Paperwork Reduction Act

This proposed rule contains no information collection or recordkeeping requirements under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

List of Subjects in 9 CFR Part 93

Animal diseases, Imports, Livestock, Poultry and poultry products, Quarantine, Reporting and recordkeeping requirements.

Accordingly, we propose to amend 9 CFR part 93 as follows:

PART 93—IMPORTATION OF CERTAIN ANIMALS, BIRDS, AND POULTRY, AND CERTAIN ANIMAL, BIRD, AND POULTRY PRODUCTS; REQUIREMENTS FOR MEANS OF CONVEYANCE AND SHIPPING CONTAINERS

1. The authority citation for part 93 would continue to read as follows:

Authority: 7 U.S.C. 1622; 19 U.S.C. 1306; 21 U.S.C. 102–105, 111, 114a, 134a, 134b, 134c, 134d, 134f, 135, 136, and 136a; 31 U.S.C. 9701; 7 CFR 2.22, 2.80, and 371.2(d).

2. In § 93.308, paragraph (a)(3) would be revised to read as follows:

§ 93.308 Quarantine requirements.

(a) * * *

(3) To qualify for release from quarantine, all horses must test negative to official tests for dourine, glanders, equine piroplasmosis, and equine infectious anemia.[14] However, horses imported from Australia and New Zealand are exempt from testing for dourine and glanders. In addition, all horses must undergo any other tests, inspections, disinfections, and precautionary treatments that may be required by the Administrator to determine their freedom from communicable diseases.

* * * * *

Done in Washington, DC, this 20th day of November 1998.

Craig A. Reed,

Administrator, Animal and Plant Health Inspection Service.

[FR Doc. 98–31711 Filed 11–27–98; 8:45 am]

BILLING CODE 3410–34–P

[14] Because the official tests for dourine and glanders are performed only at the National Veterinary Services Laboratories in Ames, IA, the protocols for those tests have not been published and are, therefore, not available; however, copies of ''Protocol for the Complement-Fixation Test for Equine Piroplasmosis'' and ''Protocol for the Immuno-Diffusion (Coggins) Test for Equine Infectious Anemia'' may be obtained from the Animal and Plant Health Inspection Service, Veterinary Services, National Center for Import-Export, 4700 River Road Unit 38, Riverdale, MD 20737–1231.

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 712

Credit Union Service Organizations

AGENCY: National Credit Union Administration

ACTION: Proposed rule.

SUMMARY: NCUA proposes several changes to its recently revised rule concerning federal credit unions' (FCUs') investments in and loans to credit union service organizations (CUSOs). The proposed changes: delete a provision preventing FCUs from investing in or lending to CUSOs in which non-credit union depository institutions are co-investors or lenders; revise a provision limiting CUSO investments in non-CUSO service providers; delete a provision preventing FCUs from investing in the debentures of a CUSO; and clarify how the NCUA measures the limit on an FCU's investment in or loans to CUSOs. The proposed changes decrease the regulatory burden for FCUs investing in or lending to CUSOs.

DATES: Comments must be received by March 1, 1999.

ADDRESSES: Comments should be directed to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428. Fax comments to (703) 518–6319. E-mail comments to boardmail@ncua.gov. Please send comments by one method only.

FOR FURTHER INFORMATION CONTACT: Mary Rupp, Staff Attorney, Office of General Counsel, at the above address or telephone (703) 518–6540; or Linda Groth, Program Officer, Office of Examination and Insurance, at the above address or telephone (703) 518–6360.

SUPPLEMENTARY INFORMATION:

Background

Section 107 of the Federal Credit Union Act (the Act) authorizes FCUs to make loans to and invest in CUSOs subject to certain funding limits and other restrictions. 12 U.S.C 1757. As to funding, § 107(5)(D) authorizes an FCU to lend, in the aggregate, up to 1% of its shares and undivided earnings to CUSOs, and § 107(7)(I) authorizes an FCU to invest up to an additional 1% in the shares, stocks, or obligations of a CUSO. 12 U.S.C. 1757(5)(D), (7)(I). Other restrictions include § 107(5)(D)'s requirement that a service organization ''primarily serve the needs of its member credit unions'' and § 107(7)(I)'s prohibition against using the CUSO authority to acquire control of other specified organizations such as trade associations and other financial institutions.

