

effective date is necessary to give DOE officials the opportunity for further review and consideration of new regulations, consistent with the Assistant to the President's memorandum of January 20, 2001. Given the imminence of the effective date, seeking prior public comment on this temporary delay would have been impractical, as well as contrary to the public interest in the orderly promulgation and implementation of regulations. The imminence of the effective date is also good cause for making this action effective immediately upon publication.

Issued in Washington, D.C. on January 29, 2001.

**Spencer Abraham,**

*Secretary of Energy.*

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 208

[Regulation H; Docket No. R-1066]

## DEPARTMENT OF THE TREASURY

### 12 CFR Part 1501

RIN 1505-AA77

#### Office of the Under Secretary for Domestic Finance; Financial Subsidiaries

**AGENCIES:** The Board of Governors of the Federal Reserve System (Board) and the Department of the Treasury (Treasury).

**ACTION:** Final rule.

**SUMMARY:** Section 121 of the Gramm-Leach-Bliley Act (GLBA) permits a national bank or state member bank that is among the second 50 largest insured banks to own or control a financial subsidiary only if the bank meets either the eligible debt requirement set forth in section 121 of the Act or alternative criteria established jointly by the Board and Treasury. On March 14, 2000, the Board and Treasury adopted and requested public comment on an interim rule establishing this alternative criteria. The interim rule provided that a national or state member bank meets the alternative criteria if the bank has a current long-term issuer credit rating from a nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization. After reviewing public comments, the Board and Treasury are adopting a final rule that is substantively identical to the interim rule.

**DATES:** The final rule is effective March 5, 2001.

**FOR FURTHER INFORMATION CONTACT:**

*Board of Governors:* Kieran J. Fallon, Senior Counsel, Legal Division (202/452-5270); or Mark S. Carey, Senior Economist, Division of Research & Statistics (202/452-2784); *Board of Governors of the Federal Reserve System,* 20th Street and Constitution Avenue, NW., Washington, DC 20551.

*Department of the Treasury:* Matthew Green, Senior Financial Analyst (202/622-2740); or Gary W. Sutton, Senior Banking Counsel (202/622-1976); U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

**SUPPLEMENTARY INFORMATION:**

#### Background

Section 121 of the GLBA (Pub. L. 106-102, 113 Stat. 1338) authorizes national banks and state member banks to acquire control of, or hold an interest in, a new type of subsidiary called a "financial subsidiary." A financial subsidiary may, with certain exceptions, engage in activities that have been determined to be financial in nature or incidental to financial activities in accordance with the GLBA, and in other activities that the parent bank is permitted to conduct directly.

In order for a national bank or state member bank to control, or hold an interest in, a financial subsidiary, the bank and each of its depository institution affiliates must be "well-capitalized" and "well-managed," as those terms are defined in the GLBA. The aggregate consolidated total assets of all financial subsidiaries of the bank also may not exceed the lesser of 45 percent of the consolidated total assets of the parent bank or \$50 billion. (The \$50 billion limit is to be adjusted according to an indexing mechanism established in a separate regulation to be issued jointly by the Board and Treasury.) In addition, in order to acquire control of a financial subsidiary, the bank and each of its insured depository institution affiliates must have received a "satisfactory" or better rating at its most recent examination under the Community Reinvestment Act.

Furthermore, if the bank is one of the 50 largest insured banks, as determined by the bank's consolidated total assets at the end of the most recent calendar year, the bank must have at least one issue of outstanding eligible debt that is rated in one of the three highest rating categories by a nationally recognized statistical rating organization (debt rating requirement). If the bank is one of the

second 50 largest insured banks, the bank must meet either this debt rating requirement or an alternative criteria that the Board and the Secretary of the Treasury jointly determine by regulation to be comparable to and consistent with the purpose of the rating requirement.<sup>1</sup>

The interim rule provided that a national bank or state member bank within the second 50 largest insured banks satisfies the alternative criteria if the bank has a current long-term issuer credit rating from a nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the rating organization (see 65 FR 15050). The interim rule defined a long-term issuer credit rating as a written opinion issued by a nationally recognized statistical ratings organization that assesses the bank's overall capacity and willingness to pay on a timely basis its unsecured, dollar-denominated financial obligations maturing in not less than one year.

