The second stage shall be required when 7–10 of the mice injected with product die in the first stage. The second stage shall be conducted in a manner identical to the first stage.

* * * * *

§ 113.453 [Removed and Reserved]

6. Section 113.453 is removed and reserved.

7. In § 113.454, the introductory text of the section and paragraph (a) are revised; paragraph (b) is removed; paragraph (c) is redesignated as new paragraph (b); and the introductory text of newly designated paragraph (b) is revised to read as follows:

§ 113.454 Clostridium Perfringens Type C Antitoxin.

Clostridium Perfringens Type C Antitoxin is a specific antibody product containing antibodies directed against the toxin of *Clostridium perfringens* Type C. Each serial shall be tested as provided in this section. Any serial found unsatisfactory by a prescribed test shall not be released.

(a) Each serial shall meet the applicable general requirements provided in § 113.450.

(b) *Potency test.* Bulk or final container samples of completed product from each serial shall be tested using the toxin-neutralization test for Beta Antitoxin provided in this section. Dried products shall be rehydrated according to label directions.

* * * * *

8. In § 113.455, the introductory text of the section and paragraph (a) are revised; paragraph (b) is removed; paragraph (c) is redesignated as new paragraph (b); and the introductory text of newly redesignated paragraph (b) is revised to read as follows:

§ 113.455 Clostridium Perfringens Type D Antitoxin.

Clostridium Perfringens Type D Antitoxin is a specific antibody product containing antibodies directed against the toxin of *Clostridium perfringens* Type D. Each serial shall be tested as provided in this section. Any serial found unsatisfactory by a prescribed test shall not be released.

(a) Each serial shall meet the applicable general requirements provided in § 113.450.

(b) *Potency test.* Bulk or final container samples of completed product from each serial shall be tested using the toxin-neutralization test for Epsilon Antitoxin provided in this section. Dried products shall be rehydrated according to label directions.

* * * * * * *

§§ 113.456 through 113.498 [Added and Reserved]

9. New §§ 113.456 through 113.498 are added and reserved.

10. New § 113.499 is added to read as follows:

§ 113.499 Products for treatment of failure of passive transfer.

A product for the treatment of failure of passive transfer (FPT) shall contain a specified minimum quantity of IgG per dose and shall be recommended for use only in neonates of the same species as that of antibody origin. A product for oral administration shall not be recommended for use in animals more than 24 hours of age, while one for parenteral administration shall only be recommended for use in neonatal animals. Each serial shall meet the applicable general requirements provided in § 113.450 and be tested for potency as provided in this section. Any serial found unsatisfactory by a prescribed test shall not be released.

(a) *Qualification of an IgG Reference Product.* An IgG Reference Product (reference) shall be a serial of product that is manufactured according to the filed Outline of Production, properly qualified, and used to assess the potency of subsequent product serials, as described in paragraph (c) below. The reference shall be qualified as follows:

(1) At least 20 newborn, colostrum-deprived animals of the species for which the product is recommended shall be randomly selected.

(2) Blood samples shall be taken from each animal.

(3) Each animal shall be administered one dose of reference by the recommended route and shall be observed for 24 hours.

(i) Any adverse reactions shall be recorded.

(ii) The dosage of reference administered to each animal shall be in accordance with label directions. Label directions may indicate a single dosage regardless of weight, in which case the animals in the study shall be at or near the maximum weight for neonates of the species.

(4) After 24 hours, blood samples shall be taken from each animal.

(5) Pretreatment and post treatment serum IgG concentrations shall be concurrently determined for each animal using a radial immunodiffusion (RID) method acceptable to APHIS and described in the filed Outline of Production for the product.

(6) Concurrently, using the same method, five IgG measurements shall be made on an IgG Species Standard supplied or approved by APHIS. The IgG Species Standard shall be a preparation that contains IgG specific for the species in question at a concentration acceptable to APHIS.

(7) For an IgG Reference Product to be satisfactory, all animals used to qualify the reference must remain free of unfavorable product-related reactions and at least 90 percent of the paired serum samples must reflect an increase in IgG concentration (posttreatment minus pretreatment concentration) equal to or greater than the IgG concentration of the IgG Species Standard.

