

on which the institution has a lien, in total or partial liquidation of the debt.

(b) When the debt of a holder of stock, participation certificates or other equities issued by a production credit association, Federal land bank association, Federal land credit association or agricultural credit association is in default, such institution may, but shall not be required to, retire at book value not to exceed par all or part of such equities, other than eligible borrower stock as defined in § 615.5260(a)(1), owned by such borrower on which the institution has a lien, in total or partial liquidation of the debt.

(c) When the debt of a holder of equities or guaranty fund certificates issued by a bank for cooperatives or agricultural credit bank is in default the bank may, but shall not be required to, retire all or part of such equities qualify or guaranty fund investments owned by the borrower on which the bank has a lien, in total or partial liquidation of the debt. If such investments qualify as eligible borrower stock, it shall be retired at par, as defined in § 615.5260(a)(3). All other investments shall be retired at a rate determined by the institution to reflect its present value on the date of retirement.

(d) When the debt of a holder of the equities of a Farm Credit Bank or agricultural credit bank is in default the bank may, but shall not be required to, retire all or part of such equities owned by the borrower on which the bank has a lien, in total or partial liquidation of the debt. If such equities qualify as eligible borrower stock or are retired solely to permit a Federal land bank association to retire eligible borrower stock under § 615.5280(a), they shall be retired at par. All other equities shall be retired at book value not to exceed par.

(e) Any retirements made under this section by a Federal land bank association shall be made only upon the specific approval of, or in accordance with, approval procedures issued by the association's funding bank.

* * * * *

§ 615.5290 [Amended]

29. Section 615.5290 is amended by adding the words "or agricultural credit bank" after each reference to "Farm Credit Bank" in paragraph (a).

PART 618—GENERAL PROVISIONS

30. The authority citation for part 618 continues to read as follows:

Authority: Secs. 1.5, 1.11, 1.12, 2.2, 2.4, 2.5, 2.12, 3.1, 3.7, 4.12, 4.13A, 4.25, 4.29, 5.9, 5.10, 5.17 of the Farm Credit Act (12 U.S.C. 2013, 2019, 2020, 2073, 2075, 2076, 2093,

2122, 2128, 2183, 2200, 2211, 2218, 2243, 2244, 2252).

Subpart F—Miscellaneous Provisions

§ 618.8260 [Reserved]

31. Section 618.8260 is removed and reserved.

Subpart G—Releasing Information

§ 618.8310 [Amended]

32. Section 618.8310 is amended by adding the words "agricultural credit bank" before the words "bank for cooperatives" in paragraph (b)(1).

33. Section 618.8320 is amended by removing paragraph (b)(9); by redesignating paragraphs (b)(10) and (b)(11) as new paragraphs (b)(9) and (b)(10) consecutively; and by revising paragraphs (b)(2) and (b)(5) to read as follows:

§ 618.8320 Data regarding borrowers and loan applicants.

* * * * *

(b) * * *

(2) In connection with a legitimate law enforcement inquiry, accredited representatives of any agency or department of the United States may be given access to information upon presentation of official identification and a written request specifying:

(i) The particular information desired; and

(ii) That the information is relevant to the law enforcement inquiry and will be used only for the purpose for which it is sought.

* * * * *

(5) Impersonal information based solely on transaction or experience with a borrower, such as amounts of loans, terms and payment records, may be given by a bank or association to a consumer reporting agency, or any other reliable organization for its confidential use in contemplation of the extension of credit.

* * * * *

§ 618.8325 [Amended]

34. Section 618.8325 is amended by removing the commas after the words "offices", "charter", and "inspection" in paragraph (c).

§ 618.8330 [Amended]

35. Section 618.8330 is amended by removing paragraph (b) and removing the designation from paragraph (a).

§ 618.8340 [Reserved]

36. Section 618.8340 is removed and reserved.

Subpart H—Disposition of Obsolete Records

§ 618.8360 [Reserved]

37. Section 618.8360 is removed and reserved.

§ 618.8370 [Reserved]

38. Section 618.8370 is removed and reserved.

Subpart I [Reserved]

39. Subpart I, consisting of §§ 618.8380 through 618.8420, is removed and reserved.

PART 619—DEFINITIONS

40. The authority citation for part 619 continues to read as follows:

Authority: Secs. 1.7, 2.4, 4.9, 5.9, 5.12, 5.17, 5.18, 7.0, 7.6, 7.7, 7.8 of the Farm Credit Act (12 U.S.C. 2015, 2075, 2160, 2243, 2246, 2252, 2253, 2279a, 2279b, 2279b-1, 2279b-2).

41. Section 619.9060 is revised to read as follows:

§ 618.9060 Bank for cooperatives.

A bank for cooperatives is a bank that is operating under section 3.0 of the Act.

Dated: December 12, 1996.

Floyd Fithian,

Secretary, Farm Credit Administration Board.
[FR Doc. 96-32309 Filed 12-19-96; 8:45 am]

BILLING CODE 6705-01-M

12 CFR Part 615

RIN 3052-AB73

Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Book-entry Procedures for Farm Credit Securities

AGENCY: Farm Credit Administration.

ACTION: Interim rule with request for comments.

