tolerance arising from the sources of interest rate risk being managed locally and that sets risk limits from an earnings perspective and, if appropriate considering the sources of interest rate risk being managed, an MVE perspective. For instance, a System association should impose an MVE limit when it implements decisions regarding the duration of its equity position, such as by mismatching the repricing or maturity of its assets or liabilities either directly or through the use of a derivative instrument;
- Procedures and practices established by senior management that adequately identify, measure, control, monitor, and report interest rate risk within the association's direct control;
- Procedures and practices established by senior management that ensure that the board is informed of the sources and exposure levels of interest rate risk;
- Reliable information systems and modeling capabilities that are commensurate with the nature of the interest rate risk being managed and that measure interest rate risk under various economic scenarios; and
- Consideration of interest rate risk exposures in the capital adequacy plan as required by § 1615.5200(b)(7).

Finally, a direct lender association that relies on its funding bank to manage primary sources of interest rate risk and that has a minimal level of interest rate risk exposure should establish an interest rate risk management program that includes:

- A policy that establishes the board's tolerance for interest rate risk within the association's direct control;
- Procedures and practices to ensure that the board and senior management are informed of the sources and exposure levels of interest rate risk within the association's direct control and the sources of interest rate risk being managed by the funding bank;
- Consideration of interest rate risk exposures in the capital adequacy plan as required by § 1615.5200(b)(7); and
- An analysis, prepared at least annually, of potential earnings exposure to changing interest rates.

V. FCA's Capital Adequacy Determination for Interest Rate Risk

FCA examiners will assess an institution's capital adequacy for interest rate risk based on the evaluation of an institution's level of interest rate risk exposure and its risk management practices. The results of an institution's interest rate risk management process will be considered when evaluating interest rate risk exposure levels in accordance with the FCA's Financial Institution Rating System.

Dated: December 11, 1998.

Floyd Fithian,

Secretary, Farm Credit Administration Board.

[FR Doc. 98–33339 Filed 12–15–98; 8:45 am]

BILLING CODE 6705–01–P

FEDERAL COMMUNICATIONS COMMISSION

Notice of Public Information Collection(s) Being Reviewed by the Federal Communications Commission

December 8, 1998.

SUMMARY: The Federal Communications Commissions, as part of its continuing effort to reduce paperwork burden invites the general public and other Federal agencies to take this opportunity to comment on the following information collection(s), as required by the Paperwork Reduction Act of 1995, Pub. L. 104–13. An agency may not conduct or sponsor a collection of information unless it displays a currently valid control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the Paperwork Reduction Act (PRA) that does not display a valid control number. Comments are requested concerning (a)