The Board and Treasury received two comments from the public on the interim rule. One comment, which was filed by a trade association for banking institutions, supported the actions taken by the Board and Treasury and concurred that the long-term issuer credit rating requirement established by the interim rule is comparable to and consistent with the eligible debt requirement established by section 121 of the GLBA. The other comment, which was filed on behalf of a state member bank, suggested that the Board and Treasury rely on a bank's examination rating, rather than a rating assigned by an independent ratings agency, for determining whether a bank is eligible to own or control a financial subsidiary.

#### Description of Final Rule

After reviewing public comments, the Board and Treasury have adopted a final rule that is substantially identical to the interim rule. A national or state member bank meets the requirements of the final rule if the bank has a current long-term issuer credit rating from a nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization. An issuer credit rating is one that assesses the bank's overall capacity and willingness to pay on a timely basis its unsecured financial obligations. Thus, an issuer credit rating differs from a debt rating in that it does not assess the bank's ability and

<sup>1</sup> A bank does not have to satisfy the debt rating requirement or the alternative criteria established by this rule if the bank's financial subsidiaries engage in the newly authorized financial activities solely as agent and not as principal.

willingness to make payments on any individual class or issue of debt, nor does it reflect priority or preference in payment among financial obligations.

The issuer credit rating must be assigned to the national or state member bank that controls or holds an interest in the financial subsidiary. Issuer credit ratings that are assigned to a subsidiary or affiliate of the parent bank, such as a subsidiary engaged in derivatives activities, do not meet the rule's requirements. Furthermore, ratings

organizations may issue long-term or short-term issuer credit ratings for the same bank and separate ratings for dollar-denominated and foreign currency-denominated obligations. Only long-term issuer credit ratings for dollar-denominated obligations satisfy the requirements of the rule. An issuer credit rating is long-term if it reflects an assessment of the bank's ability over a period of not less than one year to fulfill its financial obligations on a timely basis.

The Board and Treasury have reviewed the ratings and rating categories used by nationally recognized statistical rating organizations in the United States. The Board and Treasury believe that the following ratings assigned by the indicated rating agencies currently meet the requirements of the rule, provided that they assess the parent bank's ability and willingness to meet its financial obligations denominated in U.S. dollars.

Rating organization	Type of rating	Rating
Standard & Poor's .....	Issuer credit rating (including a Counterparty credit rating).	AAA, AA or A.
Moody's .....	Issuer credit rating .....	Aaa, Aa or A.
Fitch .....	International credit rating .....	AAA, AA or A.

Standard & Poor's and Fitch may modify their AA or A ratings with the addition of a plus (+) or minus (-) sign to show relative standing within these rating categories. Any rating from A minus to AAA would satisfy the long-term issuer credit rating requirement; an A minus would constitute the lowest acceptable rating in the case of Standard & Poor's and Fitch. Moody's top three investment grade categories for long-term issuer credit ratings are Aaa, Aa, or A, with Aaa denoting the highest rating. Moody's applies numerical modifiers of 1, 2 and 3 in the Aa and A rating categories, with 3 denoting the lowest end of the letter-rating modifiers. Any rating from A-3 to Aaa would satisfy the long-term issuer credit rating requirement; a rating of A-3 would be the lowest acceptable rating in the case of Moody's.

The long-term issuer credit rating assigned large banks generally is identical to the rating given the bank's senior long-term unsecured debt, where such rated debt exists. Furthermore, representatives of rating organizations have indicated that the rating given to a specific long-term unsecured financial obligation of an issuer is anchored to the issuer's long-term issuer credit rating because the latter rating exemplifies the issuer's fundamental creditworthiness over the long-term. For these reasons, the Board and Treasury believe that long-term issuer credit ratings that meet the requirements of the rule are comparable to, and consistent with, the debt rating requirement of section 121.

The Board and Treasury intend to monitor the criteria used by Standard & Poor's, Moody's and Fitch in assigning ratings to ensure that the ratings and rating categories listed above remain comparable to, and consistent with, the debt rating requirement of section 121.

In addition, the Board and Treasury will monitor developments in the ratings industry to see whether additional types of ratings assigned by the rating organizations listed above or by other rating organizations may in the future be determined to be comparable to, and consistent with, the debt rating requirement of section 121. The Board and Treasury may modify the listing of ratings that meet the requirements of the rule as appropriate.

**Regulatory Flexibility Act Analysis**

The rule applies only to national banks and state member banks that are within the second 50 largest insured banks. Accordingly, the final rule is not expected to have a significant economic impact on a substantial number of small entities, as defined in the Regulatory Flexibility Act (5 U.S.C. 601 *et. seq.*).

**Executive Order 12866 Determination**

The Department of the Treasury has determined that the rule does not constitute a "significant regulatory action" for the purposes of Executive Order 12866.

**List of Subjects**

12 CFR Part 208

Administrative practice and procedure, Federal Reserve System, Banks.

12 CFR Part 1501

Administrative practice and procedure, National banks, Reporting and recordkeeping requirements.

**Federal Reserve System**

**12 CFR Chapter II**

For the reasons set forth in the preamble, the Board of Governors of the Federal Reserve System amends part

208 of Chapter II, Title 12 of the Code of Federal Regulations as follows:

**PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)**

1. The authority citation for part 208 continues to read as follows:

**Authority:** 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1816, 1818, 1820(d), 1823(j), 1828(o), 1831, 1831o, 1831p-1, 1831r-1, 1831w, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106 and 4128.

2. Section 208.71(c) is revised to read as follows:

**§ 208.71 What are the requirements to invest in or control a financial subsidiary?**

\* \* \* \* \*

(c) *Alternative requirement.* A state member bank satisfies the alternative criteria referenced in paragraph (b)(1)(ii) of this section if the bank has a current long-term issuer credit rating from at least one nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization.

3. Section 208.77(e) is revised to read as follows:

**§ 208.77 Definitions.**

\* \* \* \* \*

(e) *Long-term issuer credit rating.* The term "long-term issuer credit rating" means a written opinion issued by a nationally recognized statistical rating organization of the bank's overall capacity and willingness to pay on a timely basis its unsecured, dollar-

denominated financial obligations maturing in not less than one year.

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, January 19, 2001.

**Jennifer J. Johnson,**

*Secretary of the Board.*

## Department of the Treasury

### 12 CFR Chapter XV

#### Authority and Issuance

For the reasons set forth in the preamble, the Department of the Treasury amends part 1501 of Chapter XV of Title 12 of the Code of Federal Regulations as follows:

#### **PART 1501—FINANCIAL SUBSIDIARIES**

1. The authority citation for part 1501 continues to read as follows:

**Authority:** Section 5136A of the Revised Statutes of the United States (12 U.S.C. 24a).

2. Section 1501.3 is amended to read as follows:

#### **§ 1501.3 Comparable ratings requirement for national banks among the second 50 largest insured banks.**

(a) *Scope and purpose.* Section 5136A of the Revised Statutes permits a national bank that is within the second 50 largest insured banks to own or control a financial subsidiary only if, among other requirements, the bank satisfies the eligible debt requirement set forth in section 5136A or an alternative criteria jointly established by the Secretary of the Treasury and the Board of Governors of the Federal Reserve System. This section establishes the alternative criteria that a national bank among the second 50 largest insured banks may meet, which criteria is comparable to and consistent with the purposes of the eligible debt requirement established by section 5136A.

(b) *Alternative criteria.* A national bank satisfies the alternative criteria referenced in Section 5136A(a)(2)(E) of the Revised Statutes (12 U.S.C. 24a) and 12 CFR 5.39(g)(3) if the bank has a current long-term issuer credit rating from at least one nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization.