(b) *Antibody functionality.* Prior to licensure, the prospective licensee shall perform a neutralization study, or another type of study acceptable to APHIS, to demonstrate functionality of product antibody.

(c) *Potency.* Bulk or final container samples of completed product from each serial shall be tested for IgG content as provided in this paragraph. Samples of the test serial and of an IgG Reference Product established in accordance with paragraph (a) of this section shall be concurrently tested for IgG content by the RID method referred to in paragraph (a)(5) of this section. Five IgG measurements shall be made on each. If the IgG level per dose of the test serial does not meet or exceed that of the reference, one complete retest, involving five IgG measurements on both the reference and two samples of the test serial, may be conducted. If, upon retest, the average IgG level per dose of the two samples of the test serial does not meet or exceed that of the reference, or if a retest is not conducted, the serial is unsatisfactory.

Done in Washington, DC, this 30th day of September 1996.

A. Strating,

Acting Administrator, Animal and Plant Health Inspection Service.

[FR Doc. 96–25501 Filed 10–3–96; 8:45 am]

BILLING CODE 3410–34–P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 2

[Docket No. 96–22]

RIN 1557–AB49

Sales of Credit Life Insurance

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

ACTION: Final rule.

SUMMARY: The Office of the Comptroller of the Currency (OCC) is revising its

regulation governing national bank sales of credit life insurance and the disposition of credit life insurance income. This final rule is another component of the OCC's Regulation Review Program to update and streamline OCC regulations, focus regulations on key safety and soundness concerns and agency objectives, and eliminate requirements that impose unnecessary regulatory burdens on national banks. The final rule eliminates unnecessarily detailed provisions, reorganizes the rule into a more helpful format, and refocuses the regulation to better address areas presenting potential safety and soundness and conflict of interest issues.

EFFECTIVE DATE: December 31, 1996.

FOR FURTHER INFORMATION CONTACT: Stuart E. Feldstein, Assistant Director, Legislative and Regulatory Activities, (202) 874–5090; Karen E. McSweeney, Attorney, Legislative and Regulatory Activities, (202) 874–5090. Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219.

SUPPLEMENTARY INFORMATION:

Background

On September 13, 1995, the OCC published a notice of proposed rulemaking, 60 FR 47498 (September 13, 1995) (proposal), to revise 12 CFR part 2—the OCC's regulation governing credit life insurance and the disposition of credit life insurance income. The proposal reaffirmed the OCC's commitment to addressing the concerns that gave rise to the former part 2 and did not contemplate altering the fundamental standards reflected in the former rule.

As noted in the proposal, there are two principal concerns that part 2 is intended to address. First, part 2 is ''premised on the judgment that income earned from credit life insurance sales to bank customers by bank officers using bank premises and good will in the creation of bank assets (loans) should be credited to bank earnings rather than be paid directly to and retained by officers, directors or selected stockholders.'' *See* 42 FR 48518 (September 23, 1977). Second, a conflict of interest may exist when a loan officer's receipt of commissions for the sale of the credit life insurance is tied to the number of loans he or she makes. This prospect of financial reward based solely upon loan volume may induce loan officers to make unsound loans or unsound insurance recommendations to the bank's customers. [1] *See generally First National Bank of La Marque* v. *Smith,* 610 F.2d 1258 (5th Cir. 1980).

The courts have confirmed the authority of a national bank to sell credit life insurance. *See IBAA* v. *Heimann,* 613 F.2d 1164 (D.C. Cir. 1979), *cert. denied,* 449 U.S. 823 (1980). In *Heimann*, the D.C. Circuit stated that 12 U.S.C. 24 (Seventh) grants national banks all incidental powers necessary to carry on the business of banking and found that the sale of credit life insurance is within the incidental powers of national banks. As the court noted, credit life insurance is both commonplace and essential where ordinary loans on personal security are involved. *Id.* at 1170. The court also found that the then-current part 2 regulations were well within the OCC's rulemaking authority. *Id.* at 1171.

Comments Received and Changes Made

The proposal revised part 2 by streamlining the overly detailed format of the former part 2 and reorganizing the rule into more readable and concise provisions. The OCC received 25 comments on the proposal. The commenters included 17 banks and bank holding companies, four trade associations, two law firms, one public interest organization, and one insurance company.