NCUA's implementing regulations have, since their inception, combined these lending and investment provisions in a single ''CUSO rule.'' Now codified at 12 CFR part 712, the CUSO rule was most recently revised in March 1998. 63 FR 10743 (March 5, 1998). That revision reflected a comprehensive updating and streamlining of the rule. Among other changes, the revised rule clarifies NCUA's authority to examine CUSO books and records, adds to the list of permissible CUSO services, and simplifies the legal opinion requirements. Upon reconsideration of the revised rule, NCUA now believes that three provisions of the rule are unnecessarily restrictive and should be changed and that one provision needs further clarification.

Proposed Changes

The first proposed change concerns the question of what other organizations may participate with FCUs in the formation and operation of a CUSO. In this connection, § 712.2(c) of the current rule states that ''[a]n FCU may invest in, or loan to, a CUSO by itself or with other credit unions, or with non-depository institution parties not otherwise prohibited by § 712.6 or this part.'' This language prohibits an FCU from investing in or lending to a CUSO in which one or more banks or thrift institutions are also participating lenders or investors.

Explaining this prohibition, the preamble to the current rule cited concern about non-credit union depository institutions participating in credit union service centers, such as shared branches. NCUA was concerned that credit union members would be confused if both NCUSIF and FDIC signs were posted together at shared service centers. 63 FR at 10746. On further consideration, however, NCUA believes any possible confusion can be properly addressed through appropriate disclosures to service center customers. The prohibition on bank and thrift participants is unnecessary and NCUA proposes to revise § 712.2(c) to read: ''A federal credit union may invest in or loan to a CUSO by itself, with other credit unions, or with non-credit union parties.'' This language is substantially the same as the rule prior to the March 1998 revision. In addition the proposed rule removes a cross-reference in the current version of § 712.2(c) to § 712.6. Section 712.6 stands on its own to implement the statutory prohibition

against using the CUSO authority to acquire control of certain other organizations such as the trade associations and other depository institutions. 12 U.S.C. 1757(7)(I).

The second change concerns § 712.3(b) of the current rule and the amount a CUSO can invest in other service providers. This paragraph, entitled ''Customer base,'' provides in part ''if in order for the CUSO to provide a permissible service it is necessary for the CUSO to own stock in a service provider not meeting the customer base requirement, then the CUSO can own and buy the minimal amount of service provider stock necessary to provide the service.'' As an example of how this authority can be used, a CUSO might wish to buy stock in a bank or thrift-owned ATM network, in order to make the network available to members of the CUSO's participating credit unions.

Upon further consideration, NCUA believes it is not necessary to limit a CUSO's investment in a service provider to a minimum amount required as a condition of participation in the service provider. If a CUSO can, as a result of an increased investment, obtain a reduced price for goods or services, the CUSO should be free to make that business decision. Accordingly, NCUA proposes to revise the language concerning service providers to permit CUSO investments in non-CUSO service providers if the investment is limited to the amount necessary to participate in the service provider or a greater amount if necessary to obtain a reduced price for goods or services, for the CUSO, its credit unions, or the credit unions' members.

The intent of this provision is to allow a CUSO to invest as much as is necessary to obtain an economic advantage on the goods or services it is receiving. CUSOs would not be permitted to use this provision as independent investment authority. The NCUA Board is interested in receiving comment on this distinction, and on whether the proposed regulatory language achieves the intended result.

NCUA believes it would be clearer for this provision to be set out in that portion of the regulation addressing permissible activities rather than in the section addressing customer base. NCUA proposes to move this provision from the customer base section of the rule, § 712.3(b), and add it as a new subsection (p) to § 712.5 concerning permissible CUSO activities and services.

The third change concerns § 712.2(a) of the current rule that limits an FCU's investment in a CUSO structured as a corporation to the equity of the corporation. The preamble explains that this limitation was a clarification. However, this provision has the effect of prohibiting an FCU from investing in the debentures of a CUSO structured as a corporation, a practice that was previously permissible. NCUA proposes to eliminate this provision because the limitation is more restrictive than the Act, which permits FCUs to invest in the obligations of a CUSO. 12 U.S.C. 1757(7)(I).

