

proposed Findings or Environmental Assessments should do so by December 9, 1996.

**ADDRESSES:** Comments should be made to: Joseph A. Uravitch, Coastal Programs Division (N/ORM3), Office of Ocean and Coastal Resource Management, NOS, NOAA, 1305 East-West Highway, Silver Spring, Maryland, 20910, tel. (301) 713-3155, ext. 195.

(Federal Domestic Assistance Catalog 11.419 Coastal Zone Management Program Administration)

Dated: October 31, 1996.

W. Stanley Wilson,

*Assistant Administrator for Ocean Services and Coastal Zone Management, National Oceanic and Atmospheric Administration.*

Robert H. Wayland III,

*Director, Office of Wetlands, Oceans and Watersheds, Environmental Protection Agency.*

[FR Doc. 96-28584 Filed 11-6-96; 8:45 am]

BILLING CODE 3510-12-M

## ENVIRONMENTAL PROTECTION AGENCY

[FRL-5649-2]

### Proposed Settlement Pursuant to Section 122(g) of the Comprehensive Environmental Response, Compensation, and Liability Act

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Notice of proposed administrative settlement and opportunity for public comment.

**SUMMARY:** In accordance with Section 122(i) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. 9622(i), the Environmental Protection Agency, Region II, announces a proposed administrative *de minimis* settlement pursuant to Section 122(g)(4) of CERCLA, 42 U.S.C. 9622(g)(4), relating to the Hexagon Laboratories Superfund Site ("Site"). The Site is located on 3536 Peartree Avenue in the Eastchester section of Bronx County, New York City, New York. This notice is being published pursuant to Section 122(i) of CERCLA to inform the public of the proposed settlement and of the opportunity to comment. EPA will consider any comments received during the comment period and may withdraw or withhold consent to the proposed settlement if comments disclose facts or considerations which indicate that the proposed settlement is inappropriate, improper, or inadequate.

The proposed administrative settlement has been memorialized in an Administrative Order on Consent ("Order") between EPA and Monsanto Company ("Respondent"). This Order will become effective after the close of the public comment period, unless comments received disclose facts or considerations which indicate that this Agreement is inappropriate, improper or inadequate, and EPA, in accordance with Section 122(i)(3) of CERCLA, modifies or withdraws its consent to this Agreement. Under the Order, the Respondent will be obligated to pay \$10,000 to the Hazardous Substance Superfund in reimbursement of its share of EPA's response costs relating to the Site plus a premium.

Pursuant to CERCLA Section 122(h)(1), the Order may not be issued without the prior written approval of the Attorney General or her designee. In accordance with that requirement, the Attorney General or her designee has approved the proposed administrative order in writing.

**DATES:** Comments must be provided on or before December 9, 1996.

**ADDRESSES:** Comments should be addressed to the Environmental Protection Agency, Office of Regional Counsel, New York/Caribbean Superfund Branch, 17th Floor, 290 Broadway, New York, New York 10007 and should refer to: "Hexagon Laboratories Superfund Site, U.S. EPA Index No. CERCLA-96-0217". For a copy of the settlement document, contact the individual listed below.

**FOR FURTHER INFORMATION CONTACT:** Jeannie M. Yu, Assistant Regional Counsel, New York/Caribbean Superfund Branch, Office of Regional Counsel, Environmental Protection Agency, 17th Floor, 290 Broadway, New York, New York 10007. Telephone: (212) 637-3178.

Dated October 29, 1996.

William J. Muszynski,

*Acting Regional Administrator.*

[FR Doc. 96-28639 Filed 11-6-96; 8:45 am]

BILLING CODE 6560-50-P

## FEDERAL ELECTION COMMISSION

### Sunshine Act Meeting

**FEDERAL REGISTER NUMBER:** 96-28059.

**PREVIOUSLY ANNOUNCED DATE AND TIME:** Thursday, November 7, 1996, 10:00 a.m., meeting open to the public.

The following item was added to the agenda: Final Report of the Audit Division on the North Carolina Democratic Victory Fund.

