

NUCLEAR REGULATORY COMMISSION**10 CFR Part 2**

RIN 3150-AF88

Procedures Applicable to Proceedings for the Issuance of Licenses for the Receipt of High-Level Radioactive Waste at a Geologic Repository**AGENCY:** Nuclear Regulatory Commission.**ACTION:** Proposed rule; extension of public comment period.

SUMMARY: On November 13, 1997 (62 FR 60789), the NRC published for public comment a proposed rule to amend the Rules of Practice for the licensing proceeding on the disposal of high-level radioactive waste at a geologic repository (HLW proceeding). The comment period for this proposed rule was scheduled to expire on January 27, 1997. In a letter dated December 31, 1997, and received by NRC on January 12, 1998, a representative of Clark County, Nevada, requested a 30 to 60-day extension of the comment period. This extension is requested to allow Clark County, Nevada, and other affected units of local government, whose funding for participation in the HLW proceeding has only recently been restored, sufficient time to review the proposed rule and submit comments. In response to this request, the NRC has decided to extend the comment period for 60 days.

DATES: The comment period has been extended 60 days and will now expire on March 30, 1998. Comments submitted after this date will be considered if it is practical to do so, but assurance of consideration cannot be given except for comments received on or before this date.

ADDRESSES: Send comments by mail addressed to the Secretary, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001. Attention: Rulemakings and Adjudications Staff.

Hand-deliver comments to: 11555 Rockville Pike, Rockville, Maryland, between 7:30 am and 4:15 pm on Federal workdays.

You may also provide comments via the NRC's interactive rulemaking web site through the NRC home page (<http://www.nrc.gov>). This site provides the availability to upload comments as files (any format), if your web browser supports that function. For information about the interactive rulemaking site, contact Ms. Carol Gallagher, (301) 415-5905; e-mail CAG@nrc.gov.

Documents related to this rulemaking, including comments received, may be

examined at the NRC Public Document Room, 2120 L Street NW. (Lower Level), Washington, DC. These same documents also may be viewed and downloaded electronically via the interactive rulemaking website established by NRC for this rulemaking.

FOR FURTHER INFORMATION CONTACT:

Kathryn L. Winsberg, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone (301) 415-1641, e-mail KLW@nrc.gov.

Dated at Rockville, Maryland, this 27th day of January, 1998.

For the Nuclear Regulatory Commission.

Annette Vietti-Cook,

Acting Secretary of the Commission.

[FR Doc. 98-2445 Filed 1-30-98; 8:45 am]

BILLING CODE 7590-01-P

FEDERAL HOUSING FINANCE BOARD**12 CFR Part 937****[No. 98-02]****Financial Disclosure by Federal Home Loan Banks****AGENCY:** Federal Housing Finance Board.**ACTION:** Proposed rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is proposing to amend its regulations to add a requirement that the Federal Home Loan Banks (Banks) provide annual audited financial statements, and quarterly unaudited financial statements, to their members, both in conformance with the requirements promulgated by the Securities and Exchange Commission (SEC). This amendment is intended to codify current prevailing practice at the Banks, and to establish uniform financial disclosure requirements and standards for the Banks.

DATES: Written comments must be received in writing on or before March 19, 1998.

ADDRESSES: Comments should be mailed to: Elaine L. Baker, Secretary to the Finance Board, Federal Housing Finance Board, 1777 F Street, NW., Washington DC 20006. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT:

Joseph A. McKenzie, Director, Financial Analysis and Reporting Division, Office of Policy, 202/408-2845, or Deborah F. Silberman, Acting General Counsel, Office of General Counsel, 202/408-2570, Federal Housing Finance Board, 1777 F Street, NW., Washington DC 20006.

SUPPLEMENTARY INFORMATION:**I. Background**

The Federal Home Loan Bank Act (Bank Act), 12 U.S.C. 1421 *et seq.*, authorizes the Finance Board to issue consolidated Bank obligations that are the joint and several obligations of the Banks in order to provide funds for the Banks, 12 U.S.C. 1431(b), (c). The Bank Act further authorizes the individual Banks to issue debt securities subject to rules and regulations adopted by the Finance Board, 12 U.S.C. 1431(a). The Finance Board has never adopted regulations concerning the issuance of debt securities by the individual Banks, and the Banks have never issued debt securities pursuant to this authority. However, the Banks are corporate entities with both mandatory and voluntary stockholders. Federal savings associations automatically become members of the FHLBank in the district in which the Federal savings association's principal office are located. See 12 U.S.C. 1464(f). Other eligible financial institutions may apply for and be granted membership in a Bank if they meet the statutory and regulatory membership eligibility criteria set forth in the Bank Act, see 12 U.S.C. 1424 and other regulatory requirements, see 12 CFR part 933. As a condition of membership, all members are required to maintain a minimum stockholding in their respective Banks. See 12 U.S.C. 1426. The aggregate stockholder investments in the Banks range from \$700 million in the Bank of Topeka, to more than \$3 billion in the Bank of San Francisco.