The commenters generally supported the proposed changes to part 2, and the final rule implements most of the initiatives contained in the proposal, including the revised structure and format. However, many commenters recommended changes to specific sections. The OCC carefully considered each comment and has responded by making certain changes. The section-by-section discussion of this preamble identifies and discusses comments received and any changes made to the proposal. Distribution and derivation tables summarizing sections of former part 2 as changed by the final rule are included at the end of this preamble.

Section-by-Section Discussion

Section 2.1—Authority, Purpose, and Scope

The proposal added an ''Authority, purpose, and scope'' section that briefly described the objectives and scope of the regulation. This section also restated language from former § 2.6 relating to national bank authority to provide credit life insurance under 12 U.S.C. 24 (Seventh).

The OCC received no comments on this section. The final rule adopts the section substantially as proposed.

Section 2.2—Definitions

The proposal defined ''credit life insurance'' to mean ''credit life, health, and accident insurance.'' The OCC requested comment on whether the scope of this definition was appropriate. The OCC received 11 comments on this issue. Most commenters recommended expanding the definition to include, for example, all types of credit-related insurance.

The OCC declines, at this time, to expand the regulatory definition of ''credit life insurance,'' but notes that it has approved, on a case-by-case basis, bank sales of other types of credit-related insurance. The OCC recognizes that national banks are authorized to offer credit-related insurance other than credit life insurance pursuant to 12 U.S.C. 24(Seventh) and will continue to consider these types of credit-related insurance on a case-by-case basis.

A number of commenters also noted that the OCC had removed language from the definition of credit life insurance and questioned whether the OCC intended to change the meaning of the definition. In addition to stating that credit life insurance ''means credit life, health and accident insurance,'' the former rule also noted that this is ''sometimes referred to as credit life and disability insurance, and mortgage life and disability insurance.'' The proposal did not include this latter language. However, the OCC did not intend to change the definition of credit life insurance. Thus, to avoid any confusion, the final rule retains the language contained in the former rule.

In addition, the final rule retains the definition of the term ''bank'' contained in the former rule and makes a technical change by replacing the defined term ''interest'' with ''owning an interest.''

Section 2.3—Distribution of Credit Life Insurance Income

The proposal provided that the means of distributing credit life insurance income must be consistent with certain requirements and principles identified in proposed § 2.3. These requirements included prohibiting a director, officer, employee, or principal shareholder (bank insider), or an entity in which a bank insider has a voting interest of five percent or more, from retaining

[1] Additional safety and soundness concerns cited when the rule was adopted included that: (1) arrangements permitting employees, officers and directors to use bank premises and good will for personal profit were inimical to the trust and confidence depositors place in financial institutions; (2) the acquisition of a bank by investors who rely on the credit life insurance income to service their debt was inherently unsafe and unsound because it decreases their interest in running a profitable bank; and (3) incentives to increase bank profits were diminished if money was distributed other than through dividends. *See* 41 FR 29846 (July 20, 1976); 42 FR 48518 (September 23, 1977).

commissions or other income from the sale of credit life insurance to loan customers of the bank, subject to certain exceptions for bonus and incentive plans. Proposed § 2.3 also provided that it is unsafe and unsound for a bank insider, or an entity in which the insider has a voting interest of five percent or more, to take advantage of that business opportunity for personal profit.

The proposal defined the term ''principal shareholder'' as any shareholder who directly or indirectly owns or controls an interest of more than five percent of the bank's outstanding shares. The OCC asked commenters to address whether the five percent ownership test for a ''principal shareholder'' and for covered entities in which bank insiders have an interest is an appropriate ownership test to use in these contexts, and, if not, what alternative percentages or more flexible standards would be appropriate.

The OCC received seven comments on this issue. Six commenters recommended increasing the ownership test to ten percent. One commenter stated that the definition of principal shareholder is too broad and should not include holding companies.

The final rule increases the ownership test from five percent to ten percent. The ten percent ownership level is used to define a ''principal shareholder'' for purposes of other safety and soundness regulations, and the OCC does not believe safety and soundness concerns require a lower threshold in the context of the part 2 definition. For example, a ''principal shareholder'' for purposes of insider lending standards is defined using a ten percent voting securities ownership test. 12 CFR 215.2(m)(1).