(c) *Definition of long-term issuer credit rating.* A "long-term issuer credit rating" is a written opinion issued by a nationally recognized statistical rating organization of the bank's overall capacity and willingness to pay on a timely basis its unsecured, dollar-

denominated financial obligations maturing in not less than one year.

Dated: January 18, 2001.

**Gregory A. Baer,**

*Assistant Secretary for Financial Institutions, Department of the Treasury.*

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**BILLING CODE 6210-01-P; 4810-25-P**

## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 99-CE-74-AD; Amendment 39-12094; AD 2001-02-10]

RIN 2120-AA64

#### **Airworthiness Directives; Raytheon Aircraft Company Beech Models 60, A60, and B60 Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule.

**SUMMARY:** This amendment adopts a new airworthiness directive (AD) that applies to certain Raytheon Aircraft Company (Raytheon) Beech Models 60, A60, and B60 airplanes. This AD requires you to inspect for the existence of any lower forward wing bolts with the Mercury Aerospace trademark, and replace any such bolt with an FAA-approved bolt without this trademark. This AD is the result of a report that wing bolts supplied by Mercury Aerospace may not meet the required Rockwell hardness specifications. The actions specified by this AD are intended to detect and correct wing bolts that do not meet strength requirements. Continued airplane operation with such bolts could result in fatigue failure of the bolts with consequent separation of the wing from the airplane.

**DATES:** This AD becomes effective on March 19, 2001.

The Director of the Federal Register approved the incorporation by reference of certain publications listed in the regulations as of March 19, 2001.

**ADDRESSES:** You may get the service information referenced in this AD from Raytheon Aircraft Company, P.O. Box 85, Wichita, Kansas 67201-0085; telephone: (800) 429-5372 or (316) 676-3140. You may examine this information at the Federal Aviation Administration (FAA), Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 99-CE-74-AD, 901 Locust, Room 506, Kansas City, Missouri 64106; or at the Office of the

Federal Register, 800 North Capitol Street, NW, suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Mr. T.N. Baktha, Aerospace Engineer, FAA, Wichita Aircraft Certification Office, 1801 Airport Road, Mid-Continent Airport, Wichita, Kansas 67209; telephone: (316) 946-4155; facsimile: (316) 946-4407.

#### **SUPPLEMENTARY INFORMATION:**

##### **Discussion**

*What events have caused this AD?* The FAA has received a report indicating that about 70 lower forward wing bolts that Mercury Aerospace supplied for certain Raytheon Models 60, A60, and B60 airplanes may not meet Rockwell hardness specifications. The bolts were distributed between 1995 and 1996. An independent test lab has confirmed that the bolts do not meet the structural requirements for an MS21250-14034 bolt.

Specifically, these wing bolts are required to meet Rockwell hardness specifications of C39-C43. Laboratory tests indicate that bolts from this manufacturing batch are below these specifications.

*What are the consequences if the condition is not corrected?* Continued airplane operation with such bolts could result in fatigue failure of the bolts with consequent separation of the wing from the airplane.

*Has FAA taken any action to this point?* We issued a proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to include an AD that would apply to certain Raytheon Beech Models 60, A60, and B60 airplanes. This proposal was published in the **Federal Register** as a notice of proposed rulemaking (NPRM) on October 12, 2000 (65 FR 60599). The NPRM proposed to require you to inspect for the existence of any lower forward wing bolt with the Mercury Aerospace trademark and replace such bolt with an FAA-approved bolt without this trademark.

*Was the public invited to comment?* Interested persons were afforded an opportunity to participate in the making of this amendment. No comments were received on the proposed rule or the FAA's determination of the cost to the public.

##### **The FAA's Determination**

*What is FAA's final determination on this issue?* After careful review of all available information related to the subject presented above, we have determined that air safety and the public interest require the adoption of the rule as proposed except for minor