Currently, § 712.2(a) states that an FCU can only invest in a limited partnership as a limited partner. This provision is more related to the permissible structure of a CUSO than permissible investments in a CUSO. NCUA believes this provision would be clearer if it is moved from § 712.2(a) to § 712.3(a). In addition, the provision limiting an FCU's investment in a limited liability company to membership is deleted because it is unnecessary.

The final change clarifies that generally accepted accounting principles (GAAP) are to be used in accounting for an FCU's investments in and loans to a CUSO both for purposes of accounting for the regulatory limitations under § 712.2 and the financial statement amounts under § 712.3. In the past, some FCUs have measured both regulatory limitations and financial statement amounts consistent with GAAP while others have measured the regulatory limitation differently, using a concept called aggregate cash outlay.

The aggregate cash outlay practice came about because of a perceived inequity in having to use GAAP in certain situations. If a credit union owns 20% or more, but less than 50% of a CUSO's voting common stock, it is presumed to ''have the ability to exert significant influence'' over the CUSO and GAAP requires the credit union to use the equity method to account for its CUSO investment. Under this method, the FCU records its initial investment and, subsequently, its proportionate share of the CUSO's profits and losses. A situation could arise in which an FCU's initial investment is within the 1% regulatory limitation but, as the CUSO operates with continued profitability and the credit union absorbs its proportionate share of the profits through no additional cash outlay, the FCU exceeds its 1% limitation. This could trigger regulatory action requiring divestiture. Some argue this is contrary to prudent business practice and unfair because it would be penalizing FCUs for investing in profitable CUSOs. To avoid this result, there grew in practice a concept generally known as aggregate cash outlay. Under this concept, the regulatory limitation would only be measured in relation to the actual cash invested or lent to a CUSO, not counting subsequent increases or decreases to this amount growing out of application of equity method accounting.

The Board agrees that divestiture should not be required, but believes it is important for FCUs to account in accordance with GAAP. The proposed rule strikes a balance. It requires FCUs to account in accordance with GAAP for both regulatory and financial reporting purposes. It does not require divestiture or prohibit future investments if the regulatory limitation is exceeded under the equity method without any additional cash outlay.

To accomplish this, new subsections (d) and (e) have been added to § 712.2. Subsection (d) includes the definition of ''paid-in and unimpaired capital and surplus'' that was formerly in subsection (a) and adds the requirement that total investments in and loans to the CUSO be measured consistent with GAAP for regulatory purposes. Section 712.3(c) is revised by adding ''for financial reporting purposes'' to the title.

As an example of how the rule will be applied, if an FCU owns 45% of a CUSO and the CUSO has an annual net income of $50,000, the equity method requires an FCU to book a $22,500 addition to its ''investments in and loans to CUSO'' asset account. If by doing so, the regulatory limitation is reached or exceeded, NCUA will not require divestiture.

Request for Comment

The NCUA Board is interested in receiving comments on the proposed amendments to part 712.

The NCUA Board is also interested in receiving comment on § 712.5(d)(8) which lists cyber financial services as a permissible CUSO activity. The preamble to the current rule defined cyber financial services as ''credit union member financial services that are analogous to services performed for credit union members in a credit union branch and not unrelated services.'' 63 FR at 10753. As part of a CUSO's authority to provide cyber financial services, it may also want to provide other forms of cyber service. The NCUA Board is interested in receiving comment on the scope of services that should be included within the category of cyber financial services.

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact any proposed regulation may have on a substantial number of small entities (primarily those under 1 million in assets). Because these proposed changes reduce regulatory burden, the NCUA Board has determined and certifies that the proposal does not have a significant economic impact on a substantial number of small credit unions.

Paperwork Reduction Act

This proposal has no effect on reporting requirements in part 712.

Executive Order 12612

Executive Order 12612 requires NCUA to consider the effect of its actions on state interests. The CUSO regulation applies only to FCUs. Thus, the NCUA Board has determined that this proposal does not constitute a ''significant regulatory action'' for purposes of the Executive Order. NCUA will continue to work with the state credit union supervisors to achieve shared goals concerning CUSOs with both FCU and state-chartered credit union participation.