SUMMARY: The Farm Credit Administration (FCA) adopts an interim rule that revises procedures governing the issuance, maintenance, and transfer of Farm Credit securities on the book-entry system of the Federal Reserve Banks (Book-entry System). The revisions are necessary to conform FCA book-entry procedures to the recently revised book-entry procedures of the Department of the Treasury (Treasury), which regulates the Book-entry System for Treasury securities. The interim rule also makes conforming amendments in the book-entry regulations governing securities of the Farm Credit System Financial Assistance Corporation (FAC) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

The FCA's action follows the action of Treasury, which revised its book-entry regulations to eliminate outdated legal concepts and incorporate significant changes in commercial and property law affecting the holding of securities through financial intermediaries. At the request of Treasury, and in coordination with other regulators of Government-Sponsored Enterprises (GSEs), the FCA is making this interim rule effective on the same date as Treasury's new book-entry regulations. This coordinated action will avoid market uncertainty and help ensure a consistent regulatory approach for all users of the Book-entry System, including Farm Credit System institutions.

EFFECTIVE DATE: January 1, 1997. Written comments must be received on or before February 18, 1997.

ADDRESSES: Comments may be mailed or delivered to Patricia W. DiMuzio, Director, Regulation Development Division, Office of Policy Development and Risk Control, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090 or by facsimile at (703) 734-5784. Comments may also be submitted via electronic mail to "reg-comm@fca.gov". Copies of all communications received will be available for review by interested parties in the Office of Policy Development and Risk Control, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT: Michael J. LaVerghetta, Senior Financial Analyst, Office of Policy Development and Risk Control, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4498, or William L. Larsen, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4020, TDD (703) 883-4444.

SUPPLEMENTARY INFORMATION:

I. Background

A. Current Book-Entry Regulations

The Farm Credit System obtains funds for its lending operations primarily from the sale of debt securities issued by the Farm Credit banks through the Federal Farm Credit Banks Funding Corporation (Funding Corporation). As late as the mid-1970s, Farm Credit securities were issued exclusively in definitive form (*i.e.*, as paper certificates). The Federal Reserve Banks acted as the fiscal agent of the Farm Credit banks for transactions in definitive Farm Credit securities. Around 1970, however, Treasury began a concerted effort to convert the holding and issuance of marketable Treasury securities to book-

entry form, with the goals of protecting against loss, theft, and counterfeit of definitive securities, as well as reducing paperwork and printing costs. Treasury and the Federal Reserve Banks developed the Book-entry System for Treasury securities. Access for GSE securities to the Book-entry System soon followed. The Farm Credit System, along with other GSEs, joined Treasury in moving toward issuing and maintaining their securities in book-entry form.

Under the Book-entry System, the Federal Reserve Banks maintain records of book-entry securities in the names of depository institutions. The depository institutions keep separate accounts for securities they own and for those they maintain for investors and other financial institutions. Book-entry securities are assigned to an investor's account at the depository institution. Instead of a physical certificate, the investor receives a confirmation or custody receipt from his bank or non-bank dealer.

Beginning in 1968, Treasury issued regulations to govern operation of the Book-entry System and set forth the legal framework for maintenance and transfer of Treasury securities in the Book-entry System. Treasury's regulations applied only to Treasury securities, but the basic book-entry procedures applicable to GSE securities in the Book-entry System are closely analogous to book-entry procedures for Treasury securities. Thus, the Treasury regulations at subpart O of 31 CFR part 306 served as the model for the FCA's current book-entry regulations at 12 CFR part 615, subpart O. The FCA adopted book-entry regulations in 1977 (42 FR 43824, August 31, 1977). Other GSE regulators adopted similar regulations. The FCA later adopted regulations governing the access of FAC and Farmer Mac to the Book-entry System. (See 12 CFR part 615, subpart R, published at 53 FR 12141, April 13, 1988; 12 CFR 615, subpart S, published at 61 FR 31392, June 20, 1996.)

B. New Treasury Book-Entry Regulations

On March 4, 1996, Treasury proposed to substantially revise its book-entry regulations (61 FR 8420). Treasury's action came after years of study of the legal issues and problems generated when older legal concepts developed for handling transactions and determining ownership interests in physical certificates were applied to paperless book-entry securities often held through a chain of intermediary parties. Treasury's proposal followed the development in 1994 of a revised version of Article 8 of the Uniform

Commercial Code (UCC) designed to address similar issues and problems for purposes of state commercial law. Treasury adopted final book-entry regulations on August 16, 1996 (61 FR 43626), effective January 1, 1997.

Treasury's new book-entry regulations are known by the acronym "TRADES" (Treasury/Reserve Automated Debt Entry System). In essence, the TRADES regulations set forth the rights and obligations of various parties, including investors and securities intermediaries, with respect to the holding of Treasury securities in the Book-entry System. The TRADES regulations eliminate the confusing concept central to earlier book-entry regulations (including the FCA's) known as the "bearer-definitive fiction." The bearer-definitive fiction assumed that book-entry securities were the equivalent of bearer-definitive securities (*i.e.*, physical securities in the possession of and payable to the bearer) for purposes of determining interests in the securities. In the early years of the Book-entry System, this concept allowed for the application of existing law to the rights and interests of investors and other persons in marketable book-entry securities, but ultimately generated uncertainty in settling ownership interests because physical certificates do not actually exist for book-entry securities. The TRADES regulations provide guidance on the application of state law in choice of law situations, but also clarify that the interests and obligations of the United States and the Federal Reserve Banks in relationship to other parties with interests in marketable Treasury book-entry securities are governed exclusively by Federal law rather than state law unless otherwise provided.

II. FCA Action on TRADES

A. In General

The FCA supports the Treasury's efforts to clarify and update the legal structure and mechanics of the Book-entry System to improve certainty and liquidity in the Government/GSE securities market. Moreover, the FCA recognizes that book-entry regulations governing Farm Credit securities must be substantially consistent with TRADES to avoid confusion in the Government/GSE securities market and ensure a consistent regulatory approach for users of the Book-entry System. To this end, the FCA is adopting interim amendments to its book-entry regulations that conform in all substantive respects with TRADES, but are customized for applicability to Farm Credit institutions.