Thus, the final rule defines a ''principal shareholder'' as any shareholder who directly or indirectly owns or controls an interest of more than ten percent of the bank's outstanding voting securities. The final rule also provides that it is an unsafe and unsound practice for any bank director, officer, employee, or principal shareholder, or any entity in which this person owns an interest of more than ten percent, who is involved in the sale of credit life insurance to loan customers of the national bank, to take advantage of that business opportunity for personal profit. In this regard, the final rule states that recommendations to customers to buy credit life insurance should be based on the benefits of the policy, not the commissions to be received from the sale. In addition, except as provided in §§ 2.3(d), 2.4, and 2.5(b), a bank insider, or an entity in which the bank insider owns an interest of more than ten percent, may not retain commissions or other income from the sale of credit life insurance in connection with any loan made by that bank, and income from credit life insurance sales must be credited to the income accounts of the bank.

The OCC also requested comment on situations where banks share space and employees with other non-bank entities. In some instances, the bank and another entity that uses bank premises may share employees to sell products, potentially including credit life insurance, to the bank's customers. To the extent these shared employees received commissions from the sale of the credit life insurance, the arrangement arguably fell within the prohibitions contained in the proposal.

The OCC received one comment on this issue. The commenter recommended that the bank receive the profits from sales of credit life insurance by shared employees.

The OCC agrees that in some cases this is the appropriate result. However, there are situations where the concerns underlying part 2 would not, generally, be implicated. Accordingly, the final rule focuses on the objectives underlying part 2 and does not apply the part 2 restrictions in certain cases to dual employees, provided that specified conditions are met. Thus, under the final rule, a director, officer, employee, or principal shareholder is not subject to the specific limits of part 2 if he or she is: (1) Employed by a third party that has contracted with the bank on an arm's-length basis to sell financial products on bank premises; and (2) not involved in the bank's credit decision process.

The first requirement ensures that the third party will compensate the bank for the use of the bank's premises, thus addressing the concern that the bank be properly reimbursed for the use of its premises and good will. The second requirement addresses potential conflicts of interest that may arise when the individual selling the insurance is involved in the credit decision. The OCC believes that these conditions effectively adapt the part 2 safeguards to the dual employee situation.

The proposal also requested comment on whether to retain a provision that permitted income from the sale of credit life insurance to be credited to a holding company affiliate of the bank or to a trust for the benefit of all shareholders, if the holding company affiliate or trust paid reasonable compensation to the bank for the use of its personnel, premises, and good will. Under the former rule, it was suggested that reasonable compensation meant an amount equivalent to at least 20 percent of the affiliate's net income attributable to the bank's credit life insurance sales.

The OCC received only a few comments addressing this issue. After considering these comments, the OCC has decided to retain the current provision with a few modifications. Thus, under the final rule, income derived from the sale of credit life insurance to loan customers may be credited to an affiliate operating under the Bank Holding Company Act of 1956, 12 U.S.C. 1841 *et seq.*, or to a trust for the benefit of all shareholders, if the holding company affiliate or trust pays reasonable compensation to the bank for the use of the bank's personnel, premises, and good will. The OCC does not believe, however, that it is appropriate for it to suggest what constitutes reasonable compensation in these arrangements. Thus, the final rule states that reasonable compensation *generally* means an amount equivalent to at least 20 percent of the affiliate's net income attributable to the bank's credit life insurance sales. This provision has been transferred a new section 2.5(b).

The proposal also requested comment on whether to apply the prohibition against the retention of income derived from the sale of credit life insurance to sales of credit life insurance to loan customers of an affiliate bank. The OCC received several comments on this issue, which raised issues warranting further study. Therefore, this issue is not addressed in the final rule.

Section 2.4—Bonus and Incentive Plans

Both the proposal and the former regulation permitted limited bonus and incentive arrangements for employees and officers notwithstanding the general prohibition against paying insiders income derived from the sale of credit life insurance. Bonuses and incentive payments based on credit life insurance sales in any one year are limited to the greater of five percent of the recipient's annual salary or five percent of the average salary of all loan officers participating in the plan. The bank may not pay bonuses more frequently than quarterly.

