NYK Bulkship (USA) Inc.
HUAL c/o Autoliners, inc.

Synopsis: The proposed amendment authorizes the parties to charter space from each other.

Agreement No.: 224–200996
Title: Jacksonville Port Authority/ SeaBulk Ltd Terminal Agreement
Parties:
Jacksonville Port Authority (''Port'')
SeaBulk Ltd

Synopsis: The proposed Agreement provides for the heating of rail cars and occasional transfer of products at the Port's Blount Island Marine Terminal.

Dated: July 31, 1996.

By Order of the Federal Maritime Commission.

Joseph C. Polking,

Secretary.

[FR Doc. 96–19801 Filed 8–2–96; 8:45 am]

BILLING CODE 6730–01–M

[Docket No. 96–14]

Compania Sud Americana De Vapores S.A. v. Inter-American Freight Conference, et al.; Notice of Filing of Complaint and Assignment

Notice is given that a complaint filed by Compania Sud Americana de Vapores S.A. (''Complainant'') against Inter-American Freight Conference, Inter-American Freight Conference ''Section C,'' A.P. Moller Maersk Line, Crowley Americas Transport, Inc., A/S Ivaran Rederi, Companhia Maritima Nacional, Companhia de Navegacao Lloyd Brasileiro, Empresa Lineas Maritimas Argentinas S.A., Empresa de Navagacao Alianca S.A., Frota Amazonica S.A., Hamburg-Sudamerikanische Dampfschiffahrts-Gesellschaft Eggert & Amsinck, and Transroll/Sea-Land Joint Service (collectively designated ''Respondents'') was served July 30, 1996. Complainant alleges that Respondents have violated sections 10(a)(2) and (3) of the Shipping Act of 1984, 46 U.S.C. app. 1709(a)(2) and (3), by using funds from complainant's Irrevocable Standby Letter of Credit for costs in winding up a Brazil corporation, without authorization by the Inter-American Freight Conference Agreement.

This proceeding has been assigned to the office of Administrative Law Judges. Hearing in this matter, if any is held, shall commence within the time limitations prescribed in 46 CFR 502.61, and only after consideration has been given by the parties and the presiding officer to the use of alternative forms of dispute resolution. The hearing shall include oral testimony and cross-examination in the discretion of the presiding officer only upon proper showing that there are genuine issues of material fact that cannot be resolved on the basis of sworn statements, affidavits, depositions, or other documents or that the nature of the matter in issue is such that an oral hearing and cross-examination are necessary for the development of an adequate record. Pursuant to the further terms of 46 CFR 502.61, the initial decision of the presiding officer in this proceeding shall be issued by July 30, 1997, and the final decision of the Commission shall be issued by November 28, 1997.

Joseph C. Polking,

Secretary.

[FR Doc. 96–19759 Filed 8–2–96; 8:45 am]

BILLING CODE 6730–01–M

FEDERAL RESERVE SYSTEM

[Docket No. R–0701]

Review of Restrictions on Director and Employee Interlocks, Cross-Marketing Activities and the Purchase and Sale of Financial Assets

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice; request for comment.

SUMMARY: The Board is providing a second opportunity for public comment on proposed revisions to three of the prudential limitations established in its decisions under the Bank Holding Company Act and section 20 of the Glass-Steagall Act permitting a nonbank subsidiary of a bank holding company to underwrite and deal in securities. The Board is proposing to ease or eliminate the following restrictions on these so-called section 20 subsidiaries: the prohibition on director, officer and employee interlocks between a section 20 subsidiary and its affiliated banks or thrifts (the interlocks restriction); the restriction on a bank or thrift acting as agent for, or engaging in marketing activities on behalf of, an affiliated section 20 subsidiary (the cross-marketing restriction); and the restriction on the purchase and sale of financial assets between a section 20 subsidiary and its affiliated bank or thrift (the financial assets restriction).

DATES: Comments should be received on or before September 3, 1996.

ADDRESSES: Comments should refer to Docket No. R–0701, and may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551. Comments also may be delivered to Room B–222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles Building courtyard on 20th Street, N.W. (between Constitution Avenue and C Street, N.W.) at any time. Comments received will be available for inspection in Room MP–500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in 12 CFR 261.8 of the Board's rules regarding availability of information.

FOR FURTHER INFORMATION CONTACT: Gregory Baer, Managing Senior Counsel (202) 452–3236, Thomas Corsi, Senior Attorney (202) 452–3275, Legal Division; Michael J. Schoenfeld, Senior Securities Regulation Analyst (202) 452–2781, Division of Banking Supervision and Regulation; for the hearing impaired only, Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202) 452–3544.