Pursuant to section 3(a)(2) of the Securities Act of 1933, 15 U.S.C. 77c(a)(2)), (Securities Act), securities issued by both the Finance Board and the Banks are exempt from the registration requirements of the Securities Act. Section 3(a)(2) exempts from registration and other requirements of the Securities Act, *inter alia*, securities issued or guaranteed by "any person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States." 15 U.S.C. 77c(a)(2).

Classes of securities issued by the Finance Board and the Banks similarly are exempt from the registration and reporting requirements of the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (Exchange Act) pursuant to section 3(a)(42) of the Exchange Act (15 U.S.C. 78c(a)(42)). Section 3(a)(42)(B) designates as securities exempt from registration and reporting under the Exchange Act, "government securities,"

including "securities which are issued or guaranteed by corporations in which the United States has a direct or indirect interest and which are designated by the Secretary of the Treasury for exemption as necessary or appropriate in the public interest or for the protection of investors." *Id.*, section 78c(a)(42)(B).

The applicable exemptions under both the Securities Act and the Exchange Act are principally grounded in a presumption that the securities activities of institutions acting as government entities, as designated under the federal securities laws, will be conducted in the public interest and for the protection of investors.

While securities issued by both the Finance Board and the Banks are exempt from the registration and reporting requirements of both the Securities Act and the Exchange Act, it is unclear whether the offer and sale of such securities may be subject to certain of the antifraud provisions of those Acts. The SEC's disclosure requirements prescribe that an issuer of securities into the capital markets make full and fair disclosure of all information material to an investment decision in connection with the offer, sale, and other market transactions in those securities. Generally, a securities issuer's compliance with SEC disclosure regulations will reduce risk of and liability for potential fraud. For a Bank, a material violation of the antifraud provisions of the federal securities laws would constitute an unsafe and unsound practice. In addition, the safety and soundness of the Bank system is dependent upon maintaining the system's capital base and upon the system's access to the capital markets. Indeed, one of the duties of the Finance Board specified in the Bank Act is that it ensure that the Banks remain adequately capitalized and able to raise funds in the capital markets. See 12 U.S.C. 1422a(a)(3)(B)(iii).

All of the Banks provide annual reports, which include audited financial statements prepared in accordance with generally accepted accounting principles (GAAP), to their members. Some, but not all of the Banks issue quarterly financial reports, and the form and content of these quarterly reports varies widely. However, the Finance Board has never addressed the scope and content of the financial reports issued by individual Banks to their members. Because the Finance Board has supervisory and examination authority over the Banks, it is the Finance Board's responsibility to regulate the securities activities of those institutions when it finds such regulation to be necessary or

appropriate for the protection of investors and the Bank system.

The Finance Board also wishes to address recent congressional actions in connection with the issuance of Bank System debt. Several months ago, the Subcommittee on Finance and Hazardous Materials of the House Commerce Committee approved an amendment to H.R.10, the Financial Services Act of 1997 that would have subjected both the Finance Board and Banks to the registration and reporting requirements of the 1933 and 1934 Acts. All FHLBank provisions were ultimately deleted from the version of H.R.10 that the Commerce Committee reported.

Because the disclosure provided by the Bank System already generally complies with the applicable disclosures that the SEC requires, the Finance Board believes that SEC registration would add an unnecessary additional layer of regulatory scrutiny that would raise the System's cost of funds. As discussed above, the proposed rule largely would codify existing practice. The comment period will allow the Congress and other interested parties to comment on the scope of the existing and proposed new disclosures and to indicate to the Finance Board any other disclosures that would be appropriate.