The OCC requested comment relating to both the frequency and amount of the bonus and incentive payments. Specifically, the OCC asked commenters to address whether the periodic payment standard and the percentage limits are appropriate safeguards for bonus and incentive programs, and, if not, what alternative safeguards would deter inappropriate sales activities by insiders in connection with the sale of credit life insurance.

The OCC received 22 comments addressing the permissible *amount* of

bonus and incentive plan payments. Nineteen commenters supported either eliminating or increasing the five percent limit on the amount that a bank may pay its employees under an incentive or bonus plan. Commenters recommended alternatives including: (1) Permitting any compensation plan approved by the bank's board of directors; (2) permitting up to five percent of premiums sold; and (3) expanding the percentage from five percent to up to ten percent. Other commenters suggested that the sole limitation should be the requirement contained in the proposal that the bank not structure its sales practices in a manner that could create incentives for persons selling credit life insurance to make inappropriate recommendations.

Those supporting the retention of the current standards asserted that the five percent standard is reasonable and provides sufficient safeguards against abuses. One commenter stated that the five percent limit provides a necessary bright-line test to prevent banks from coercing customers.

The OCC agrees with the reasons offered by the commenters for retaining the five percent limit on bonus and incentive plan payments based on credit life insurance sales. The OCC shares the concerns expressed that the prospect of increased financial reward could create an inappropriate incentive for salespersons to make financially unsound loans or to recommend insurance based on the amount of commissions paid rather than the benefits of the policy itself, thereby undermining the purpose of the regulation. Thus, the final rule retains the five percent limit on the amount of permissible bonus and incentive plan payments based on credit life insurance sales.

The OCC also received 18 comments addressing the *frequency* of permissible bonus payments. Several commenters suggested either eliminating or changing to monthly the quarterly limitation on the frequency with which a bank could make bonus payments.

The OCC is not aware that the frequency—as opposed to the amount—of the bonus payments has any demonstrable relationship to the potential for coercing customers to purchase credit life insurance. Moreover, removing this requirement could reduce burden and increase flexibility for national banks that have separate payment procedures for employees selling credit life insurance. Therefore, the final rule removes the limitation on the frequency of bonus payments.

The proposal also added a new provision requiring the bank to avoid structuring its bonus or incentive plan in a manner that could create incentives for persons selling credit life insurance to make inappropriate recommendations or sales of credit life insurance to bank customers. The OCC received four comments on this provision. Several commenters expressed concern that the provision was too vague and could thereby encourage litigation against banks by disaffected purchasers of credit life insurance.

The OCC agrees that the proposed provision was potentially vague. However, the OCC believes that the issue nevertheless needs to be addressed. As noted in the discussion of § 2.3, the OCC believes that encouraging a customer to buy credit life insurance on the basis of commissions to the seller rather than the benefits of the policy is an example of taking inappropriate advantage of a business opportunity for personal profit. This is a concern regardless of the percentage limitations that apply to bank insiders' and principal shareholders' receipt of incentive and bonus payments and, accordingly, is specifically referenced in § 2.3 of the final rule.

Section 2.5—Bank Compensation

The OCC has made one clarifying structural change to the final rule. The final rule transfers to a new § 2.5(a) a concept from the former rule and the proposal relating to the permissibility of a bank insider compensating the bank for the use of bank premises, employees, or good will. Also, as noted earlier, § 2.5(b) contains a provision from the former rule which allows income derived from credit life insurance sales to loan customers to be credited to a holding company affiliate or a trust for the benefit of all shareholders, provided that the bank receives reasonable compensation in recognition for the role played by its personnel, premises, and good will in the sale of the credit life insurance. Reasonable compensation generally means an amount equivalent to at least 20 percent of the affiliate's net income attributable to the bank's credit life insurance sales.

Other Changes

The proposal also made a number of additional changes to the regulation. For example, the proposal removed former § 2.5 which relates to director responsibilities because that issue was addressed in a different section of the regulation. The proposal also removed language in former § 2.6 that contained a list of OCC approved methods of distributing credit life insurance income that identified alternatives to the assignment of commissions to the bank. The proposal substituted a simple statement that the means of distribution of credit life insurance income must be consistent with the requirements and principles of § 2.3. The final rule adopts, substantially as proposed, these changes.