SUPPLEMENTARY INFORMATION:

Background

In its orders authorizing bank holding companies to operate section 20 subsidiaries, the Board has established a series of prudential restrictions (commonly referred to as firewalls) designed to prevent securities underwriting and dealing risk from being passed from a section 20 subsidiary to an affiliated insured depository institution, and thus to the federal safety net. The firewalls also mitigate the potential for conflicts of interest, unfair competition, and other adverse effects that may arise from the conduct of bank-ineligible securities activities. See, e.g., J.P. Morgan & Co., The Chase Manhattan Corp., Bankers Trust New York Corp., Citicorp, and Security Pacific Corp., 75 Federal Reserve Bulletin 192, 202–03 (1989) (hereafter, 1989 Order); Citicorp, J.P. Morgan & Co., and Bankers Trust New York Corp., 73 Federal Reserve Bulletin 473, 492 (1987) (hereafter, 1987 Order).[1] In adopting these restrictions, the Board stated that it would continue to review their appropriateness in the light of its experience in supervising section 20 subsidiaries.

The Board originally sought comment on changes to the interlocks, cross-marketing and financial assets restrictions on July 10, 1990. 55 FR 28,295 (1990). The Board received forty responses to its notice, with comments coming from banks, securities firms, trade associations and other members of the public. However, because legislation

[1] The 1989 Order and the 1987 Order are referred to collectively as the ''section 20 Orders.''

affecting the section 20 firewalls was introduced shortly after the Board sought comment, and has been introduced intermittently in the years since, the Board has deferred further action.

Given the passage of time since the original notice, the Board has decided to reopen these three firewalls for comment. All comments received on the original notice will be considered by the Board before taking final action, but commenters may wish to update their earlier submissions.

Proposed Changes

Introduction

The interlocks and cross-marketing restrictions were intended to insulate a bank or thrift from the underwriting and dealing risks borne by an affiliated section 20 subsidiary by ensuring that each company is operated independently and is perceived as such by its customers. The Board is considering possible alternatives to these restrictions that would maintain the intended insulation while allowing each company to draw on management expertise at its affiliates, operate more efficiently, and serve its customers more effectively.

Similarly, the financial assets restriction was a prophylactic measure designed to insulate a bank or thrift from the risks of an affiliated section 20 subsidiary by limiting one means by which a bank or thrift could fund an affiliated section 20 subsidiary. The Board is now considering whether that restriction is overbroad to the extent that it covers purchases and sales where the bank or thrift assumes no credit or liquidity risk.

Interlocks

The interlocks restriction currently prohibits all director, officer, and employee interlocks between a section 20 subsidiary and its bank or thrift affiliates.[2] The restriction seeks to ensure that customers will not be confused about which company they are dealing with, and that in the event of troubles at the section 20 subsidiary, the two entities will continue to operate independently and be ruled to have done so in the event that creditors of the section 20 subsidiary attempt to recover against the bank or thrift.

By prohibiting bank or thrift employees from serving at the section 20 subsidiary, the interlocks restriction imposes considerable costs on bank holding companies operating a section 20 subsidiary and serves as a barrier to entry for those considering doing so. This cost may be prohibitive for some smaller bank holding companies that cannot afford to pay separate staffs to perform similar functions. Accordingly, the Board believes that this firewall should be reviewed in order to determine whether the burdens it imposes serve functions important to safety and soundness.

With respect to directors, the Board is seeking comment on whether to eliminate the current blanket prohibition entirely or instead to prohibit: (1) A majority of the board of directors of a section 20 subsidiary from being composed of directors, officers or employees of affiliated banks or thrifts, and (2) a majority of the board of directors of a bank or thrift from being composed of directors, officers or employees of an affiliated section 20 subsidiary. The Board believes that a prohibition on majority representation would help to ensure corporate separateness, while allowing personnel costs to be reduced and operating efficiencies to be exploited.

In addition, the Board originally requested comment on replacing the prohibition on officer and employee interlocks with a requirement that the section 20 subsidiary not be managed or controlled by its affiliated banks or thrifts and that there not be a substantial identity of personnel between the entities. Commenters strongly opposed this proposal as vague and impractical, and the Board agrees. The Board now seeks comment on whether the prohibition on officer and employee interlocks should be eliminated altogether or, alternatively, limited to only the senior executive officer or senior executive officers of the section 20 subsidiary.