In view of the fundamental similarity of TRADES and FCA book-entry regulations, the FCA does not believe it is necessary or efficient to repeat in this rulemaking document the extensive background material and detailed explanation of the rationale and effect of the TRADES regulations set forth in Treasury's proposed and final rulemaking documents, *supra*. Members of the public should refer to Treasury's TRADES rulemaking documentation for background on the history and mechanics of the Book-entry System and guidance on the general provisions of the book-entry regulations. As is its current policy regarding interpretation of book-entry regulations, the FCA expects to follow Treasury TRADES interpretations and guidance with respect to FCA book-entry regulations and will coordinate with Treasury regarding future guidance and any necessary changes.

B. Comparison of TRADES and FCA Book-Entry Regulations

The discussion that follows compares the interim regulations adopted by the FCA and TRADES. Any differences are based on the distinction between Treasury securities and Farm Credit securities, as well as on the unique characteristics of the Farm Credit System.

1. General

The TRADES regulations generally refer to the United States or Treasury as the issuer of Treasury securities. For purposes of the FCA's adaptation of the TRADES regulations to FCA book-entry regulations, the FCA has substituted the term "Farm Credit banks" as the issuer and "Farm Credit securities" for Treasury securities. Any reference in FCA book-entry regulations to the United States, the Treasury, or the Federal Reserve Banks is not meant to imply any liability of the United States for Farm Credit securities. See section 4.4(c) of the Farm Credit Act of 1971, as amended (Act) (12 U.S.C. 2155(c)). In addition, to avoid potential confusion regarding the obligation of the Funding Corporation to investors and other parties to the book-entry process, the FCA has included the Funding Corporation as an issuer solely for purposes of these book-entry regulations. As a technical matter, section 4.9 of the Act (12 U.S.C. 2160) assigns the Funding Corporation the ministerial duty of "issuing" Farm Credit securities as the System's fiscal agent. The FCA concludes that, even though the Funding Corporation is not an issuer in the conventional sense of being liable to pay interest and principal

on Farm Credit securities, its extensive involvement in the process of issuance and maintenance of Farm Credit securities on the Book-entry System requires that the Funding Corporation be afforded the protections of an issuer for purposes of determining its rights and obligations with respect to Farm Credit securities maintained on the Book-entry System.

This interim rule continues the separate location in 12 CFR part 615, subparts R and S, respectively, of book-entry regulations applicable to FAC and Farmer Mac. The subpart R and S book-entry regulations incorporate by reference applicable sections of the 12 CFR part 615, subpart O book-entry regulations applicable to Farm Credit banks and the Funding Corporation. While the access of FAC and Farmer Mac to the Book-entry System clearly makes them issuers for purposes of the book-entry regulations, the FCA believes it is important to differentiate FAC and Farmer Mac securities from the Farm Credit securities that are the joint and several obligations of the Farm Credit banks. Thus, FAC and Farmer Mac are not identified in conjunction with the Farm Credit banks and the Funding Corporation as issuers in subpart O of the interim rule, but rather are treated separately in subparts R and S.

There are several other general areas in which the FCA's book-entry regulations diverge from Treasury's book-entry regulations. First, under Treasury regulations, Treasury securities may be held in book-entry form by investors who do not choose to hold their book-entry securities accounts at financial institutions or dealers. Treasury's book-entry system for these investors is known as TREASURY DIRECT. Since there is currently no direct registration and holding of Farm Credit securities, this interim rule does not establish a system analogous to TREASURY DIRECT for Farm Credit securities.

Second, the Farm Credit banks have authority to issue a wide variety of securities, some of which are not maintained by the Federal Reserve Banks. For example, securities issued pursuant to the Global Debt Program of the Farm Credit banks can be issued through fiscal agents other than the Federal Reserve Banks. See 12 CFR part 615, subpart P. Farm Credit securities not maintained by a Federal Reserve Bank are not subject to these book-entry regulations. Furthermore, the FCA's book-entry regulations apply only while a Farm Credit security is on the Book-entry System; this regulation does not apply to Farm Credit securities initially issued on the Book-entry System but

subsequently converted to definitive form.

Third, FCA's book-entry regulations recognize that there may be variations in documentation that Farm Credit banks use depending upon the type of security issued and accordingly contain a broader definition of securities documentation than Treasury's regulations.

2. Section-by-Section Comparison With Treasury's TRADES

This segment of the preamble provides a section-by-section comparison between FCA's book-entry regulations and TRADES and explains several situations unique to the Farm Credit banks and their securities that are not part of the TRADES regulation. Section references to title 31 of the Code of Federal Regulations (31 CFR) are to Treasury's book-entry regulations as revised.

Section 615.5450

This section contains definitions applicable to FCA book-entry regulations. To conform with TRADES, the interim rule revises several definitions found in current FCA regulations and adds definitions that correspond to definitions in 31 CFR 357.2 or are custom-tailored to apply to the Farm Credit banks and their securities. The FCA's rule uses the terminology "Book-entry System" rather than "TRADES," since TRADES is Treasury's unique terminology for the book-entry system applicable to Treasury securities. Section 615.5450(p) cross-references the definition of revised Article 8 of the UCC to 31 CFR 357.2.

Section 615.5451

This section addresses Farm Credit banks' book-entry and definitive securities. It is adapted from § 615.5450 of current subpart O and does not have a TRADES counterpart section. Section 615.5451 deletes outmoded specific references to dates of issuance of Farm Credit banks' securities, denominations in U.S. dollars, and minimum original maturity requirements. The revisions also provide that, subject to the approval of the FCA, the Funding Corporation may issue Farm Credit securities in book-entry or bearer-definitive form in denominations determined to be appropriate by the Funding Corporation.