The proposal also removed former § 2.7, which reserved the Comptroller's authority to modify the applicability of part 2 based on the particular circumstances of the bank. The final rule removes this provision. However, as stated in the proposal, the OCC will continue to consider requests for waivers of part 2 on a case-by-case basis.

Distribution Table

The distribution table indicates where, if applicable, each section of the former part 2 will appear in the final part 2.

Original provision	Revised provision	Comment
§ 2.1	§ 2.1(a)	Modified.
§ 2.2(a)	§ 2.1(c)	Modified.
§ 2.2(b)	§ 2.1(b)	Modified.
§ 2.3	§ 2.2	Modified.
§ 2.4(a)	§§ 2.3, 2.4	Modified.
§ 2.4(b)	§§ 2.3(c), 2.5(b).	Modified.
§ 2.4(c)	§ 2.5(a)	Modified.
§ 2.5	§ 2.3(b)	Modified.
§ 2.6		Removed.
§ 2.7		Removed.

Derivation Table

This derivation table illustrates the former sections of part 2 upon which the final sections are based.

Revised provision	Original provision	Comment
§ 2.1(a)	§ 2.1	Modified.
§ 2.1(b)	§ 2.2(b)	Modified.
§ 2.1(c)	§ 2.2(a)	Modified.
§ 2.2	§ 2.3	Modified.
§§ 2.3(a), (b), and (c).	§§ 2.4(a), (b)	Modified.
§ 2.3(d)		Added.
§ 2.4	§ 2.4(a)	Modified.
§ 2.5(a)	§ 2.4(c)	Modified.
§ 2.5(b)	§ 2.4(b)	Modified.

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act, 5 U.S.C. section 605(b), the Comptroller of the Currency certifies that this rule will not have a significant economic impact on a substantial number of small entities. This final rule eliminates unnecessary or confusing language and restructures part 2 to clarify regulatory requirements. This final rule reduces, somewhat, regulatory burden on national banks,

regardless of size. This final rule has minimal impact. Accordingly, a regulatory flexibility analysis is not required.

Executive Order 12866

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

Unfunded Mandates Reform Act of 1995

Section 202 of the Unfunded Mandates Reform Act of 1995 (Unfunded Mandates Act), 2 U.S.C. 1532, requires that an agency prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act, 2 U.S.C. 1535, also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. Because the OCC has determined that this final rule 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, the OCC has not prepared a budgetary impact statement or specifically addressed the regulatory alternatives considered. As discussed in the preamble, the final rule has the effect of reducing burden and increasing the flexibility of national banks, consistent with safe and sound banking practices.

List of Subjects in 12 CFR Part 2

Credit, Life insurance, National banks.

Authority and Issuance

For the reasons set out in the preamble, part 2 of chapter I of title 12 of the Code of Federal Regulations is revised to read as follows:

PART 2—SALES OF CREDIT LIFE INSURANCE

Sec.

Authority: 12 U.S.C. 24 (Seventh), 93a, and 1818(n).

§ 2.1 Authority, purpose, and scope.

(a) *Authority.* A national bank may provide credit life insurance to loan customers pursuant to 12 U.S.C. 24 (Seventh).

(b) *Purpose.* The purpose of this part is to set forth the principles and standards that apply to a national bank's provision of credit life insurance and the limitations that apply to the receipt of income from those sales by certain individuals and entities associated with the bank.

(c) *Scope.* This part applies to the provision of credit life insurance by any national bank employee, officer, director, or principal shareholder, and certain entities in which such persons own an interest of more than ten percent.

§ 2.2 Definitions.

(a) *Bank* means a national banking association or a bank located in the District of Columbia and subject to the supervision of the Comptroller of the Currency.

(b) *Credit life insurance* means credit life, health, and accident insurance, sometimes referred to as credit life and disability insurance, and mortgage life and disability insurance.

