DATES: Comments must be submitted on or before March 13, 1995.

ADDRESSES: Comments should be addressed to Marc Herman (8HWM–SR), Remedial Project Manager, U.S. Environmental Protection Agency, Region VIII, 999 18th Street, suite 500, Denver, Colorado 80202–2466, and should refer to: In the Matter of: Lowry Landfill Site *De Minimis* Settlement, EPA Docket No. CERCLA VIII–94–26.

FOR FURTHER INFORMATION CONTACT: Jessie Goldfarb (8RC), Assistant Regional Counsel, U.S. Environmental Protection Agency, Region VIII, 999 18th Street, suite 500, Denver, Colorado 80202–2466, (303) 294–7592.

SUPPLEMENTARY INFORMATION: Notice of section 122(g) *De Minimis* Settlement: In accordance with section 122(i)(1) of CERCLA, notice is hereby given that the terms of an Administrative Order on Consent (AOC) have been agreed to by settling party Rockwell International.

By the terms of the proposed AOC, Rockwell International will pay $314,587.65 to the EPA Hazardous Substance Superfund. In exchange for payment, USEPA will provide Rockwell with a covenant not to sue for liability under sections 106 and 107(a) of CERCLA, and section 7003 of the Solid Waste Disposal Act, as amended (also known as the Resource Conservation and Recovery Act (RCRA)).

The amount that Rockwell International will pay was determined by dividing the original estimated response costs for the Site ($536,000,000) by the original estimated volume of waste disposed of at the Site (142,295,420 gallons). This per gallon charge of $3.77 was then multiplied by the volume of waste Rockwell sent to the Site from the Rocky Flats Plant (55,630 gallons), resulting in a Base Amount ($209,725.10). The premium selected by Rockwell (50% of the Base Amount) was then added to the Base Amount to derive Rockwell's total settlement payment of $314,587.65.

Because the proposed settlement is an extension of the previous Lowry Landfill Site *de minimis* settlements, and to ensure consistency with those settlements, the original estimated response costs for the Site and original estimated volume of waste disposed of at the Site were retained from the previous settlements.

USEPA will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed *de minimis* settlement.

A copy of the proposed AOC may be obtained in person or by mail from Marc Herman (8HWM–SR), Remedial Project Manager, U.S. Environmental Protection Agency, Region VIII, 999 18th Street, suite 500, Denver, Colorado, 80202–2466, (303) 293–1625. Additional background information relating to the *de minimis* settlement is available for review at the Superfund Records Center at the above address, and at the Aurora Central Public Library located at 14949 East Alameda Drive, Aurora, Colorado.

Dated: January 24, 1995.

William P. Yellowtail,

Regional Administrator.

[FR Doc. 95–3384 Filed 2–9–95; 8:45 am]

BILLING CODE 6560–50–M

[OPPTS–83002O; FRL–4935–2]

Receipt of Request for Waiver from Testing

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice of receipt of request for waiver from testing.

SUMMARY: Regulations issued by EPA under section 4 of the Toxic Substances Control Act require that specified chemical substances be tested to determine if they are contaminated with halogenated dibenzo-*p*-dioxins (HDDs) or halogenated dibenzofurans (HDFs), and that results be reported to EPA. However, provisions have been made for exclusion and waiver from these requirements if an appropriate application is submitted to EPA and is approved. EPA has received a request for a waiver from these requirements from Hoechst Celanese and will accept comments on this request. EPA will publish another **Federal Register** notice announcing its decisions on this request.

DATES: Submit written comments on or before February 27, 1995.

ADDRESS: Submit written comments in triplicate, identified with the document control number OPPTS–83002O, to: TSCA Public Docket Office, Att: TSCA Docket Receipt, Office of Pollution Prevention and Toxics, Environmental Protection Agency, Rm. G–99, 401 M St., SW., Washington, DC 20460.

FOR FURTHER INFORMATION CONTACT: James Willis, Acting Director, Environmental Assistance Division (7408), Office of Pollution Prevention and Toxics, Rm. E–543, 401 M St., SW., Washington, DC 20460, (202) 554–1404, TDD (202) 554–0551.

SUPPLEMENTARY INFORMATION: Under 40 CFR part 766 (52 FR 2112, June 5, 1987), EPA requires testing of certain chemical substances to determine whether they may be contaminated with HDDs and HDFs. Under 40 CFR 766.32(a)(2)(i), a waiver may be granted if a responsible company official certifies that the chemical substance is produced only in quantities of 100 kilograms or less per year, and only for research and development purposes.