**DATE AND TIME:** Tuesday November 12, 1996 at 10:00 a.m.

**PLACE:** 999 E Street, N.W., Washington, D.C.

**STATUS:** This meeting will be closed to the public.

### ITEMS TO BE DISCUSSED:

Compliance matters pursuant to 2 U.S.C. 437g.

Audits conducted pursuant to 2 U.S.C. 437g, § 438(b), and Title 26, U.S.C.

Matters concerning participation in civil actions or proceedings or arbitration.

Internal personnel rules and procedures or matters affecting a particular employee.

**DATE AND TIME:** Thursday, November 14, 1996 at 10:00 a.m.

**PLACE:** 999 E Street, N.W., Washington, D.C. (Ninth Floor).

**STATUS:** This meeting will be open to the public.

### ITEMS TO BE DISCUSSED:

Correction and Approval of Minutes.

Advisory Opinion 1996-35: Betty K. Wood on behalf of the Greens/Green Party USA.

Regulation: Electronic Filing—Interim Regulation (tentative).

Administrative Matters.

### PERSON TO CONTACT FOR INFORMATION:

Mr. Ron Harris, Press Officer, Telephone: (202) 219-4155.

Delores Hardy,

*Administrative Assistant.*

[FR Doc. 96-28734 Filed 11-5-96; 10:43 am]

BILLING CODE 6715-01-M

## FEDERAL MEDIATION AND CONCILIATION SERVICE

### Labor-Management Cooperation Program; Application Solicitation

**AGENCY:** Federal Mediation and Conciliation Service.

**ACTION:** Publication of Draft Fiscal Year 1997 Program Guidelines/Application Solicitation for Labor-Management Committees.

**SUMMARY:** The Federal Mediation and Conciliation Service (FMCS) is publishing the draft Fiscal Year 1997 Program Guidelines/Application Solicitation for the Labor-Management Cooperation program to inform the public. The program is supported by Federal funds authorized by the Labor-Management Cooperation Act of 1978, subject to annual appropriations.

**FOR FURTHER INFORMATION CONTACT:** Peter L. Regner, 202-606-8181.

Labor-Management Cooperation Program; Application Solicitation for Labor-Management Committees FY1997

*A. Introduction*

The following is the draft solicitation for the Fiscal Year (FY) 1997 cycle of the Labor-Management Cooperation Program as it pertains to the support of labor-management committees. These guidelines represent the continuing efforts of the Federal Mediation and Conciliation Service to implement the provisions of the Labor-Management Cooperation Act of 1978 which was initially implemented in FY81. The Act generally authorizes FMCS to provide assistance in the establishment and operation of plant, area, public sector, and industry-wide labor-management committees which:

(A) Have been organized jointly by employers and labor organizations representing employees in that plant, area, government agency, or industry; and

(B) Are established for the purpose of improving labor-management relationships, job security, and organizational effectiveness; enhancing economic development; or involving workers in decisions affecting their jobs, including improving communication with respect to subjects of mutual interest and concern.

The Program Description and other sections that follow, as well as a separately published FMCS Financial and Administrative Grants Manual, make up the basic guidelines, criteria, and program elements a potential applicant for assistance under this program must know in order to develop an application for funding consideration for either a plant, area-wide, industry, or public sector labor-management committee. Directions for obtaining an application kit and an optional video tape may be found in Section H. A copy of the Labor-Management Cooperation Act of 1978, included in the application kit, should be reviewed in conjunction with this solicitation.

*B. Program Description*

*Objectives*

The Labor-Management Cooperation Act of 1978 identifies the following seven general areas for which financial assistance would be appropriate:

(1) To improve communication between representatives of labor and management;

(2) To provide workers and employers with opportunities to study and explore new and innovative joint approaches to achieving organizational effectiveness;

(3) To assist workers and employers in solving problems of mutual concern

not susceptible to resolution within the collective bargaining process;

(4) To study and explore ways of eliminating potential problems which reduce the competitiveness and inhibit the economic development of the plant, area, or industry;

(5) To enhance the involvement of workers in making decisions that affect their working lives;

(6) To expand and improve working relationships between workers and managers; and

(7) To encourage free collective bargaining by establishing continuing mechanisms for communication between employers and their employees through Federal assistance in the formation and operation of labor-management committees.