(c) *Owning an interest* includes:

(1) Ownership through a spouse or minor child;

(2) Ownership through a broker, nominee, or other agent; or

(3) Ownership through any corporation, partnership, association, joint venture, or proprietorship, that is controlled by the director, officer, employee, or principal shareholder of the bank.

(d) *Officer, director, employee, or principal shareholder* includes the spouse and minor children of an officer, director, employee, or principal shareholder.

(e) *Principal shareholder* means any shareholder who directly or indirectly owns or controls an interest of more than ten percent of the bank's outstanding voting securities.

§ 2.3 Distribution of credit life insurance income.

(a) Distribution of credit life insurance income by a national bank must be consistent with the requirements and principles of this section.

(b) It is an unsafe and unsound practice for any director, officer, employee, or principal shareholder of a national bank (including any entity in which this person owns an interest of more than ten percent), who is involved in the sale of credit life insurance to loan customers of the national bank, to take advantage of that business opportunity for personal profit. Recommendations to customers to buy insurance should be based on the benefits of the policy, not the commissions received from the sale.

(c) Except as provided in §§ 2.4 and 2.5(b), and paragraph (d) of this section, a director, officer, employee, or principal shareholder of a national bank, or an entity in which such person owns an interest of more than ten percent, may not retain commissions or other income from the sale of credit life insurance in connection with any loan made by that bank, and income from credit life insurance sales to loan customers must be credited to the income accounts of the bank.

(d) The requirements of paragraph (c) of this section do not apply to a director, officer, employee, or principal shareholder if:

(1) The person is employed by a third party that has contracted with the bank on an arm's-length basis to sell financial products on bank premises; and

(2) The person is not involved in the bank's credit decision process.

§ 2.4 Bonus and incentive plans.

A bank employee or officer may participate in a bonus or incentive plan based on the sale of credit life insurance if payments to the employee or officer in any one year do not exceed the greater of:

(a) Five percent of the recipient's annual salary; or

(b) Five percent of the average salary of all loan officers participating in the plan.

§ 2.5 Bank compensation.

(a) Nothing contained in this part prohibits a bank employee, officer, director, or principal shareholder who holds an insurance agent's license from agreeing to compensate the bank for the use of its premises, employees, or good will. However, the employee, officer, director, or principal shareholder shall turn over to the bank as compensation all income received from the sale of the credit life insurance to the bank's loan customers.

(b) Income derived from credit life insurance sales to loan customers may be credited to an affiliate operating under the Bank Holding Company Act of 1956, 12 U.S.C. 1841 *et seq.*, or to a trust for the benefit of all shareholders, provided that the bank receives reasonable compensation in recognition of the role played by its personnel, premises, and good will in credit life insurance sales. Reasonable compensation generally means an amount equivalent to at least 20 percent of the affiliate's net income attributable to the bank's credit life insurance sales.

Dated: August 30, 1996.

Eugene A. Ludwig,

Comptroller of the Currency.

[FR Doc. 96–25158 Filed 10–3–96; 8:45 am]

BILLING CODE 4810–33–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 91

[Docket No. 28690; Special Federal Aviation Regulation (SFAR) No. 76]

RIN 2120–AG–28

Removal of the Prohibition Against Certain Flights Within the Territory and Airspace of Iran

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule; removal.

SUMMARY: This action removes Special Federal Aviation Regulation (SFAR) No. 76, which prohibits flight operations within the territory and airspace of Iran by any United States air carrier or commercial operator, by any person exercising the privileges of an airman certificate issued by the FAA except persons operating U.S.-registered aircraft for foreign air carriers, or by an operator using an aircraft registered in the United States unless the operator of such aircraft is a foreign air carrier. This action is taken in response to the decrease in certain military operations in northwest Iran, including the removal of equipment from a missile site near the Iran-Turkey border, which has reduced the threat of hostile actions against persons and aircraft engaged in flight operations within Iran's territory and airspace.

DATES: Effective Date: September 27, 1996.

FOR FURTHER INFORMATION CONTACT: Mark W. Bury, International Affairs and Legal Policy Staff, AGC–7, Office of the Chief Counsel, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, D.C. 20591. Telephone: (202) 267–3515. Any person may obtain a copy of this document by submitting a request to the Federal Aviation Administration, Office of Rulemaking, Attention: ARM–1, 800 Independence Avenue, SW., Washington, D.C. 20591, or by calling (202) 267–9677. Communications must identify the number of this SFAR. Persons interested in being placed on a mailing list for future rules should also request a copy of Advisory Circular No. 11–2A, which describes the application procedure.