Under 40 CFR 766.32(b), a request for a waiver must be made 60 days before resumption of manufacture or importation of a chemical substance not being manufactured, imported, or processed as of June 5, 1987.

Hoechst Celanese requests a waiver under 40 CFR 766.32(a)(2)(i). Hoechst Celanese plans to import chloranil (CAS No. 118–75–2), a substance subject to testing under 40 CFR part 766, to provide samples of its products to its customers for research and development. Hoechst Celanese will limit its import of chloranil to 100 kilograms per calendar year.

A public version of the record for this action, from which confidential business information has been deleted, is available for inspection in the TSCA Nonconfidential Information Center, Monday through Friday, excluding legal holidays, in Rm. NE B607, 401 M St., SW., Washington, DC 20460 from 12 p.m. to 4 p.m.

Dated: February 2, 1995.

Charles M. Auer,

Director, Chemical Control Division, Office of Pollution Prevention and Toxics.

[FR Doc. 95–3388 Filed 2–9–95; 8:45 am]

BILLING CODE 6560–50–F

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Implementation Issues Arising from FASB Statement No. 114, ''Accounting by Creditors for Impairment of a Loan''

AGENCY: Federal Financial Institutions Examination Council.

ACTION: Final action.

SUMMARY: The Federal Financial Institutions Examination Council (FFIEC) [1] has decided that the portion of an institution's allowance established pursuant to Statement of Financial Accounting Standards No. 114, ''Accounting by Creditors for Impairment of a Loan'' (FAS 114),

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[1] The FFIEC consists of representatives from the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) (referred to as the ''agencies''), and the National Credit Union Administration. However, this guidance is not directed to credit unions. Section 1006(c) of the Federal Financial Institutions Examination Council Act requires the FFIEC to develop uniform reporting standards for federally-supervised financial institutions.

should be reported as part of the general allowance, which is includible in Tier 2 capital subject to current limitations. In concluding that the FAS 114 allowance is general in nature, the FFIEC has also reaffirmed existing regulatory reporting policies that require banks to promptly charge-off identified losses. Similarly, savings associations are required to promptly charge-off identified losses, or create specific allowances which are reported separately from general allowances. With respect to impaired collateral-dependent loans, any portion of the loan balance that exceeds the amount that is adequately secured by the fair value of the collateral is generally classified as loss by examiners. Consequently, such losses on collateral-dependent loans are excluded from the general allowance and Tier 2 capital. Because of the conclusions on the treatment of FAS 114 allowances, no changes are required in the federal banking agencies' regulatory capital rules. In addition, the FFIEC has decided to maintain its existing regulatory nonaccrual standards.

EFFECTIVE DATE: For regulatory reports prepared as of March 31, 1995, unless an institution has elected to adopt FAS 114 and the guidance in this notice as of an earlier date.

FOR FURTHER INFORMATION CONTACT:
At the FRB: Gerald A. Edwards, Jr., Assistant Director (202) 452–2741 or Charles H. Holm, Project Manager (202) 452–3502. For questions pertaining to regulatory capital issues, Rhoger H. Pugh, Assistant Director (202) 728–5883, or Kevin M. Bertsch, Supervisory Financial Analyst (202) 452–5265.

At the FDIC: Doris L. Marsh, Examination Specialist, Accounting Section, Division of Supervision (202) 898–8905, or Robert F. Storch, Chief, Accounting Section, Division of Supervision (202) 898–8906.

At the OCC: Eugene W. Green, Deputy Chief Accountant, (202) 874–4933, or Frank Carbone, National Bank Examiner (202) 874–5170.

At the OTS: Timothy Stier, Deputy Chief Accountant (202) 906–5699.

SUPPLEMENTARY INFORMATION:

I. Background

A. Summary of FAS 114

FAS 114 was adopted in May 1993 by the Financial Accounting Standards Board (FASB). The statement applies to all creditors and to all loans that are identified for evaluation of collectibility, except: (1) large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment (such as credit card, residential mortgage, and consumer installment loans), (2) loans that are measured at fair value or at the lower of cost or fair value (such as loans held for sale), (3) leases, and (4) debt securities. FAS 114 does not specify how an institution should identify loans that are to be evaluated for collectibility. An institution should apply its normal loan review procedures in making that judgment.