In order to fulfill its duties and achieve the above goals, the Finance Board has adopted, simultaneously with this proposal, a policy statement embodying the current practice of preparing the consolidated reports issued for the Bank system by the Finance Board in connection with the issuance of consolidated debt securities pursuant to section 11(c) of the Bank Act, 12 U.S.C. 1431(c), in accordance with the disclosure requirements promulgated by the SEC. See Proposed Policy Statement, Finance Board Res. No. 98-01, January 21, 1998. The Finance Board also is proposing this regulation to ensure that Bank stockholders receive timely, accurate and uniform financial information about their respective Banks. The regulation would codify prevailing practice at the Banks, which voluntarily prepare their reports generally in accordance with SEC standards, by requiring each Bank to file with the Finance Board and distribute to its members an annual report containing financial statements prepared in accordance with the requirements of the SEC's financial statement Regulation S-X, 17 CFR part 210, as referenced in the financial statement requirement (Item 8) of the annual report Form 10-K promulgated by the SEC, 17 CFR 249.310.

The proposed rule also would require each Bank to file with the Finance Board and distribute to its members a quarterly report containing unaudited financial statements prepared in accordance with the financial statement requirement (Item 1) of the quarterly report Form 10-Q promulgated by the SEC, 17 CFR 249.310, and the requirements of rule 10-01 of the SEC's financial statement Regulation S-X, 17 CFR 210.10-01.

Nothing in the proposed rule is intended to subject the FHLBanks to the jurisdiction of any other agency, nor to confer any private right of action on any member or on any investor in FHLBank system securities.

II. Analysis of the Proposed Rule

A. Definitions

Proposed section 937.1 sets forth definitions to be used in the part. The definitions of "Bank," "Finance Board," and "Member" are consistent with the definitions of those terms as used throughout the Finance Board's regulations. Definitions of "SEC," "Form 10-K," "Form 10-Q," and "Regulation S-X" refer to and are consistent with regulations promulgated by the SEC under the Securities Act and the Exchange Act.

Issuers having a class of securities registered with the SEC under the Exchange Act (Registrant) are required to file with the SEC and provide to their shareholders an annual report on Form 10-K, 17 CFR 249.310. The Form 10-K generally requires detailed disclosure of 15 items, including information about the business, structure and operations of the Registrant, about ownership in and issuance of the Registrant's securities, about the officers and directors of the Registrant, and presentation of audited financial statements prepared in accordance with GAAP.

Registrants also are required to file with the SEC and distribute to shareholders a quarterly report on Form 10-Q, 17 CFR 249.308a. The 9 item requirements of the Form 10-Q focus primarily on abbreviated, unaudited interim financial information.

The SEC employs a regulatory scheme of uniform disclosure called "integrated disclosure." Under this scheme, all of the SEC's accounting and financial disclosure requirements for forms required to be filed under both the Securities Act and the Exchange Act are centralized in Regulation S-X, 17 CFR part 210. Regulation S-X outlines comprehensive financial statement disclosure requirements, both of general applicability and of specific requirements tailored to the myriad

variety of SEC registrants. The regulation also prescribes standards for the qualifications and independence of accountants and for the content of accountant's reports. The regulation addresses such topics as preparation of financial statements in accordance with GAAP; principles of consolidation of financial statements, the form and line item content of consolidated balance sheets, consolidated statements of income and cash flows, age of financial statements, footnotes to the financial statements, and specific requirements for financial statements for financial institution holding companies, among other industries.

B. Financial Statement Requirement

Section 937.2 of the proposed rule imposes a requirement that the Banks file with the Finance Board for review, and distribute to their shareholders, annual and quarterly financial statements as provided further in the regulation. As discussed above, all of the Banks currently provide annual financial statements to their shareholders. However, not all of the Banks currently issue quarterly financial statements. Section 937.2 also states that the fact that annual or quarterly financial statements have been filed with the Finance Board shall not be deemed a finding by the Finance Board about the accuracy or adequacy of those financial statements.

The proposed rule would require filing and distribution only of financial statements. Comments are solicited on whether the Banks should be required to disclose other information in their annual and quarterly reports similar to that required by SEC Registrants, such as information regarding stockholdings by members, composition of the board, compensation, related transactions, etc.

The Finance Board also solicits specific comment on whether this requirement would provide information of utility to the Banks' shareholders and on whether the provision of this information would impose an undue burden on the Banks.

C. Annual Financial Statements

Section 937.3 of the proposed rule requires that a Bank's annual financial statements shall conform as to form and content to the requirements of Regulation S-X as referenced in Item 8 of Form 10-K. Item 8 of Form 10-K requires that financial statements meeting the requirements of Regulation S-X be furnished. For purposes of the Form 10-K, Regulation S-X requires presentation of consolidated, audited balance sheets as of the end of each of the two most recent fiscal years and

audited statements of income and cash flows for each of the three fiscal years preceding the date of the most recent audited balance sheet being filed, along with all related required footnote disclosure.