The Board believes that if the restriction on officer and employee interlocks were eliminated or modified, existing firewalls and the Interagency Policy Statement on the Sale of Uninsured Investment Products would be sufficient to prevent customers from being confused about which company they are dealing with, and consequently whether any product they are obtaining is federally insured. For example, the Board's section 20 Orders require a section 20 subsidiary to provide each of its customers with a special disclosure statement describing the difference between the underwriting subsidiary and its bank and thrift affiliates, and stating that securities sold, offered or recommended by the section 20 subsidiary are not deposits, not federally insured, not guaranteed by an affiliated bank or thrift, and not otherwise an obligation or responsibility of such bank or thrift. E.g. 1989 Order at 215. The Board seeks comment on whether existing disclosure requirements are sufficient to prevent customer confusion and potential liability of a bank or thrift.

The Board also seeks comment on whether concerns about corporate separateness, even given a restriction on director interlocks, warrant maintaining some restriction on officer interlocks. In particular, the Board seeks comment on whether it should generally allow such interlocks but prohibit (1) any senior executive officer of the section 20 subsidiary from serving as an officer or employee of an affiliated bank or thrift, and (2) any senior executive officer of a bank or thrift from serving as an officer or employee of an affiliated section 20 subsidiary.[3] Alternatively, the Board seeks comment on whether the officer or employee interlock should be limited only to the chief executive officer.

Cross-marketing

The Board's section 20 Orders also prohibit a bank or thrift affiliate of a section 20 subsidiary from acting as agent for, or engaging in marketing activities on behalf of, the section 20 subsidiary.[4] The Board is requesting comment on whether to eliminate this

[2] In specific cases, the Board has authorized limited officer or director interlocks between a section 20 subsidiary and its affiliated banks. See, e.g., National City Corporation, 80 Federal Reserve Bulletin 346, 348–9; Synovus Financial Corp., 77 Federal Reserve Bulletin 954, 955–56 (1991); Banc One Corporation, 76 Federal Reserve Bulletin 756, 758 (1990).

[3] Under 12 CFR 225.71, a senior executive officer is defined to include a person who ''without regard to title, exercises the authority of one or more of the following positions: chief executive officer, chief operating officer, chief financial officer, chief lending officer, or chief investment officer. Senior executive officer also includes any other person with significant influence over major policymaking decisions.'' The Board seeks comment on whether, if adopted, this definition should be amended to clarify its coverage of interlocks between U.S. branches and agencies of foreign banks and their affiliated section 20 subsidiaries.

[4] The cross-marketing restriction does not serve as a complete bar on marketing activities by a bank or thrift on behalf of an affiliated section 20 subsidiary. Pursuant to certain conditions, the Board has allowed a bank affiliate of a section 20 subsidiary to: (1) send materials describing the section 20 subsidiary and the section 20 subsidiary's services to retail and commercial customers directly or as a stuffer to bank statements; (2) have its officers and employees send materials and letters on bank letterhead describing the section 20 subsidiary and the section 20 subsidiary's services to the bank's retail and commercial customers; (3) sponsor or co-sponsor with the section 20 subsidiary educational seminars to inform retail and commercial customers about investment opportunities, investment strategies, and the section 20 subsidiary's services; and (4) have its officers and employees send invitations on bank letterhead inviting their customers to attend the educational seminars sponsored or co-sponsored by the banks. Letter Interpreting Section 20 Orders, 81 Federal Reserve Bulletin 198 (1995).

restriction. As noted above, the Board believes that the disclosure requirements contained in the section 20 Orders and the Interagency Statement on Retail Sales of Nondeposit Investment Products may be a more narrowly tailored and less burdensome method of protecting against customer confusion as to whether the customer is dealing with a section 20 subsidiary or an affiliated bank or thrift.

The Board notes that the Glass-Steagall reform legislation passed at various times by the Senate and reported by the House Banking Committee has not prohibited cross-marketing and agency activities. That legislation would have relied instead on disclosures regarding the uninsured status of securities affiliates to prevent customer confusion.

Purchase of Financial Assets

The Board is also seeking comment on amending the financial assets restriction, which generally prohibits a bank or thrift from purchasing financial assets from, or selling such assets to, an affiliated section 20 subsidiary. An existing exception to this restriction allows the purchase or sale of U.S. Treasury securities or direct obligations of the Canadian federal government at market terms, provided that they are not subject to repurchase or reverse repurchase agreements between the underwriting subsidiary and its bank or thrift affiliates. See, *e.g.*, 1989 Order at 216; Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC and Barclays Bank PLC, 76 Federal Reserve Bulletin 158, 172 (1990).