SUPPLEMENTARY INFORMATION: On September 17, 1996, the FAA issued a final rule prohibiting certain aircraft operations within the territory and airspace of Iran. In the exercise of its statutory responsibility for the safety of U.S.-registered aircraft and U.S. operators, the FAA determined that an I–HAWK surface-to-air missile site established by Iran in close proximity to civilian air corridors near the Iran-Turkey border posed a threat to civil aviation, and therefore justified the imposition of certain measures to ensure the safety of U.S.-registered aircraft and operators conducting flight operations within Iran's territory and airspace. SFAR 76 prohibits flight operations within the territory and airspace of Iran by any United States air carrier or commercial operator, by any person exercising the privileges of an airman certificate issued by the FAA except persons operating U.S.-registered aircraft for foreign air carriers, or by an operator using an aircraft registered in the United States unless the operator of such aircraft is a foreign air carrier.

The FAA has determined that the threat to civil aviation posed by the I–HAWK surface-to-air missile site and related military operations has ended. The I–HAWK missile equipment has been removed and the related military operations terminated. There now appears to be no continuing threat to civil aviation arising out of, or related to, Iranian military operations in that area.

On the basis of the foregoing information, I have determined that the immediate removal of SFAR 76 from 14 CFR Part 91 is appropriate. The Department of State has been advised of, and has no objection to, the action taken herein.

List of Subjects in 14 CFR Part 91

Air traffic control, Aircraft, Airmen, Airports, Aviation safety, Freight, Iran.

The Amendment

For the reasons set forth above, the Federal Aviation Administration amends 14 CFR Part 91 by removing SFAR 76 as follows:

PART 91—GENERAL OPERATING AND FLIGHT RULES

1. The authority citation for part 91 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120, 44101, 44111, 44701, 44709, 44711, 44712, 44715, 44716, 44717, 44722, 46306, 46315, 46316, 46502, 46504, 46506–46507, 47122, 47508, 47528–47531.

2. Special Federal Aviation Regulation No. 76 is removed.

Issued in Washington, DC, on September 27, 1996.

David R. Hinson,

Administrator.

[FR Doc. 96–25421 Filed 9–30–96; 3:15 pm]

BILLING CODE 4910–13–M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 3500

[Docket No. FR–3638–N–07]

RIN 2502–AG26

Office of the Assistant Secretary for Housing—Federal Housing Commissioner; Amendments to Regulation X, the Real Estate Settlement Procedures Act: Withdrawal of Employer-Employee and Computer Loan Origination Systems (CLOs) Exemptions; Notice of Delay of Effectiveness of Rule

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Final rule; Notice of delay of effectiveness.

SUMMARY: Due to recent legislation, this document delays until further notice the effectiveness of a final rule revising Regulation X, which implements the Real Estate Settlement Procedures Act of 1974 (RESPA). This final rule was published on June 7, 1996 (61 FR 29238), and it was corrected and revised on August 12, 1996 (61 FR 41944). Within 30 days of the publication of this notice, the Department will provide further notice indicating its time schedule for making effective the various provisions of these rules.

DATES: The effective date of the final rule amending part 3500 published June 7, 1996 (61 FR 29238) and corrected August 12, 1996 (61 FR 41944), is delayed until further notice. See Supplementary Information.

FOR FURTHER INFORMATION CONTACT: David Williamson, Director, Office of Consumer and Regulatory Affairs, Room 5241, telephone (202) 708–4560; or, for legal questions, Kenneth A. Markison, Assistant General Counsel for GSE/RESPA, Grant E. Mitchell, Senior Attorney for RESPA, or Richard S. Bennett, Attorney, Office of General Counsel, Room 9262, telephone (202) 708–1550. (The telephone numbers are not toll-free.) For hearing- and speech-impaired persons, these numbers may be accused via TTY (text telephone) by calling the Federal Information Relay Service at 1–800–877–8339. The address for the above-listed persons is: