

(C) Notwithstanding the provisions of paragraphs (h)(2)(vii)(A) and (h)(2)(vii)(B) of this section, in the case of an applicant, no prepayment or special prepayment shall occur without the prior written approval of the National Futures Association; in the case of a registrant, no prepayment or special prepayment shall occur without the prior written approval of the designated self-regulatory organization, if any, or of the Commission if the registrant is not a member of a self-regulatory organization. The designated self-regulatory organization shall immediately provide the Commission with a copy of any notice of approval issued where the requested prepayment or special prepayment will result in the reduction of the registrant's net capital by 20 percent or more or the registrant's excess adjusted net capital by 30 percent or more.

(viii) \* \* \*

(A) \* \* \*

(3) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

\* \* \* \* \*

(3) \* \* \*

(ii) \* \* \*

(C) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

\* \* \* \* \*

(v) \* \* \*

(C) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member;

\* \* \* \* \*

4. Section 1.58 is revised to read as follows:

**§ 1.58 Gross collection of exchange-set margins.**

(a) Each futures commission merchant which carries a commodity futures or commodity option position for another futures commission merchant or for a foreign broker on an omnibus basis must collect, and each futures commission merchant and foreign broker for which an omnibus account is being carried must deposit, initial and maintenance margin on each position reported in accordance with § 17.04 of this chapter at a level no less than that established for customer accounts by the rules of the applicable contract market.

(b) If the futures commission merchant which carries a commodity futures or commodity option position for another futures commission merchant or for a foreign broker on an omnibus basis allows a position to be

margined as a spread position or as a hedged position in accordance with the rules of the applicable contract market, the carrying futures commission merchant must obtain and retain a written representation from the futures commission merchant or from the foreign broker for which the omnibus account is being carried that each such position is entitled to be so margined.

Issued in Washington, D.C. on April 25, 1996, by the Commission.

Jean A. Webb,

*Secretary of the Commission.*

[FR Doc. 96-10714 Filed 4-30-96; 8:45 am]

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**Office of the Secretary**

**24 CFR Part 0**

[Docket No. FR-3331-C-02]

RIN 2501-AB55

**Reinstatement of Two Sections of HUD's Standards of Conduct Regulation at 24 CFR Part 0; Correction**

**AGENCY:** Office of the Secretary, Department of Housing and Urban Development.

**ACTION:** Correction to final rule.

**SUMMARY:** This correction to a final rule issued by the Department of Housing and Urban Development (Department) reinstates two sections of HUD's Standards of Conduct at 24 CFR part 0, that pertain to "Outside employment and other activities" and "Financial interests," which were deleted in a final rule published on April 5, 1996.

**DATES:** Effective Date: May 6, 1996.

**FOR FURTHER INFORMATION CONTACT:** Aaron Santa Anna, Assistant General Counsel, Ethics Law Division, at (202) 708-3815, or Sam E. Hutchinson, Associate General Counsel, Office of Human Resources Law, (202) 708-0888; 451 Seventh Street, SW., Washington, DC 20410. Hearing or speech-impaired individuals may call HUD's TDD number (202) 708-3259. (Telephone numbers are not toll-free.)

**SUPPLEMENTARY INFORMATION:** On April 5, 1996, the Department published a final rule that revised the Department's Standards of Conduct regulation at 24 CFR Part 0. This final rule takes effect on May 6, 1996. See 61 FR 15350. The final rule removed 24 CFR part 0 in its entirety and replaced it with a single section that provides a cross reference to

the executive branch financial disclosure regulations at 5 CFR part 2634 and the Standards of Ethical Conduct for Employees of the Executive Branch regulation at 5 CFR part 2635 (the Standards). Most of the provisions in 24 CFR part 0 were superseded when 5 CFR parts 2634 and 2635 took effect.

Among the provisions removed from 24 CFR part 0 were two—§ 0.735-203 regarding "Outside employment and other activities" and § 0.735-204 regarding "Financial interests"—that were not superseded by 5 CFR parts 2634 and 2635. Those two provisions remained in effect temporarily under the Notes following 5 CFR 2635.804 and 5 CFR 2635.403(a), as extended at 59 FR 4779-4780, 60 FR 6390-6391, and 60 FR 66857-66858 (see also appendixes A-C to 5 CFR part 2635). The notes are "grandfather" provisions that currently preserve until August 7, 1996 (or until issuance of the agency's supplemental standards of ethical conduct regulation, whichever occurs first) such requirements for prior approval of employment or activities, and prohibitions on acquiring or holding a specific financial interest, contained in agency regulations, instructions or other issuances in effect prior to the effective date of the Standards. In accordance with these grandfather provisions, the Department is reinstating removed sections 0.735-203 and 0.735-204 of 24 CFR, renumbered respectively as sections 0.2 and 0.3, to avoid an untimely lapse in enforcement authority pending issuance of the Department's supplemental standards of ethical conduct as a final rule.

On June 30, 1995, the Department published proposed supplemental standards of ethical conduct for its employees. See 60 FR 34420-34426. The proposed rule would establish restrictions on outside employment and activities and prohibitions on the ownership of certain financial interests, similar to those in 24 CFR 0.735-203 and 0.735-204. In that rulemaking document, the Department also proposed to revise 24 CFR part 0 by removing all of the provisions therein and replacing them with a residual provision that would cross reference 5 CFR parts 2634 and 2635, as well as the Department's supplemental standards of ethical conduct to be codified at 5 CFR part 7501. Upon publication of the Department's supplemental standards of ethical conduct as a final rule, the Department will, as proposed at 60 FR 34420-34426, amend the residual cross reference section in 24 CFR part 0 by adding a cross reference to the Department's supplemental standards of ethical conduct at 5 CFR part 7501. In

addition, if the Department's supplemental standards of ethical conduct regulation takes effect before the expiration of the grandfather period on August 7, 1996, the Department will, upon the effective date of those regulations, amend 24 CFR part 0 by removing the grandfathered sections regarding "Outside employment and other activities" and "Financial interests."