Item 8 of Form 10-K also requires that the disclosure required by Item 302 of the SEC's Regulation S-K, 17 CFR 229.302. Item 302 of Regulation S-K requires disclosure of specific information by Registrants engaged in oil and gas producing activities, and of selected quarterly financial information by Registrants meeting a number of criteria related to publicly held shares quoted on the National Association of Securities Dealers' Automated Quotation system. Because item 302 is entirely inapplicable to the Banks, disclosure of this information is not being required in the proposed rule.

Proposed § 937.3 also requires that the Banks' annual financial statements shall be filed with the Finance Board and distributed to each member of the Bank within 90 days after the end of the fiscal year covered by the financial statements. This timing requirement is identical to the requirements of the SEC in the Form 10-K. The Finance Board solicits comments as to the utility of imposing a time period for the filing and issuance of the annual financial statements, and on whether the time period prescribed would impose an undue burden on the Banks.

Finally, proposed § 937.3 provides that a Bank shall indicate in a transmittal letter accompanying the annual financial statements whether the financial statements reflect a change from the preceding year in any accounting principles or practices, or in the method of applying any such principles or practices, and that, except where information is required by the requirements of Regulation S-X to be given for the fiscal year or as of specified date, it shall be given as of the latest practicable date. These requirements are drawn from the instructions to the Form 10-K and are consistent with SEC practice.

D. Quarterly Financial Statements

Proposed § 937.4 requires a Bank's quarterly financial statements to conform as to form and content to the requirements of Item 1 of Form 10-Q and to the requirements of rule 10-01 of Regulation S-X. Rule 10-01 requires disclosure of interim unaudited financial statements for the quarter covered, including interim balance sheets (i.e., an interim balance sheet as of the end of the most recent fiscal quarter and a balance sheet as of the end of the preceding fiscal year; an interim

balance sheet as of the end of the corresponding fiscal quarter of the preceding fiscal year may, but need not, be provided); interim statements of income (i.e., for the period between the end of the preceding fiscal year and the end of the most recent fiscal quarter, and for the corresponding periods of the preceding fiscal year); abbreviated interim statement of changes in financial position (i.e., for the period between the end of the preceding fiscal year and the end of the most recent fiscal quarter, and for the corresponding period of the preceding fiscal year); and any footnotes desired. This interim financial information need not be reviewed by an independent public accountant prior to filing.

Again, given that not all of the Banks currently provide quarterly financial statements to their members, and that even those that do provide such information may not do so in the form required by the proposed rule, the Finance Board solicits comment on whether this requirement would provide information of utility to the Banks' shareholders and on whether the provision of this information would impose an undue burden on the Banks.

Proposed § 937.4 also provides that the Bank's quarterly financial statements shall be filed with the Finance Board and distributed to each member of a Bank within 45 days after the end of the fiscal quarter covered by the financial statements, and that no financial statements need be filed or distributed for the fourth quarter of any fiscal year. These provisions are drawn from the instructions to the Form 10-Q and are consistent with SEC practice. The Finance Board solicits comments as to the utility of imposing a time period for the filing and issuance of the quarterly financial statements, and on whether the time period prescribed would impose an undue burden on the Banks.

III. Regulatory Flexibility Act

The proposed rule would apply only to the Banks, which do not come within the meaning of "small entities," as defined in the Regulatory Flexibility Act (RFA). See 5 U.S.C. 601(6). Therefore, in accordance with section 605(b) of the RFA, see *id.* section 605(b), the Finance Board hereby certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities.

IV. Paperwork Reduction Act

This proposed rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995. See 44 U.S.C. 3501 *et seq.* Consequently,

the Finance Board has not submitted any information to the Office of Management and Budget for review.

List of Subjects in 12 CFR Part 937

Federal home loan banks, Reporting and recordkeeping requirements.

Accordingly, the Federal Housing Finance Board hereby proposes to amend title 12, chapter IX, of the Code of Federal Regulations, by adding a new part 937, to read as follows:

PART 937—FINANCIAL STATEMENTS OF THE BANKS

Sec.

937.1 Definitions.

937.2 Financial statement requirement.

937.3 Annual financial statements.

937.4 Quarterly financial statements.

Authority: 12 U.S.C. 1422a, 1422b, 1426, 1431, and 1440.

§ 937.1 Definitions.

As used in this part:

Bank means a Federal Home Loan Bank established under the authority of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1421 *et seq.*).