Under FAS 114, a loan is impaired when it is probable that a creditor will be unable to collect all amounts due (including interest and principal) according to the contractual terms of the loan agreement. When a loan is impaired, a creditor must measure the extent of that impairment by determining the present value of expected future cash flows discounted at the loan's effective interest rate. However, as practical expedients, the creditor may measure impairment based on either the loan's observable market price, or the fair value of the collateral for the loan if the loan is collateral dependent. Although under FAS 114 a creditor is generally allowed to use any of these three measurement methods to determine the amount of impairment, a creditor must measure impairment based on the fair value of collateral when the creditor determines that foreclosure is probable.

FAS 114 does not address when a creditor should record a charge-off of an impaired loan. Furthermore, FAS 114, as amended by Statement of Financial Accounting Standards No. 118, ''Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures'' (FAS 118), in October 1994, does not address how a creditor should recognize interest income on an impaired loan.

B. FFIEC Guidance on FAS 114 Announced in May 1994

The May 17, 1994, **Federal Register** (59 FR 25656) stated that ''the FFIEC and the agencies are requiring institutions to adopt FAS 114 as of its effective date for purposes of reporting on the Call Report and TFR. Furthermore, the agencies will permit early adoption.'' This regulatory reporting treatment is consistent with the requirements of Section 37 of the Federal Deposit Insurance Act (12 U.S.C. 1831n).

While institutions are required to adopt FAS 114 for regulatory reporting purposes, the ''Interagency Policy Statement on the Review and Classification of Commercial Real Estate Loans,'' issued on November 7, 1991, will remain in effect. Therefore, impaired, collateral-dependent loans must be reported at the fair value of collateral in regulatory reports. This treatment is to be applied to all collateral-dependent loans, regardless of the type of collateral.

The FFIEC and the agencies also announced that they do not plan to automatically require additional allowances for credit losses on impaired loans over and above what is required on these loans under FAS 114.[2] However, an additional allowance on impaired loans may be necessary based on consideration of institution-specific factors, such as historical loss experience compared with estimates of such losses, concerns about the reliability of cash flow estimates, or the quality of an institution's loan review function and controls over its process for estimating its FAS 114 allowance.

C. Issues on Which the FFIEC Sought Public Comment

In the May 17, 1994, **Federal Register**, the FFIEC sought public comment on two primary reporting issues and certain other matters related to FAS 114.

1. The Character of the FAS 114 Allowance

Should that portion of an institution's allowance established pursuant to FAS 114 be reported and considered as a specific allowance and, thus, not be eligible for inclusion in Tier 2 capital under the agencies' current capital rules? Alternatively, should the FAS 114 allowance be regarded as a general allowance which would be eligible for inclusion in Tier 2 capital subject to existing limits?[3]

2. Maintenance of Nonaccrual Reporting Requirements

Should regulatory nonaccrual standards be maintained for loans subject to FAS 114?

3. Other Issues

a. Comment was sought on (i) how much the adoption of FAS 114 is expected to change overall allowance

[2] FAS 114 does not address the overall adequacy of the ALLL. However, in addition to requiring an allowance for credit losses on impaired loans, FAS 114 requires each institution to continue to maintain an overall allowance that complies with Statement of Financial Accounting Standards No. 5, ''Accounting for Contingencies.'' Thus, consistent with existing regulatory policy, the ALLL should be adequate to cover all estimated credit losses arising from the loan and lease portfolio, including losses on loans that do not meet FAS 114's impairment criterion.

[3] Under the agencies' risk-based capital rules, general allowances includible in Tier 2 capital are limited to 1.25 percent of gross risk-weighted assets and an institution's Tier 2 capital cannot exceed its Tier 1 capital.

levels, and (ii) what portion of total overall allowances are expected to be related to impaired loans evaluated pursuant to FAS 114.

b. Comment was sought on implementation issues arising from FAS 114 to the extent they relate to U.S. branches and agencies of foreign banks. These entities are required to file quarterly the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (002 Report), which in many respects is similar to the bank Call Report. The 002 Report requires U.S. branches and agencies of foreign banks to report the amount of nonaccrual loans (see issue 2, ''Maintenance of Nonaccrual Reporting Requirements'').

c. Comment was sought on how FAS 114 might affect an institution's internal loan review process and its internal loan classification system for loans subject to FAS 114. In this regard, the FFIEC noted that, according to the December 21, 1993, Interagency Policy Statement on the Allowance for Loan and Lease Losses, each institution should ensure that it has a formal credit grading system that can be reconciled with the classification framework used by the agencies.

II. Public Comments

The FFIEC received 85 comment letters concerning the regulatory implementation issues arising from FAS 114. Seventy letters came from banking and thrift institutions. Eight financial institution trade associations, one professional association for accountants, three state banking departments, a state banking supervisors' conference, and two accounting firms also offered comments.

A. The Character of the FAS 114 Allowance

58 of the 70 commenters who addressed this issue indicated that an institution's allowance established pursuant to FAS 114 should be reported as a general allowance and be eligible for inclusion in Tier 2 capital. Many commenters stated that they believe that the FAS 114 allowance is a general allowance because of its availability to absorb any losses in the loan portfolio. Others noted that the banking agencies' current policy of requiring prompt charge-offs supports the idea that an institution's allowance for loan and lease losses (ALLL) does not contain identified losses and that any FAS 114 allowances included in the ALLL would be general. Respondents also indicated that the methodology required by FAS 114 is similar to that recommended in the agencies' current policies for determining an adequate ALLL and that other allocations of the ALLL for analytical purposes are currently disclosed in documents filed with the Securities and Exchange Commission without implying that they are specific allowances.

12 of the commenters recommended that the FAS 114 allowance be considered a ''specific allowance'' and not be eligible for inclusion in Tier 2 capital. These commenters indicated that they believe that FAS 114 relates to identified losses of particular loans and groups of loans. One commenter stated that, because of the current limit on the amount of the ALLL that may be included in Tier 2 capital (i.e., 1.25 percent of gross risk-weighted assets), the current impact on institutions of a decision to treat the FAS 114 allowance as a specific allowance would be minimal. At the same time, this commenter noted that considering the FAS 114 allowance to be specific would promote consistency in the application and analysis of financial accounting, regulatory reporting, and capital standards. In addition, the commenter suggested that viewing the FAS 114 allowance as specific would add discipline to the loan review process.

B. Maintenance of Nonaccrual Reporting Requirements

51 of the 60 commenters addressing this reporting issue agreed that the agencies should maintain existing nonaccrual policies for regulatory reporting purposes. Many respondents stated that, since nonaccrual policies are widely recognized, used, and understood, no change in these policies was needed. Some respondents indicated that institutions should not be required to modify their accounting systems until a change in income recognition methods for loans, if any, is made by FASB.

9 of the commenters did not believe the agencies should retain existing nonaccrual policies. One respondent stated that the agencies' nonaccrual policies did not improve the safety and soundness of institutions, but rather forced the cost recovery method of accounting for all funds collected on these loans. Some commenters suggested modifications to the current nonaccrual policies.

C. Specific Questions Raised by the Agencies

1. Allowance Levels

Commenters were asked how much the adoption of FAS 114 was expected to change overall allowance levels. Of the 41 commenters who responded, almost all stated that there would be little change in their allowance level. Other respondents indicated that they had not yet studied the impact of FAS 114.

Thirteen respondents answered the question about what portion of the overall ALLL is expected to be related to impaired loans evaluated pursuant to FAS 114. Several commenters simply indicated that they expected the FAS 114 portion of their ALLL to be small, while three provided separate specific estimates of less than 25 percent, 10 percent, and 5 percent. One stated that the FAS 114 allowance would be less than its existing ALLL and another indicated that its size would depend on the types of loans in portfolio. One commenter suggested that the FAS 114 allowance would be larger if assessed during an economic downturn.

2. U.S. Branches and Agencies of Foreign Banks

Four of nine commenters on this subject suggested that nonaccrual standards should be maintained for these branches and agencies. Three suggested that the same rules should apply to all institutions operating in the U.S. so that institutions chartered in the U.S. are not placed at a competitive disadvantage. Two commenters stated that branches and agencies of foreign banks should not have to record an ALLL at the branch. One commenter also requested that the agencies make no changes to the 002 Report.

3. Internal Review Systems

About half of the 55 institutions commenting on how FAS 114 might affect an institution's internal loan review process and its internal loan classification system said that FAS 114 will have little or no effect. Another third indicated that it will cause some operating and reporting changes with accompanying cost, but little or no perceived benefit. Changes that may be needed include more analysis and monitoring of loans, more time estimating cash flows and reviewing cash flow estimates, and more time estimating cash flows and reviewing cash flow estimates, and more documentation of the work performed.

III. Decisions on FAS 114 Implementation Issues

After review of the comments received and further consideration of the issues involved, the FFIEC has made the following decision on implementation issues arising from FAS 114.