Accordingly, FR Doc. 96-8380, a final rule published in the Federal Register on April 5, 1996 (61 FR 15350), is amended by adding the following provisions in title 24 of the Code of Federal Regulations:

#### **PART 0—STANDARDS OF CONDUCT**

1. The authority citation for part 0 continues to read as follows:

Authority: 5 U.S.C. 7301; 42 U.S.C. 3535(d).

##### **§ 0.735-203 [Redesignated as § 0.2]**

2. Section 0.735-203 is redesignated as § 0.2.

##### **§ 0.735-204 [Redesignated as § 0.3]**

3. Section 0.735-204 is redesignated as § 0.3.

Dated: April 25, 1996.

Camille E. Acevedo,  
*Assistant General Counsel for Regulations.*  
[FR Doc. 96-10690 Filed 4-30-96; 8:45 am]  
BILLING CODE 4210-32-P

#### **24 CFR Part 290**

[Docket No. FR-3715-C-03]

RIN 2502-AG30

#### **Office of the Assistant Secretary for Housing-Federal Housing Commissioner; Disposition of Multifamily Projects and Sale of HUD-Held Multifamily Mortgages; Final Rule; Correction**

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

**ACTION:** Final rule; Correction.

**SUMMARY:** On March 21, 1996 (61 FR 11684), the Department published a final rule that implemented the regulatory requirements under the Multifamily Housing Property Disposition Reform Act of 1994 that affected the management and disposition of HUD-owned properties and properties with HUD-held mortgages, and the sale of HUD-held multifamily mortgages. The purpose of this correction is to remove duplicate information contained in § 290.39(c).

**EFFECTIVE DATE:** April 22, 1996.

#### **FOR FURTHER INFORMATION CONTACT:**

Barbara D. Hunter, Director, Program Management Division, Office of Multifamily Asset Management and Disposition, Department of Housing and Urban Development, Room 6182, 451 7th Street, SW., Washington, DC 20410. Telephone (202) 708-3944; TTY (202) 708-4594. (These are not toll-free numbers.)

#### **SUPPLEMENTARY INFORMATION:**

Accordingly, FR Doc. 96-6791, a final rule on Part 290, Multifamily Projects and Sale of HUD-Held Multifamily Mortgages, published in the Federal Register on March 21, 1996 at 61 FR 11684, is corrected as follows:

On page 11690, in the third column, in § 290.39, paragraph (c) is corrected by removing the second paragraph (c)(2) that begins with "(2) A subsidized project \* \* \*", and by also removing the undesignated paragraph in the second paragraph (c)(2) that begins with "This requirement shall continue \* \* \*".

Dated: April 25, 1996.  
Camille E. Acevedo,  
*Assistant General Counsel for Regulations.*  
[FR Doc. 96-10794 Filed 4-30-96; 8:45 am]  
BILLING CODE 4210-27-P

#### **DEPARTMENT OF THE TREASURY**

#### **Internal Revenue Service**

#### **26 CFR Part 1**

[TD 8665]

RIN 1545-AT55

#### **Treatment of Underwriters in Section 351 and Section 721 Transactions**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations concerning transfers of cash to a corporation or a partnership. The final regulations will affect taxpayers in transactions under section 351 or section 721 when there is an offering of stock or partnership interests through an underwriter.

**EFFECTIVE DATE:** May 1, 1996.

#### **FOR FURTHER INFORMATION CONTACT:**

Concerning the regulation under section 351(a), Susan T. Edlavitch, (202) 622-7750; concerning the regulation under section 721(a), James A. Quinn, (202) 622-3060 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

This document contains final regulations under section 351 and section 721. The final regulations provide for the treatment of transfers of cash to a corporation or a partnership pursuant to an offering of stock or partnership interests through an underwriter.

Section 351(a) provides that no gain or loss is recognized if property is transferred to a corporation by one or more persons solely in exchange for stock in the corporation and immediately after the exchange the person or persons are in control (as defined in section 368(c)) of the corporation.

Section 721(a) provides that no gain or loss is recognized to a partnership or to any of its partners in the case of a contribution of property to the partnership in exchange for an interest in the partnership.

On August 10, 1995, the IRS published in the Federal Register a notice of proposed rulemaking (CO-26-95), adding regulations under section 351 and section 721 of the Internal Revenue Code relating to transfers of cash to a corporation or a partnership (60 FR 40792). The proposed rules were based on the conclusion that Situation 2 of Rev. Rul. 78-294 (1978-2 C.B. 141) does not reflect current underwriting practices. The proposed rules were also based on the conclusion that underwritings of partnership interests should be treated similarly to underwritings of stock. The rules, under certain circumstances, disregard underwriters of stock and partnership interests for purposes of section 351 and section 721.

##### **Public Comments and the Final Regulations**

The IRS received few comments from the public on the proposed regulations. The comments received were generally supportive of the proposed regulations but sought guidance beyond the intended scope of the rules. No public hearing was requested and none was held. After consideration of all the comments, the regulations proposed by CO-26-95 are adopted by this Treasury decision.

In the notice of proposed rulemaking, the IRS and Treasury invited public comment with respect to three issues: (a) Whether the proposed rules should apply for all tax purposes; (b) whether the proposed rules should be limited to underwriters; and (c) whether the proposed rules should be limited to cash transactions. After consideration of