Finance Board means the agency established as the Federal Housing Finance Board.

Form 10-K means the Annual Report on Form 10-K (17 CFR 249.310) promulgated by the SEC pursuant to the provisions of the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Form 10-Q means the Quarterly Report on Form 10-Q (17 CFR 249.308a) promulgated by the SEC pursuant to the provisions of the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Member means an institution that has been approved for membership in a Bank and has purchased capital stock in the Bank in accordance with §§ 933.20 and 933.24 of this chapter.

Regulation S-X means the accounting rules promulgated by the SEC (17 CFR part 210).

SEC means the agency established as the Securities and Exchange Commission.

§ 937.2 Financial statement requirement.

(a) Each Bank shall prepare, file with the Finance Board for review and distribute to its members annual and quarterly financial statements as provided in this part.

(b) The fact that annual or quarterly financial statements have been filed with the Finance Board shall not be deemed a finding that the Finance Board has passed upon the accuracy or adequacy of those financial statements.

§ 937.3 Annual financial statements.

(a) A Bank's annual financial statements shall conform as to form and

content to the requirements of Regulation S-X as referenced in Item 8 of Form 10-K.

(b) Annual financial statements shall be distributed to each member of a Bank within 90 days after the end of the fiscal year covered by the financial statements.

(c) At the time the Bank's annual financial statements are distributed to the Bank's members, but no later than 90 days after the end of the fiscal year covered by the financial statements, five copies of the annual financial statements shall be filed with Elaine L. Baker, Secretary to the Finance Board, Federal Housing Finance Board, 1777 F Street, NW., Washington DC 20006. The annual financial statements will be available for public inspection at this address.

(d) The Bank shall indicate in a transmittal letter accompanying the annual financial statements whether the financial statements reflect a change from the preceding year in any accounting principles or practices, or in the method of applying any such principles or practices.

(e) Except where information is required by the requirements of Item 8 of Form 10-K or of Regulation S-X to be given for the fiscal year or as of specified date, it shall be given as of the latest practicable date.

§ 937.4 Quarterly financial statements.

(a) A Bank's quarterly financial statements shall conform as to form and content to the requirements of Item 1 of Form 10-Q and to the requirements of rule 10-01 of Regulation S-X (17 CFR 210.10-01).

(b) Quarterly financial statements shall be distributed to each member of a Bank within 45 days after the end of the fiscal quarter covered by the financial statements.

(c) At the time the Bank's quarterly financial statements are distributed to the Bank's members, but no later than 45 days after the end of the fiscal quarter covered by the financial statements, five copies of the quarterly financial statements shall be filed with Elaine L. Baker, Secretary to the Finance Board, Federal Housing Finance Board, 1777 F Street, NW., Washington DC 20006. The quarterly financial statements will be available for public inspection at this address.

(d) No financial statements need be filed or distributed for the fourth quarter of any fiscal year.

By the Board of Directors of the Federal Housing Finance Board.

Bruce A. Morrison,

Chairperson.

[FR Doc. 98-1969 Filed 1-30-98; 8:45 am]

BILLING CODE 6725-01-U]

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 97-CE-144-AD]

RIN 2120-AA64

Airworthiness Directives; AERMACCI S.p.A. S.205 Series and Models S.208 and S.208A Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes to adopt a new airworthiness directive (AD) that would apply to AERMACCI S.p.A. S.205 series and Models S.208 and S.208A airplanes. The proposed AD would require inspecting all flight control cables (elevator control, aileron control, rudder, flaps, nose gear steering, parking brake, safety belts, and autopilot systems) for cracks in the eye end, and replacing any control cable with any crack in the eye end. The proposed AD is the result of mandatory continuing airworthiness information (MCAI) issued by the airworthiness authority for Italy. The actions specified by the proposed AD are intended to prevent loss of critical airplane functions because of cracked flight control cables, which could result in loss of control of the airplane if occurring during flight.

DATES: Comments must be received on or before March 9, 1998.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 97-CE-144-AD, Room 1558, 601 E. 12th Street, Kansas City, Missouri 64106. Comments may be inspected at this location between 8 a.m. and 4 p.m., Monday through Friday, holidays excepted.

Service information that applies to the proposed AD may be obtained from SIAI Marchetti S.p.A., Product Support Department, Via Indipendenza 2, 21018 Sesto Calende (VA), Italy; telephone: +39-331-929117; facsimile: +39-331-922525. This information also may be examined at the Rules Docket at the address above.