The primary objective of this program is to encourage and support the establishment and operation of joint labor-management committees to carry out specific objectives that meet the forementioned general criteria. The term "labor" refers to employees represented by a labor organization and covered by a formal collective bargaining agreement. These committees may be found at either the plant (worksite), area, industry, or public sector levels. A plant or worksite committee is generally characterized as restricted to one or more organizational or productive units operated by a single employer. An area committee is generally composed of multiple employers of diverse industries as well as multiple labor unions operating within and focusing upon city, county, contiguous multicounty, or statewide jurisdictions. An industry committee generally consists of a collection of agencies or enterprises and related labor union(s) producing a common product or service in the private sector on a local, state, regional, or nationwide level. A public sector committee consists either of government employees and managers in one or more units of a local or state government, managers and employees of public institutions of higher education, or of employees and managers of public elementary and secondary schools. Those employees must be covered by a formal collective bargaining agreement or other enforceable labor-management agreement. In deciding whether an application is for an area or industry committee, consideration should be given to the above definitions as well as to the focus of the committee.

In FY 1997, competition will be open to plant, area, private industry, and public sector committees. Public Sector committees will be divided into two sub-categories for scoring purposes. One sub-category will consist of committees

representing state/local units of government and public institutions of higher education. The second sub-category will consist of public elementary and secondary schools.

Special consideration will be given to committee applications involving innovative or unique efforts. All application budget requests should focus directly on supporting the committee. Applicants should avoid seeking funds for activities that are clearly available under other Federal programs (e.g., job training, mediation of contract disputes, etc.).

*Required Program Elements*

1. *Program Statement*—The application, which should have numbered pages, must discuss in detail what specific problem(s) face the plant, area, government, or industry and its workforce that will be addressed by the committee. Applicants must document the problem(s) using as much relevant data as possible and discuss the full range of impacts these problem(s) could have or are having on the plant, government, area, or industry. An industrial or economic profile of the area and workforce might prove useful in explaining the problem(s). This section basically discusses *Why* the effort is needed.

2. *Results or Benefits Expected*—By using specific goals and objectives, the application must discuss in detail *What* the labor-management committee as a demonstration effort will accomplish during the life of the grant. Applications that offer to provide objectives *after* a grant is awarded will receive little or no credit in this area. While a goal of "improving communication between employers and employees" may suffice as one over-all goal of a project, the objectives must, whenever possible, be expressed in specific and measurable terms. Applicants should focus on the impacts or changes that the committee's efforts will have. Existing committees should focus on expansion efforts/results expected from FMCS funding. The goals, objectives, and projected impacts will become the foundation for future monitoring and evaluation efforts.

3. *Approach*—This section of the application specifies *How* the goals and objectives will be accomplished. At a minimum, the following elements must be included in all grant applications:

(a) A discussion of the strategy the committee will employ to accomplish its goals and objectives;

(b) A listing, by name and title, of all existing or proposed members of the labor-management committee. The application should also offer a rationale

for the selection of the committee members (e.g., members represent 70% of the area or plant workforce).

(c) A discussion of the number, type, and role of all committee staff persons. Include proposed position descriptions for all staff that will have to be hired as well as resumes for staff already on board;

(d) In addressing the proposed approach, applicants must also present their justification as to why Federal funds are needed to implement the proposed approach;

(e) A statement of how often the committee will meet (we require meetings at least every other month) as well as any plans to form subordinate committees for particular purposes; and

(f) For applications from existing committees (i.e., in existence at least 12 months prior to the submission deadline), a discussion of past efforts and accomplishments and how they would integrate with the proposed expanded effort.

**4. Major Milestones**—This section must include an implementation plan that indicates what major steps, operating activities, and objectives will be accomplished as well as a timetable for *When* they will be finished. A milestone chart must be included that indicates what specific accomplishments (process and impact) will be completed by month over the life of the grant using September 15, 1997, as the start date. The accomplishment of these tasks and objectives, as well as problems and delays therein, will serve as the basis for quarterly progress reports to FMCS.

**5. Evaluation**—Applicants must provide for either an external evaluation or an internal assessment of the project's success in meeting its goals and objectives. An evaluation plan must be developed which briefly discusses what basic questions or issues the assessment will examine and what baseline data the committee staff already has or will gather for the assessment. This section should be written with the application's own goals and objectives clearly in mind and the impacts or changes that the effort is expected to cause.

**6. Letters of Commitment**—Applications must include current letters of commitment from *all* proposed or existing committee participants and chairpersons. These letters should indicate that the participants support the application and will attend scheduled committee meetings. A blanket letter signed by a committee chairperson or other official on behalf of all members is not acceptable. We encourage the use of individual letters submitted on company or union

letterhead represented by the individual. The letters should match the names provided under Section 3(b).

**7. Other Requirements**—Applicants are also responsible for the following:

(a) The submission of data indicating approximately how many employees will be covered or represented through the labor-management committee;

(b) From existing committees, a copy of the existing staffing levels, a copy of the by-laws, a breakout of annual operating costs and identification of all sources and levels of current financial support;

(c) A detailed budget narrative based on policies and procedures contained in the FMCS Financial and Administrative Grants Manual;

(d) An assurance that the labor-management committee will not interfere with any collective bargaining agreements; and

(e) An assurance that committee meetings will be held at least every other month and that written minutes of all committee meetings will be prepared and made available to FMCS.

#### Selection Criteria

The following criteria will be used in the scoring and selection of applications for award:

(1) The extent to which the application has clearly identified the problems and justified the needs that the proposed project will address.

(2) The degree to which appropriate and measurable goals and objectives have been developed to address the problems/needs of the area. For existing committees, the extent to which the committee will focus on expanded efforts.

(3) The feasibility of the approach proposed to attain the goals and objectives of the project and the perceived likelihood of accomplishing the intended project results. This section will also address the degree of innovativeness or uniqueness of the proposed effort.

(4) The appropriateness of committee membership and the degree of commitment of these individuals to the goals of the application as indicated in the letters of support.

(5) The feasibility and thoroughness of the implementation plan in specifying major milestones and target dates.

(6) The cost effectiveness and fiscal soundness of the application's budget request, as well as the application's feasibility vis-a-vis its goals and approach.

(7) The overall feasibility of the proposed project in light of all of the

information presented for consideration; and

(8) The value to the government of the application in light of the overall objectives of the Labor-Management Cooperation Act of 1978. This includes such factors as innovativeness, site location, cost, and other qualities that impact upon an applicant's value in encouraging the labor-management committee concept.

#### C. Eligibility

Eligible grantees include state and local units of government, labor-management committees (or a labor union, management association, or company on behalf of a committee that will be created through the grant), and certain third party private non-profit entities on behalf of one or more committees to be created through the grant. Federal government agencies and their employees are not eligible.

Third-party private, non-profit entities which can document that a major purpose or function of their organization has been the improvement of labor relations are eligible to apply. However, all funding must be directed to the functioning of the labor-management committee, and all requirements under Part B must be followed. Applications from third-party entities must document particularly strong support and participation from all labor and management parties with whom the applicant will be working. Applications from third-parties which do not directly support the operation of a new or expanded committee will not be deemed eligible, nor will applications signed by entities such as law firms or other third parties failing to meet the above criteria.

Applicants who received funding under this program in the past for committee operations are generally not eligible to apply. The only exceptions apply to third-party grantees who seek funds on behalf of an entirely different committee.

#### D. Allocations

The total FY 1997 appropriation for this program is \$1.5 million, of which at least \$725,000 will be available competitively for new applicants. Specific funding levels will not be established for each type of committee. Instead, the review process will be conducted in such a manner that at least two awards will be made in each category (plant, industry, public sector, and area), providing that FMCS determines that at least two outstanding applications exist in each category. After these applications are selected for award, the remaining applications will

be considered according to merit without regard to category. A maximum of \$400,000 of the \$1.5 million appropriation has been reserved for the limited continuation of FY95-funded grantees.

In addition to the competitive process identified in the preceding paragraph, FMCS will set aside a sum not to exceed thirty percent of its non-reserved appropriation to be awarded on a non-competitive basis. These funds will be used only to support industry-specific national-scope initiatives and/or regional industry models with high potential for widespread replication.

FMCS reserves the right to retain up to an additional five percent of the FY97 appropriation to contract for program support purposes (such as evaluation) other than administration. In addition, \$25,000 has been reserved to support the Ninth National Labor-Management Conference which will be held in Chicago on April 7-9, 1998.

#### *E. Dollar Range and Length of Grants and Continuation Policy*

Awards to continue and expand existing labor-management committees (i.e., in existence 12 months prior to the submission deadline) will be for a period of 12 months. If successful progress is made during this initial budget period and if sufficient appropriations for expansion and continuation projects are available, these grants may be continued for a limited time at a 40 percent cash match ratio. Initial awards to establish new labor-management committees (i.e., not yet established or in existence less than 12 months prior to the submission deadline), will be for a period of 18 months. If successful progress is made during this initial budget period and if sufficient appropriations for expansion and continuation projects are available, these grants may be continued for a limited time at a 40 percent cash match ratio.

The dollar range of awards is as follows:

- Up to \$35,000 in FMCS funds per annum for existing in-plant or single department public sector applicants;
- Up to \$50,000 over 18 months for new in-plant committee or single department public sector applicants;
- Up to \$75,000 in FMCS funds per annum for existing area, industry and multi-department public sector committees applicants;
- Up to \$100,000 per 18-month period for new area, industry, and multi-department public sector committee applicants.

Applicants are reminded that these figures represent maximum Federal

funds only. If total costs to accomplish the objectives of the application exceed the maximum allowable Federal funding level and its required grantee match, applicants may supplement these funds through voluntary contributions from other sources. Applicants are also strongly encouraged to consult with their local or regional FMCS field office to determine what kinds of training may be available at no cost before budgeting for such training in their applications. A list of our field leadership team and their phone numbers is included in the application kit.

#### *F. Match Requirements and Cost Allowability*

Applicants for new labor-management committees must provide at least 10 percent of the total allowable project costs. Applicants for existing committees must provide at least 25 percent of the total allowable project costs. All matching funds may come from state or local government sources or private sector contributions, but may generally not include other Federal funds. Funds generated by grant-supported efforts are considered "project income," and may not be used for matching purposes.

It will be the policy of this program to reject all requests for indirect or overhead costs as well as "in-kind" match contributions. In addition, grant funds must not be used to supplant private or local/state government funds currently spent for these purposes. Funding requests from existing committees should focus entirely on the costs associated with the expansion efforts. Also, under no circumstances may business or labor officials participating on a labor-management committee be compensated out of grant funds for their time spent at committee meetings or time spent in training sessions. Applicants generally will not be allowed to claim all or a portion of existing full-time staff time as an expense or match contribution.

For a more complete discussion of cost allowability, applicants are encouraged to consult the FY97 FMCS Financial and Administrative Grants Manual which will be included in the application kit.

#### *G. Application Submission and Review Process*

Applications should be signed by both a labor and management representative and be postmarked no later than April 19, 1997. No applications or supplementary materials can be accepted after the deadline. It is the responsibility of the applicant to

ensure that the application is correctly postmarked by the U.S. Postal Service or other carrier. An original application containing numbered pages, plus three copies, should be addressed to the Federal Mediation and Conciliation Service, Labor-Management Program Services, 2100 K Street, NW, Washington, D.C. 20427. FMCS will not consider videotaped submissions or video attachments to submissions.

After the deadline has passed, all eligible applicants will be reviewed and scored initially by one or more Customer Review Boards. The Board(s) will recommend selected applications for further funding consideration. The Director, Labor-Management Program Services, will finalize the scoring and selection process. The individual listed as contact person in Item 6 on the application form will generally be the only person with whom FMCS will communicate during the application review process.

All FY97 grant applicants will be notified of results and all grant awards will be made before September 15, 1997. Applications submitted after the April 19 deadline date or that fail to adhere to eligibility or other major requirements will be administratively rejected by the Director, Labor-Management Program Services.

#### *H. Contact*

Individuals wishing to apply for funding under this program should contact the Federal Mediation and Conciliation Service as soon as possible to obtain an application kit. These kits and additional information or clarification can be obtained free of charge by contacting Karen Pierce or Linda Stubbs, Federal Mediation and Conciliation Service, Labor-Management Program Services, 2100 K Street, NW, Washington, D.C. 20427; or by calling 202-606-8181.

An optional video tape, entitled "How to Apply for a Grant From FMCS", is also available. The tape, however, will only be sent out after we receive a specific written request for the video.

John Calhoun Wells,  
Director, Federal Mediation and Conciliation Service.

#### *Annex A*

#### *Assistance to Plant, Area, and Industry-wide Labor-Management Committees*

Sec. 6. (a) This section may be cited as the "Labor-Management Cooperation Act of 1978".

(b) It is the purpose of this section—

- (1) to improve communication between representatives of labor and management;
- (2) to provide workers and employers with opportunities to study and explore new and

innovative joint approaches to achieving organizational effectiveness;

(3) to assist workers and employers in solving problems of mutual concern not susceptible to resolution within the collective bargaining process;

(4) to study and explore ways of eliminating potential problems which reduce the competitiveness and inhibit the economic development of the plant, area or industry;

(5) to enhance the involvement of workers in making decisions that affect their working lives;

(6) to expand and improve working relationships between workers and managers; and

(7) to encourage free collective bargaining by establishing continuing mechanisms for communication between employers and their employees through Federal assistance to the formation and operation of labor-management committees.

(c)(1) Section 203 of the Labor-Management Relations Act, 1947, is amended by adding at the end thereof the following new subsection:

“(e) The Service is authorized and directed to encourage and support the establishment and operation of joint labor-management activities conducted by plant, area, and industrywide committees designed to improve labor management relationships, job security and organizational effectiveness, in accordance with provisions of section 205A.”

(2) Title II of the Labor-Management Relations Act, 1947, is amended by adding after section 205 the following new section:

“Sec. 205A. (a)(1) The Service is authorized and directed to provide assistance in the establishment and operation of plant, area and industrywide labor-management committee which:

“(A) Have been organized jointly by employers and labor organizations representing employees in that plant, area, or industry; and

“(B) are established for the purpose of improving labor-management relationships, job security, organizational effectiveness, enhancing economic development or involving workers in decisions affecting their jobs including improving communication with respect to subjects of mutual interest and concern.

“(2) The service is authorized and directed to enter into contracts and to make grants, where necessary or appropriate, to fulfill its responsibilities under this section.

Public Law 95-524—Oct. 27, 1978

“(b)(1) No grant may be made, no contract may be entered into and no other assistance may be provided under the provisions of this section to a plant labor management committee unless the employees in that plant are represented by a labor organization and there is in effect at that plant a collective bargaining agreement.

“(2) No grant may be made, no contract may be entered into and no other assistance may be provided under the provisions of this section to an area or industrywide labor management committee unless its participants include a labor organization certified or recognized as the representative of the employees of an employer participating in such committee. Nothing in

this clause shall prohibit participation in an area of industrywide committee by an employer whose employees are not represented by a labor organization.

“(3) No grant may be made under the provisions of this section to any labor-management committee which the Service finds to have as one of its purposes the discouragement of the exercise of rights contained in section 7 of the National Labor Relations Act (29 U.S.C. 157), or the interference with collective bargaining in any plant, or industry.

“(c) The Service shall carry out the provisions of this section through an office established for that purpose.

“(d) Section 302(c) of the Labor-Management Relations Act, 1947, is amended by striking the word “or” after the semicolon at the end of subparagraph (7) thereof and by inserting the following before the period at the end thereof; or (9) with respect to money or other things of value paid by an employer to a plant, area or industrywide labor-management committee established for one or more of the purposes set forth in section 5(b) of the Labor-Management Cooperation Act of 1978”.

“(e) Nothing in this section or the amendments made by this section shall affect the terms and conditions of any collective bargaining agreement whether in effect prior to or entered into after the date of enactment of this section.

#### Repealer

Sec. 7. Section 104 of the Emergency Jobs and Unemployment Assistance Act of 1974 (Public Law 93-567) is hereby repealed.

Approved October 27, 1978.

#### Northeastern Region

*Kenneth C. Kowalski—Regional Director, New York, NY, (212) 399-5038*

Director of Mediation Services, John E. Sweeney, New York, NY, (212) 399-5038

#### Field Station Responsibility:

Albany, NY  
Boston, MA  
Hartford, CT  
Iselin, NJ  
New York, NY  
Portland, ME  
Providence, RI  
Worcester, MA

Director of Mediation Services, D. Scott Blake, Philadelphia, PA, (215) 597-7690

#### Field Station Responsibility:

Allentown, PA  
Baltimore, MD  
Harrisburg, PA  
Philadelphia, PA  
Syracuse, NY  
Trenton, NJ

#### Southern Region

*C. Richard Barnes—Regional Director, Atlanta, GA, (404) 331-3995*

Director of Mediation Services, Sergio Delgado, Orlando, FL, (407) 382-6598

#### Field Station Responsibility:

Baton Rouge, LA  
Charleston, WV  
Charlotte, NC

Fort Lauderdale, FL  
Jacksonville, FL  
Knoxville, TN  
Mobile, AL  
Nashville, TN  
Orlando, FL  
Richmond, VA  
Washington, DC

Director of Mediation Services, John R. Tucker, St. Louis, MO, (404) 331-3970

#### Field Station Responsibility:

Birmingham, AL  
Evansville, IN  
Kansas City, MO  
Louisville, KY  
Memphis, TN  
Oklahoma City, OK  
Springfield, MO  
St. Louis, MO  
Wichita, KS

#### Midwestern Region

*Thomas M. O'Brien—Regional Director, Cleveland, OH, (216) 522-4800*

Director of Mediation Services, George W. Buckingham, Jr., Cleveland, OH, (216) 522-4820

#### Field Station Responsibility:

Akron, OH  
Cincinnati, OH  
Cleveland, OH  
Columbus, OH  
Dayton, OH  
Parkersburg, WV  
Toledo, OH

Director of Mediation Services, Clifford T. Suggs, Cleveland, OH, (216) 522-2763 or (716) 551-4503

#### Field Station Responsibility:

Buffalo, NY  
Detroit, MI  
Erie, PA  
Grand Rapids, MI  
Kalamazoo, MI  
Pittsburgh, PA  
Saginaw, MI

#### Western Region

*Jan Jung-Min Sunoo—Regional Director, Los Angeles, CA, (213) 965-3814*

Director of Mediation Services, Douglas P. Hammond, Seattle, WA, (206) 553-5800

#### Field Station Responsibility:

Boise, ID  
Burlingame, CA  
Oakland, CA  
Portland, OR  
Sacramento, CA  
Seattle, WA

Director of Mediation Services, Pamela G. DeSimone, Los Angeles, CA, (213) 965-3814 or (510) 273-6236

#### Field Station Responsibility:

Dallas, TX  
Denver, CO  
Glendale, CA  
Honolulu, HI  
Houston, TX  
Las Vegas, NV  
Long Beach, CA  
Orange, CA  
Phoenix, AZ  
San Antonio, TX

San Diego, CA

Upper Midwestern Region

*Maureen E. Labenski—Regional Director,  
Minneapolis, MN, (612) 370-3300*

Director of Mediation Services, Scot  
Beckenbaugh, Minneapolis, MN, (612) 370-  
3312

Field Station Responsibility:

Cedar Rapids, MN  
Des Moines, IA  
Green Bay, WI  
Minneapolis, MN  
Omaha, NE

Director of Mediation Services, Daniel J.  
O'Leary, Chicago, IL, (708) 887-4750

Field Station Responsibility:

Chicago, IL  
Indianapolis, IN  
Milwaukee, WI  
Peoria, IL  
Rockford, IL  
South Bend, IN

[FR Doc. 96-28676 Filed 11-6-96; 8:45 am]

BILLING CODE 6732-01-M

## FEDERAL RESERVE SYSTEM

[Docket No. R-0701]

### **Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift**

**AGENCY:** Board of Governors of the  
Federal Reserve System.

**ACTION:** Notice.

**SUMMARY:** The Board is amending three of the prudential limitations established in its decisions under the Bank Holding Company Act and the Glass-Steagall Act permitting a nonbank subsidiary of a bank holding company to underwrite and deal in securities. The Board is easing or eliminating 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).

**EFFECTIVE DATE:** January 7, 1997.

#### **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:**

##### **I. Background**

In its section 20 orders, the Board has established a series of firewalls designed to prevent securities underwriting and dealing risk from being passed from a section 20 subsidiary to an affiliated insured depository institution, and to prevent the federal safety net from being extended to subsidize this activity.<sup>1</sup> The firewalls also reduce the potential for conflicts of interest, unfair competition, and other adverse effects that may arise from securities underwriting and dealing. In adopting these restrictions, the Board stated that it would continue to review their appropriateness in the light of its experience supervising section 20 subsidiaries.

The Board originally sought comment on changes to the interlocks, cross-marketing and financial assets restrictions on July 10, 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 affecting the section 20 firewalls was introduced shortly after the Board sought comment, and has been introduced intermittently in the years since, the Board deferred further action.<sup>2</sup>

On July 31, 1996, the Board announced that it was reopening the

<sup>1</sup> 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*).

The interlocks and cross-marketing restrictions were included in the Board's *1987 Order* authorizing certain section 20 subsidiaries to underwrite and deal in four limited types of debt securities, and were repeated in the Board's *1989 Order* authorizing certain section 20 subsidiaries to underwrite and deal in all types of debt and equity securities. See *1987 Order* at 503, 504 (Firewalls #10 and #13); *1989 Order* at 215 (Firewalls #13 and #16). The financial assets restriction was included in the *1989 Order* but not the *1987 Order*. See *1989 Order* at 216 (Firewall #22). All three have since been applied to foreign banks operating section 20 subsidiaries. *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC and Barclays Bank PLC*, 76 Federal Reserve Bulletin 158, 172 (1990) (hereafter, *1990 Order*) (Firewalls #13, #16, and #22).

<sup>2</sup> These older comments, many of which have been superseded by a subsequent comment or mooted by changes to the amendments proposed, are not discussed in detail below but were considered by the Board.

three firewalls for comment, and broadening the changes proposed. An additional 41 public comments were received. Commenters included 20 bank holding companies, eight bank trade associations, seven foreign banks, one securities trade association, and four members of the public.

Commenters expressed strong support for the three proposed amendments. Of 41 public commenters, only four opposed one or more of the proposals. Many commenters suggested that they be expanded. Commenters stated that adoption of the Board's proposals was vital to the ability of section 20 subsidiaries to compete with other providers of financial services and to provide bank holding company customers with the array of financial products and services they require. Commenters stressed that the firewalls were not required by the Glass-Steagall Act and imposed substantial costs that could not be justified by any corresponding benefit.

Three commenters made general objections to this proposal and those concerning the section 20 revenue test. A securities trade association urged the Board to defer action indefinitely in order to allow Congress to undertake comprehensive reform of the financial services system. An individual commenter argued that recent examples of malfeasance in the securities markets argued against allowing bank holding companies to expand their securities activities. Another individual argued that any action that allows bank holding companies to engage in more investment banking creates an opportunity for huge losses, and that re-regulation rather than deregulation is in order.

##### **II. Final Order**

After considering the comments, the Board has decided to repeal the cross-marketing restriction as proposed, and amend the interlocks and financial assets restrictions in ways similar to those proposed. The Board has concluded that with these amendments, limited underwriting and dealing in securities would remain closely related to banking and a proper incident thereto, and thus permissible under section 4(c)(8) of the Bank Holding Company Act, because substantial benefits to efficiency, convenience and competition from these amendments outweigh any minimal costs.

As detailed below, the Board's experience administering these firewalls indicates that the existing restrictions are more restrictive than necessary to serve their intended purposes. Furthermore, their repeal or constriction