Section 615.5452

This section is adapted from 31 CFR 357.10 and covers the law governing the rights and obligations of the United States, Federal Reserve Banks, Farm Credit banks, and Funding Corporation,

as well as the rights of any person against such institutions and the United States. Through use of the defined term, securities documentation, the FCA's rule recognizes that the Farm Credit banks may use various forms of documentation to establish the terms of Farm Credit securities, depending upon the type of security issued.

Section 615.5453

This section covers the law governing other interests in securities. Other than the substituted cross-reference to Treasury regulations, this provision is identical to 31 CFR 357.11.

Section 615.5454

This section addresses security entitlements and security interests. It is modeled after 31 CFR 357.12. The FCA's rule applies these provisions to the Farm Credit banks and their securities.

Section 615.5455

This section is modeled after 31 CFR 357.13 and addresses obligations of the Farm Credit banks. The FCA's rule allows for the possibility that the Farm Credit banks could make payments with respect to book-entry securities that might be characterized as other than principal or interest payments, such as "yield maintenance premiums."

Section 615.5456

This section concerns the authority of Federal Reserve Banks. It is modeled after 31 CFR 357.14. As is permissible under current book-entry regulations, the FCA's rule specifically authorizes each Federal Reserve Bank to effect conversions between book-entry securities and definitive Farm Credit securities where conversion rights are available pursuant to the applicable securities documentation.

Section 615.5457

This section addresses withdrawal of eligible book-entry securities for conversion to definitive form. It is a continuation of existing authority modeled after 31 CFR 306.117. The FCA's rule requires that conversion must be consistent with the securities documentation.

Section 615.5458

This provision reserves the right of the FCA to waive requirements of the book-entry regulations in limited circumstances, such as in cases of unnecessary hardship, where such action is not inconsistent with law. It is based on 31 CFR 357.41.

Section 615.5459

This section concerns liability of Farm Credit banks, the Funding

Corporation, and Federal Reserve Banks. It is modeled after 31 CFR 357.42. The FCA's rule reflects that some terms such as "tender" and "transactions request form" used in Treasury's rule do not apply to Farm Credit book-entry securities.

Section 615.5460

This section is modeled after two Treasury regulations. Paragraph (a) regarding additional requirements is modeled after 31 CFR 357.40. Paragraph (b) regarding notice of attachment for Farm Credit securities is modeled after 31 CFR 357.44.

Section 615.5461

This section on lost, stolen, and defaced Farm Credit securities applies to definitive securities. It is redesignated from § 615.5495 of the current FCA regulations. The word "securities" is substituted for the word "obligations" to conform with the terminology of the interim rule. The reference to Treasury is updated.

Section 615.5462

This section on restrictive endorsement of bearer securities is redesignated from § 615.5498 of the current FCA regulations. The word "securities" is substituted for the word "obligations" to conform with the terminology of the interim rule.

Section 615.5560

This section provides that the core book-entry regulations contained in 12 CFR part 615, subpart O apply to FAC securities through incorporation by reference. For purposes of applying §§ 615.5450 and 615.5452–5460 to FAC securities, the term "Financial Assistance Corporation securities" shall be read for "Farm Credit securities", and "Financial Assistance Corporation" shall be read for "Farm Credit banks" and "Funding Corporation." Pursuant to section 6.26(a) of the Act (12 U.S.C. 2278b-6(a)), FAC's authority to issue securities expired on September 30, 1992. Accordingly, these book-entry regulations apply to FAC securities issued before the expiration date.

Section 615.5570

This section provides that the core book-entry regulations contained in 12 CFR part 615, subpart O apply to Farmer Mac securities through incorporation by reference. For purposes of applying §§ 615.5450 and 615.5452–5460 to Farmer Mac securities, the term "Farmer Mac securities" shall be read for "Farm Credit securities," and "Farmer Mac" shall be read for "Farm Credit banks" and "Funding Corporation."

C. Elimination of Certain Provisions Found in Current Regulations

The interim rule eliminates most of the provisions of FCA's current book-entry regulations. Because a major part of the current regulations was based on Treasury's book-entry regulations at subpart O of 31 CFR part 306, which has basically been replaced by TRADES, the FCA has eliminated §§ 615.5470, 615.5475, 615.5480, and 615.5485 and replaced these provisions consistent with the new TRADES regulations. Section 615.5454 on Liability is being eliminated because it does not accurately reflect the current law on joint and several liability of Farm Credit banks for Farm Credit securities as set forth in section 4.4 of the Act, as amended by the Agricultural Credit Act of 1987 (Pub. L. 100–233, section 303(a)). Sections 615.5490, 615.5492, and 615.5494, which contain general information on maintenance and servicing of book-entry securities, have been eliminated because detailed authority for maintenance and servicing of book-entry securities by the Federal Reserve Banks is set forth in § 615.5456 of the interim rule and general information on book-entry procedures is available to investors in securities documentation.

III. Expedited Proceeding and Effective Date

To prevent any uncertainty and dislocation in the government/GSE securities market, and in response to public comment received during the TRADES rulemaking, Treasury has requested that book-entry regulations compatible with TRADES be effective for the Farm Credit System and other GSEs on January 1, 1997, simultaneously with TRADES. To meet this timetable, the FCA has determined that there is good cause to omit, as neither practicable nor in the public interest, prepromulgation notice and comment pursuant to section 553(b)(B) of the Administrative Procedure Act, 5 U.S.C. 551–59, *et seq.* (APA). Treasury's final regulation was not published until August 23, 1996, making a proposed phase for this rulemaking impracticable. Moreover, since the substance of the FCA's book-entry regulations is based almost entirely on TRADES, the broad public interest in commenting on book-entry regulations was met during Treasury's rulemaking. Nonetheless, the FCA is providing for post-effective public comment by adopting its revised book-entry regulations on an interim basis. In this way, FCA book-entry regulations can take full effect simultaneously with the Treasury's

TRADES regulations, yet still be subject to comment from the public. The FCA will consider comments received during a 60-day comment period and issue a subsequent notice of finalization.

In taking this interim action, the FCA is adopting an effective date for the regulations that is less than 30 days after publication in the Federal Register. The necessity that FCA make its book-entry regulations effective simultaneously with Treasury's provides good cause, in accordance with section 553(d) of the APA, to adopt an accelerated effective date. Finally, consistent with the reasons for its expedited actions under the APA, the FCA finds cause under section 5.17(c)(2) of the Act to make these regulations effective prior to the expiration of the 30-day Congressional notice and waiting period for final agency regulatory action.

IV. Regulatory Philosophy

The adoption of these interim regulations is consistent with the FCA's Policy Statement on Regulatory Philosophy. See 60 FR 26034 (May 16, 1995). The interim regulations eliminate outdated book-entry regulations without unnecessary burden or cost. Moreover, the FCA's action is consistent with similar actions taken by Treasury and other GSE regulators. Consistent book-entry regulations should promote investor confidence in Farm Credit securities.

List of Subjects in 12 CFR Part 615

Accounting, Agriculture, Banks, Banking, Government securities, Investments, and Rural areas.

For the reasons stated in the preamble, part 615 of chapter VI, title 12 of the Code of Federal Regulations is amended to read as follows:

PART 615—FUNDING AND FISCAL AFFAIRS, LOAN POLICIES AND OPERATIONS, AND FUNDING OPERATIONS

1. The authority citation for part 615 continues to read as follows:

Authority: Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 6.20, 6.26, 8.0, 8.4, 8.6, 8.7, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2278b, 2278b-6, 2279aa, 2279aa-3, 2279aa-4, 2279aa-6, 2279aa-7, 2279aa-8, 2279aa-10, 2279aa-12); sec. 301(a) of Pub. L. 100-233, 101 Stat. 1568, 1608; sec. 105 of Pub. L. 104-105, 110 Stat. 162, 163-64.

2. Subpart O of part 615 is revised to read as follows:

Subpart O—Book-Entry Procedures for Farm Credit Securities

Sec.

615.5450 Definitions.

615.5451 Book-entry and definitive securities.

615.5452 Law governing rights and obligations of United States, Federal Reserve Banks, Farm Credit banks, and Funding Corporation; rights of any person against United States, Federal Reserve Banks, Farm Credit banks, and Funding Corporation.

615.5453 Law governing other interests.

615.5454 Creation of participant's security entitlement; security interests.

615.5455 Obligations of the Farm Credit banks and the Funding Corporation; no adverse claims.

615.5456 Authority of Federal Reserve Banks.

615.5457 Withdrawal of eligible book-entry securities for conversion to definitive form.

615.5458 Waiver of regulations.

615.5459 Liability of Farm Credit banks, Funding Corporation and Federal Reserve Banks.

615.5460 Additional provisions.

615.5461 Lost, stolen, destroyed, mutilated or defaced Farm Credit securities, including coupons.

615.5462 Restrictive endorsement of bearer securities.

Subpart O—Book-Entry Procedures for Farm Credit Securities

§ 615.5450 Definitions.

In this subpart, unless the context otherwise requires or indicates:

(a) *Adverse claim* means a claim that a claimant has a property interest in a security and that it is a violation of the rights of the claimant for another person to hold, transfer, or deal with the security.

(b) *Book-entry security* means a Farm Credit security issued or maintained in the Book-entry System.

(c) *Book-entry System* means the automated book-entry system operated by the Federal Reserve Banks, acting as the fiscal agent for the Farm Credit banks, through which book-entry securities are issued, recorded, transferred and maintained in book-entry form.

(d) *Definitive Farm Credit security* means a Farm Credit security in engraved or printed form, or that is otherwise represented by a certificate.

(e) *Eligible book-entry security* means a book-entry security issued or maintained in the Book-entry System, which by the terms of its securities documentation, is eligible to be converted from book-entry into definitive form.

(f) *Entitlement Holder* means a person to whose account an interest in a book-

entry security is credited on the records of a securities intermediary.

(g) *Farm Credit banks* means one or more Farm Credit Banks, agricultural credit banks, and banks for cooperatives.

(h) *Farm Credit securities* means consolidated notes, bonds, debentures, or other similar obligations of the Farm Credit banks and Systemwide notes, bonds, debentures, or similar obligations of the Farm Credit banks issued under sections 4.2(c) and 4.2(d) of the Act, or laws repealed thereby.

(i) *Federal Reserve Bank* means a Federal Reserve Bank or Branch acting as agent for the Farm Credit banks and the Funding Corporation.

(j) *Federal Reserve Bank Operating Circular* means the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Federal Reserve Bank maintains book-entry securities accounts and transfers book-entry securities.

(k) *Funding Corporation* means the Federal Farm Credit Banks Funding Corporation established pursuant to section 4.9 of the Act, which issues Farm Credit securities on behalf of the Farm Credit banks.

(l) *Funds Account* means a reserve and/or clearing account at a Federal Reserve Bank to which debits or credits are posted for transfers against payment, book-entry securities transaction fees, or principal and interest payments.

(m) *Participant* means a person that maintains a participant's securities account with a Federal Reserve Bank.

(n) *Participant's Securities Account* means an account in the name of a participant at a Federal Reserve Bank to which book-entry securities held for a participant are or may be credited.

(o) *Person* means an individual, corporation, company, governmental entity, association, firm, partnership, trust, estate, representative and any other similar organization, but does not mean the United States, a Farm Credit bank, the Funding Corporation or a Federal Reserve Bank.

(p) *Revised Article 8* means Uniform Commercial Code, Revised Article 8, Investment Securities (with Conforming and Miscellaneous Amendments to Articles 1, 3, 4, 5, 9, and 10) 1994 Official Text, and has the same meaning as in 31 CFR 357.2.

(q) *Securities Documentation* means the applicable statement of terms, trust indenture, securities agreement, offering circular or other documents establishing the terms of a book-entry security.

(r) *Securities Intermediary* means:

(1) A person that is registered as a "clearing agency" under the Federal

securities laws; a Federal Reserve Bank; any other person that provides clearance or settlement services with respect to a book-entry security that would require it to register as a clearing agency under the Federal securities laws but for an exclusion or exemption from the registration requirement, if its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a Federal or State governmental authority; or

(2) A person (other than an individual, unless such individual is registered as a broker or dealer under the Federal securities laws) including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

(s) *Security* means a Farm Credit security as defined in paragraph (h) of this section.

(t) *Security Entitlement* means the rights and property interest of an entitlement holder with respect to a book-entry security.

(u) *State* means any State of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other territory or possession of the United States.

(v) *Transfer Message* means an instruction of a participant to a Federal Reserve Bank to effect a transfer of a book-entry security maintained in the Book-entry System, as set forth in Federal Reserve Bank Operating Circulars.

§ 615.5451 Book-entry and definitive securities.

Subject to subpart C of this part:

(a) Farm Credit banks operating under the same title of the Act may issue consolidated securities in book-entry form.

(b) Farm Credit banks may issue Systemwide securities in book-entry form.

(c) Consolidated and Systemwide securities also may be issued in bearer-definitive form.

§ 615.5452 Law governing rights and obligations of United States, Federal Reserve Banks, Farm Credit banks, and Funding Corporation; rights of any person against United States, Federal Reserve Banks, Farm Credit banks, and Funding Corporation.

(a) Except as provided in paragraph (b) of this section, the following are governed solely by the regulations contained in this subpart O, the securities documentation, and Federal Reserve Bank Operating Circulars:

(1) The rights and obligations of the United States, the Farm Credit banks,

the Funding Corporation, and the Federal Reserve Banks with respect to:

(i) A book-entry security or security entitlement, and

(ii) The operation of the Book-entry System as it applies to Farm Credit securities; and

(2) The rights of any person, including a participant, against the United States, the Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks with respect to:

(i) A book-entry security or security entitlement, and

(ii) The operation of the Book-entry System as it applies to Farm Credit securities.

(b) A security interest in a security entitlement that is in favor of a Federal Reserve Bank from a participant and that is not recorded on the books of a Federal Reserve Bank pursuant to § 615.5454(c)(1) of this subpart, is governed by the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the participant's securities account is located. A security interest in a security entitlement that is in favor of a Federal Reserve Bank from a person that is not a participant, and that is not recorded on the books of a Federal Reserve Bank pursuant to § 615.5454(c)(1) of this subpart, is governed by the law determined in the manner specified in § 615.5453 of this subpart.

(c) If the jurisdiction specified in the first sentence of paragraph (b) of this section is a State that has not adopted revised Article 8 (see 31 CFR 357.2) then the law specified in paragraph (b) of this section shall be the law of that State as though revised Article 8 had been adopted by that State.

§ 615.5453 Law governing other interests.

(a) To the extent not inconsistent with these regulations, the law (not including the conflict-of-law rules) of a securities intermediary's jurisdiction governs:

(1) The acquisition of a security entitlement from the securities intermediary;

(2) The rights and duties of the securities intermediary and entitlement holder arising out of a security entitlement;

(3) Whether the securities intermediary owes any duties to an adverse claimant to a security entitlement;

(4) Whether an adverse claim can be asserted against a person who acquires a security entitlement from the securities intermediary or a person who purchases a security entitlement or interest therein from an entitlement holder; and

(5) Except as otherwise provided in paragraph (c) of this section, the perfection, effect of perfection or non-perfection and priority of a security interest in a security entitlement.

(b) The following rules determine a "securities intermediary's jurisdiction" for purposes of this section:

(1) If an agreement between the securities intermediary and its entitlement holder specifies that it is governed by the law of a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(2) If an agreement between the securities intermediary and its entitlement holder does not specify the governing law as provided in paragraph (b)(1) of this section, but expressly specifies that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(3) If an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section, the securities intermediary's jurisdiction is the jurisdiction in which is located the office identified in an account statement as the office serving the entitlement holder's account.

(4) If an agreement between the securities intermediary and its entitlement holder does not specify a jurisdiction as provided in paragraph (b)(1) or (b)(2) of this section and an account statement does not identify an office serving the entitlement holder's account as provided in paragraph (b)(3) of this section, the securities intermediary's jurisdiction is the jurisdiction in which is located the chief executive office of the securities intermediary.

(c) Notwithstanding the general rule in paragraph (a)(5) of this section, the law (but not the conflict-of-law rules) of the jurisdiction in which the person creating a security interest is located governs whether and how the security interest may be perfected automatically or by filing a financing statement.

(d) If the jurisdiction specified in paragraph (b) of this section is a State that has not adopted revised Article 8 (see 31 CFR 357.2), then the law for the matters specified in paragraph (a) of this section shall be the law of that State as though revised Article 8 had been adopted by that State. For purposes of the application of the matters specified in paragraph (a) of this section, the Federal Reserve Bank maintaining the securities account is a clearing corporation, and the participant's interest in a book-entry security is a security entitlement.

§ 615.5454 Creation of participant's security entitlement; security interests.

(a) A participant's security entitlement is created when a Federal Reserve Bank indicates by book entry that a book-entry security has been credited to a participant's securities account.

(b) A security interest in a security entitlement of a participant in favor of the United States to secure deposits of public money, including without limitation deposits to the Treasury tax and loan accounts, or other security interest in favor of the United States that is required by Federal statute, regulation, or agreement, and that is marked on the books of a Federal Reserve Bank is thereby effected and perfected, and has priority over any other interest in the securities. Where a security interest in favor of the United States in a security entitlement of a participant is marked on the books of a Federal Reserve Bank, such Federal Reserve Bank may rely, and is protected in relying, exclusively on the order of an authorized representative of the United States directing the transfer of the security. For purposes of this paragraph, an "authorized representative of the United States" is the official designated in the applicable regulations or agreement to which a Federal Reserve Bank is a party, governing the security interest.

(c)(1) The Farm Credit banks, the Funding Corporation, the United States, and the Federal Reserve Banks have no obligation to agree to act on behalf of any person or to recognize the interest of any transferee of a security interest or other limited interest in favor of any person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the participant is recorded. To the extent required by such law or regulation or set forth in an agreement with a Federal Reserve Bank, or the Federal Reserve Bank Operating Circular, a security interest in a security entitlement that is in favor of a Federal Reserve Bank, a Farm Credit bank, the Funding Corporation, or a person may be created and perfected by a Federal Reserve Bank marking its books to record the security interest. Except as provided in paragraph (b) of this section, a security interest in a security entitlement marked on the books of a Federal Reserve Bank shall have priority over any other interest in the securities.

(2) In addition to the method provided in paragraph (c)(1) of this section, a security interest, including a security interest in favor of a Federal

Reserve Bank, may be perfected by any method by which a security interest may be perfected under applicable law as described in § 615.5452(b) or § 615.5453 of this subpart. The perfection, effect of perfection or non-perfection and priority of a security interest are governed by that applicable law. A security interest in favor of a Federal Reserve Bank shall be treated as a security interest in favor of a clearing corporation in all respects under that law, including with respect to the effect of perfection and priority of the security interest. A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for such purposes.

§ 615.5455 Obligations of the Farm Credit banks and the Funding Corporation; no adverse claims.

(a) Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in § 615.5454(c)(1), for the purposes of this subpart O, the Farm Credit banks, the Funding Corporation and the Federal Reserve Banks shall treat the participant to whose securities account an interest in a book-entry security has been credited as the person exclusively entitled to issue a transfer message, to receive interest and other payments with respect thereof and otherwise to exercise all the rights and powers with respect to such security, notwithstanding any information or notice to the contrary. The Federal Reserve Banks, the United States, the Farm Credit banks, and the Funding Corporation are not liable to a person asserting or having an adverse claim to a security entitlement or to a book-entry security in a participant's securities account, including any such claim arising as a result of the transfer or disposition of a book-entry security by a Federal Reserve Bank pursuant to a transfer message that the Federal Reserve Bank reasonably believes to be genuine.

(b) The obligation of the Farm Credit banks and the Funding Corporation to make payments (including payments of interest and principal) with respect to book-entry securities is discharged at the time payment in the appropriate amount is made as follows:

(1) Interest or other payments on book-entry securities are either credited by a Federal Reserve Bank to a funds account maintained at the Federal Reserve Bank or otherwise paid as directed by the participant.

(2) Book-entry securities are redeemed in accordance with their terms by a Federal Reserve Bank withdrawing the securities from the participant's

securities account in which they are maintained and by either crediting the amount of the redemption proceeds, including both principal and interest, where applicable, to a funds account at the Federal Reserve Bank or otherwise paying such principal and interest as directed by the participant. No action by the participant is required in connection with the redemption of a book-entry security.

§ 615.5456 Authority of Federal Reserve Banks.

(a) Each Federal Reserve Bank is hereby authorized as fiscal agent of the Farm Credit banks and the Funding Corporation to perform functions with respect to the issuance of book-entry securities offered and sold by the Farm Credit banks and the Funding Corporation to which this subpart applies, in accordance with the terms of the securities documentation and the provisions of this subpart:

(1) To service and maintain book-entry securities in accounts established for such purposes;

(2) To make payments of principal and interest, as directed by the Farm Credit banks and the Funding Corporation;

(3) To effect transfer of book-entry securities between participants' securities accounts as directed by the participants;

(4) To effect conversions between book-entry securities and definitive Farm Credit securities with respect to those securities as to which conversion rights are available pursuant to the applicable securities documentation; and

(5) To perform such other duties as fiscal agent as may be requested by the Farm Credit banks and the Funding Corporation.

(b) Each Federal Reserve Bank may issue Operating Circulars not inconsistent with this subpart, governing the details of its handling of book-entry securities, security entitlements, and the operation of the Book-entry System under this subpart.

§ 615.5457 Withdrawal of eligible book-entry securities for conversion to definitive form.

(a) Eligible book-entry securities may be withdrawn from the Book-entry System by requesting delivery of like definitive Farm Credit securities.