List of Subjects in 12 CFR Part 712

Administrative practices and procedure, Credit, Credit unions, Investments, Reporting and record-keeping requirements.

By the National Credit Union Administration Board on November 19, 1998.

Becky Baker,

Secretary of the Board.

Accordingly, NCUA proposes to amend 12 CFR part 712 as follows:

PART 712—CREDIT UNION SERVICE ORGANIZATIONS

1. The authority citation for part 712 will continue to read as follows:

Authority: 12 U.S.C. 1756, 1757(5)(D), and (7)(I), 1766, 1782, 1784, 1785 and 1786.

2. Amend § 712.2 by removing the second and third sentences of paragraph (a), revising paragraph (c) and adding paragraphs (d) and (e) to read as follows:

§ 712.2 How much can an FCU invest in, or loan to, CUSOs, and what parties may be involved?

* * * * *

(c) *Parties.* An FCU may invest in or loan to a CUSO by itself, with other credit unions, or with non-credit union parties.

(d) *Measurement for calculating regulatory limitation.* For purposes of paragraphs (a) and (b) of this section: paid-in and unimpaired capital and surplus means shares and undivided earnings; and total investments in and total loans to CUSOs will be measured consistent with GAAP.

(e) *Divestiture.* If the limitations in paragraph (a) of this section are reached or exceeded because of the profitability of the CUSO and the related GAAP valuation of the investment under the equity method, without an additional cash outlay by the FCU, divestiture is not required. An FCU may continue to invest up to 1% without regard to the increase in the GAAP valuation resulting from a CUSO's profitability.

3. Amend § 712.3 by adding a new sentence following the first sentence of paragraph (a), by removing the second sentence of paragraph (b) and by revising the title of paragraph (c) to read as follows:

§ 712.3 What are the characteristics of and what requirements apply to CUSOs?

(a) *Structure.* * * * An FCU may only participate in a limited partnership as a limited partner. * * *

* * * * *

(c) Federal credit union accounting for financial reporting purposes. * * *

* * * * *

4. In § 712.5 add paragraph (p) to read as follows:

§ 712.5 What activities and services are preapproved for CUSOs?

* * * * *

(p) *CUSO investments in non-CUSO service providers:* In connection with providing a permissible service, a CUSO may invest in a non-CUSO service provider. The amount of the CUSO's investment is limited to the amount necessary to participate in the service provider, or a greater amount if necessary to receive a reduced price for goods or services.

[FR Doc. 98–31598 Filed 11–27–98; 8:45 am]

BILLING CODE 7535–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 98–NM–295–AD]

RIN 2120–AA64

Airworthiness Directives; Bombardier Model DHC–7 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) that is applicable to all Bombardier Model DHC–7 series airplanes. This proposal would require removal of all attachment bolts and pre-load indicating (PLI) washers of the wing-to-fuselage attachment fittings; a one-time visual inspection to detect corrosion of each attachment bolt; and installation of new attachment bolts and PLI washers of the wing-to-fuselage attachment fittings. This proposal is prompted by issuance of mandatory continuing airworthiness information by a foreign civil airworthiness authority. The actions specified by the proposed AD are intended to prevent failure of the attachment bolts of the wing-to-fuselage attachment fittings due to stress corrosion cracking, which could result in reduced structural integrity of the airplane.

DATES: Comments must be received by December 30, 1998.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM–114, Attention: Rules Docket No. 98–NM–295–AD, 1601 Lind Avenue, SW., Renton, Washington 98055–4056. Comments may be inspected at this location between 9:00 a.m. and 3:00 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from Bombardier, Inc., Bombardier Regional Aircraft Division, Garratt Boulevard, Downsview, Ontario M3K 1Y5, Canada. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the FAA, Engine and Propeller Directorate, New York Aircraft Certification Office, 10 Fifth Street, Third Floor, Valley Stream, New York.

FOR FURTHER INFORMATION CONTACT: Serge Napoleon, Aerospace Engineer, Airframe and Propulsion Branch, ANE–171, FAA, Engine and Propeller Directorate, New York Aircraft Certification Office, 10 Fifth Street, Third Floor, Valley Stream, New York 11581; telephone (516) 256–7512; fax (516) 568–2716.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as