In establishing the exception for U.S. Treasury securities, the Board cited the breadth and liquidity of the market for such instruments, which make evident the ''market terms'' on which the sale must be transacted and ensure that the bank will be able to resell any asset it purchases. In its 1990 Notice, the Board sought comment on extending this exception to include those U.S. Government agency securities and U.S. Government-sponsored agency securities for which there is a market with a breadth and liquidity comparable to that for U.S. Treasury securities.

The Board now seeks comment on whether it should expand this exception to include the purchase or sale of any assets with a sufficiently broad and liquid market to ensure that the transaction is on market terms and that the bank is not incurring credit or liquidity risk through the purchase of assets. The Board notes that the 1987 Order did not contain a financial assets firewall. In the Board's experience, banks and thrifts whose holding companies operate free of the financial assets restriction have not experienced adverse effects from purchasing assets from, or selling assets to, their affiliated section 20 subsidiaries.

The Board does intend to retain for now the financial assets restriction to the extent that it prohibits a purchase or sale of illiquid assets and any purchase or sale of assets subject to a repurchase or reverse repurchase agreement. The Board believes that any further changes to the financial assets restriction should be considered in conjunction with other funding firewalls, as part of a more comprehensive review of all the remaining firewalls between a section 20 subsidiary and its affiliated banks and thrifts.

By order of the Board of Governors of the Federal Reserve System, July 31, 1996.

William W. Wiles,

Secretary of the Board.

[FR Doc. 96–19867; Filed 8–2–96; 8:45 am]

BILLING CODE: 6210–01–P

[Docket No. R–0932]

Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice; Request for comments.

SUMMARY: The Board is proposing for comment a change in the manner in which interest earned on securities authorized for investment by a member bank of the Federal Reserve System is treated in determining whether a company is engaged principally in underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act. In order to ensure compliance with section 20, the Board required that the amount of revenue a company derived from underwriting and dealing in securities that a member bank may not underwrite or deal in (ineligible securities) not exceed 10 percent of the total revenue of the company. The Board is proposing to clarify that interest earned on the types of debt securities that a member bank may hold for its own account is not treated as revenue from underwriting or dealing for purposes of section 20.

DATES: Comments must be received by September 3, 1996.

ADDRESSES: Comments, which should refer to Docket No. R–0932, may be mailed to the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, D.C. 20551, to the attention of Mr. William Wiles, Secretary. Comments may also be delivered to Room B–2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles Building courtyard on 20th Street, N.W. (between Constitution Avenue and C Street) at any time. Comments may be inspected in Room MP–500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in section 261.8 of the Board's Rules Regarding Availability of Information, 12 CFR 261.8.

FOR FURTHER INFORMATION CONTACT: Richard M. Ashton, Associate General Counsel (202/452–3750), Thomas M. Corsi, Senior Attorney (202/452–3275), Legal Division; Michael J. Schoenfeld, Senior Securities Regulation Analyst (202/452–2781), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452–3544), Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, D.C.

SUPPLEMENTARY INFORMATION:

Background

Beginning with orders issued in 1987, the Board has authorized nonbank subsidiaries of bank holding companies, so-called section 20 subsidiaries, to underwrite and deal in ineligible securities.[1] In order to assure compliance with section 20 of the Glass-Steagall Act,[2] the Board provided as a condition of its orders that the gross revenue derived by the subsidiary from ineligible securities underwriting and dealing activities not exceed 10 percent of the total gross revenue of the subsidiary, when revenue is averaged over a rolling 8-quarter period.

For purposes of computing the 10 percent revenue limit section 20 subsidiaries currently report all interest earned on third-party ineligible debt securities held by the subsidiaries in an underwriting or dealing capacity as revenue derived from underwriting and dealing in securities.[3] Questions have

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[1] *E.g.*, Citicorp, 73 Federal Reserve Bulletin 473 (1987), *aff'd, Securities Industry Ass'n* v. *Board of Governors*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988).

[2] Section 20 provides that a member bank may not be affiliated with a company that is ''engaged principally'' in underwriting and dealing in securities. 12 U.S.C. 377. Section 20 does not prohibit a bank affiliate from underwriting and dealing in securities that banks may underwrite and deal in directly (eligible securities).

[3] Instructions for Preparation of the Financial Statements for a Bank Holding Company Subsidiary