(b) A Federal Reserve Bank shall, upon receipt of appropriate instructions to withdraw eligible book-entry securities from book-entry in the Book-entry System, convert such securities into definitive Farm Credit securities and deliver them in accordance with such instructions.

(c) Farm Credit securities which are to be delivered upon withdrawal may be issued in bearer form, to the extent permitted by the applicable securities documentation.

(d) All requests for withdrawal of eligible book-entry securities must be made prior to the maturity or date of call of the Farm Credit securities.

§ 615.5458 Waiver of regulations.

The Farm Credit Administration reserves the right, in the Farm Credit Administration's discretion, to waive any provision(s) of the regulations in this subpart in any case or class of cases for the convenience of the Farm Credit banks and the Funding Corporation or in order to relieve any person(s) of unnecessary hardship, if such action is not inconsistent with law, does not adversely affect any substantial existing rights, and the Farm Credit Administration is satisfied that such action will not subject the Farm Credit banks and the Funding Corporation to any substantial expense or liability.

§ 615.5459 Liability of Farm Credit banks, Funding Corporation and Federal Reserve Banks.

The Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks may rely on the information provided in a transfer message or other transaction documentation, and are not required to verify the information. The Farm Credit banks, the Funding Corporation, and the Federal Reserve Banks shall not be liable for any action taken in accordance with the information set out in the transfer message, other transaction documentation, or evidence submitted in support thereof.

§ 615.5460 Additional provisions.

(a) *Additional requirements.* In any case or any class of cases arising under the regulations in this subpart, the Farm Credit banks and the Funding Corporation may require such additional evidence and a bond of indemnity, with or without surety, as may in the judgment of the Farm Credit banks and the Funding Corporation be necessary for the protection of the interests of the Farm Credit banks and the Funding Corporation.

(b) *Notice of attachment for Farm Credit securities in the Book-entry System.* The interest of a debtor in a security entitlement may be reached by a creditor only by legal process upon the securities intermediary with whom the debtor's securities account is maintained, except where a security entitlement is maintained in the name of a secured party, in which case the

debtor's interest may be reached by legal process upon the secured party. These regulations do not purport to establish whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

§ 615.5461 Lost, stolen, destroyed, mutilated or defaced Farm Credit securities, including coupons.

(a) Relief on the account of the loss, theft, destruction, mutilation, or defacement of any definitive consolidated or Systemwide securities of the Farm Credit banks and coupons of such securities may be granted on the same basis and to the same extent as relief may be granted under the statutes of the United States and the regulations of the Department of the Treasury on the account of the loss, theft, destruction, mutilation, or defacement of United States securities and coupons of such securities.

(b) Applicants for relief under paragraph (a) of this section, shall present claims and proof of loss:

(1) To the Division of Special Investments, Bureau of the Public Debt, P.O. Box 396, Parkersburg, WV 26102-0396, in the case of consolidated or Systemwide securities of the Farm Credit banks issued prior to May 1, 1978; or

(2) To the Federal Farm Credit Banks Funding Corporation, 10 Exchange Place, Suite 1401, Jersey City, NJ 07302, in the case of consolidated or Systemwide securities issued on or after May 1, 1978.

§ 615.5462 Restrictive endorsement of bearer securities.

When consolidated and Systemwide bearer securities of the Farm Credit banks are being presented to Federal Reserve Banks, for redemption, exchange, or conversion to book entry, such securities may be restrictively endorsed. The restrictive endorsement shall be placed thereon in substantially the same manner and with the same effects as prescribed in United States Treasury Department regulations, now or hereafter in force, governing like transactions in United States bonds; and consolidated or Systemwide securities of the Farm Credit banks so endorsed shall be prepared for shipment and shipped in the manner prescribed in such regulations for United States bearer securities. (See 31 CFR part 328.)

Subpart R—Farm Credit System Financial Assistance Corporation Securities

3. Section 615.5560 is amended by revising paragraph (c) to read as follows:

§ 615.5560 Book-entry Procedure for Farm Credit System Financial Assistance Corporation Securities.

* * * * *

(c) Financial Assistance Corporation securities shall be governed by §§ 615.5450, and 615.5452 through 615.5460. In interpreting those sections for purposes of this subpart, unless the context requires otherwise, the term "Financial Assistance Corporation securities" shall be read for "Farm Credit securities," and "Financial Assistance Corporation" shall be read for "Farm Credit banks" and "Funding Corporation." These terms shall be read as though modified where necessary to effectuate the application of the designated sections of subpart O of this part to the Financial Assistance Corporation.

Subpart S—Federal Agricultural Mortgage Corporation Securities

4. Section 615.5570 is amended by revising paragraph (c) to read as follows:

§ 615.5570 Book-entry procedures for Federal Agricultural Mortgage Corporation Securities.

* * * * *

(c) Farmer Mac securities shall be governed by §§ 615.5450, and 615.5452 through 615.5460. In interpreting those sections for purposes of this subpart, unless the context requires otherwise, the term "Farmer Mac securities" shall be read for "Farm Credit securities," and "Farmer Mac" shall be read for "Farm Credit banks" and "Funding Corporation." These terms shall be read as though modified where necessary to effectuate the application of the designated sections of subpart O of this part to Farmer Mac.

Dated: December 12, 1996.

Floyd Fithian,

Secretary, Farm Credit Administration Board.
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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 96-NM-158-AD; Amendment 39-9845; AD 96-25-03]

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Airworthiness Directives; Raytheon (Beech) Model 400A, 400T (Military T-1A), and 400T (Military TX) Series Airplanes

AGENCY: Federal Aviation Administration, DOT.