A. The Character of the FAS 114 Allowance

The FFIEC has concluded that FAS 114 sets forth a method for estimating a portion of an institution's allowance for loan and lease losses. Therefore, the regulatory capital treatment of the ALLL for institutions will not be affected by the adoption of FAS 114 for regulatory reporting purposes. Consistent with this determination, the ALLL of institutions will continue to be reported net of any identified losses and will be includible in Tier 2 capital, subject to current limits.

In concluding that the portion of the allowance established pursuant to FAS 114 is general in nature, the FFIEC notes that FAS 114 in no way affects regulatory charge-off policies and is reiterating that these policies require banks to promptly charge-off all identified losses and require thrifts to either promptly charge-off identified losses or provide for them using separate, specific allowances that may not be included in regulatory capital. With respect to impaired collateral-dependent loans, any portion of the loan balance that exceeds the amount that is adequately secured by the fair value of the collateral is generally classified as loss by examiners. Consequently, the FFIEC notes that such losses on collateral-dependent loans are excluded from the general allowance and Tier 2 capital. Because of the conclusions on the treatment of FAS 114 allowances, no changes are required in the agencies' regulatory capital rules. The FFIEC further notes that the portion of the allowance established pursuant to FAS 114 is available to meet losses in any part of the loan and lease portfolio and that institutions currently use a number of techniques in estimating the overall adequacy of their ALLL.

B. Nonaccrual Policies

The FFIEC has also decided to retain its existing nonaccrual policies governing the recognition of interest income. As noted above, FASB has amended FAS 114 by issuing FAS 118 to remove the provisions describing how income on an impaired loan should be reported. Thus, the agencies' nonaccrual standards are not inconsistent with GAAP. Furthermore, as noted in the request for comment included in the **Federal Register** of May 17, 1994, the agencies' nonaccrual policies also provide many supervisory benefits, and retention of nonaccrual policies reduces regulatory burden by permitting institutions to continue their current reporting systems.

Consistent with its determinations with respect to the Call Report, the FFIEC is not recommending any changes to regulatory nonaccrual standards in the 002 Report as a result of FAS 114. Accordingly, current regulatory nonaccrual standards will continue to apply to U.S. branches and agencies of foreign banks.

Dated: February 7, 1995.

Keith J. Todd,

Assistant Executive Secretary, Federal Financial Institutions Examination Council.

[FR Doc. 95–3392 Filed 2–9–95; 8:45 am]

BILLING CODE 6210–01–M

FEDERAL RESERVE SYSTEM

Federal Open Market Committee; Domestic Policy Directive of December 20, 1994

In accordance with § 271.5 of its rules regarding availability of information (12 CFR part 271), there is set forth below the domestic policy directive issued by the Federal Open Market Committee at its meeting held on December 20, 1994.[1] The directive was issued to the Federal Reserve Bank of New York as follows:

The information reviewed at this meeting suggests a further pickup in economic growth in recent months. Nonfarm payroll employment rose sharply in November, and the civilian unemployment rate declined to 5.6 percent. Industrial production registered another large increase in November and capacity utilization moved up further from already high levels. Retail sales have continued to rise rapidly. Housing starts increased appreciably in November. Orders for nondefense capital goods point to a continued strong expansion in spending on business equipment; permits for nonresidential construction have been trending higher. The nominal deficit on U.S. trade in goods and services widened somewhat in October from its average rate in the third quarter. Prices of many materials have continued to move up rapidly, but broad indexes of prices for consumer goods and services have increased moderately on average over recent months.

On November 15, 1994, the Board of Governors approved an increase from 4 to 4-3/4 percent in the discount rate, and in line with the Committee's decision the increase was allowed to show through fully to interest rates in reserve markets. In the period since the November meeting, short-term interest rates have risen considerably while long-term rates have declined slightly. The trade-weighted value of the dollar in terms of the other G-10 currencies recovered further over the intermeeting period.

Growth of M2 resumed in November after several months of decline, while M3 expanded moderately further. For the year through November, M2 grew at a rate at the bottom of the Committee's range for 1994 and M3 at a rate in the lower half of its range for the year. Total domestic nonfinancial debt has continued to expand at a moderate rate in recent months and for the year-to-date it has grown at a rate in the lower half of its monitoring range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 0 to 4 percent respectively, measured from the fourth quarter of 1993 to the fourth quarter of 1994. The Committee anticipated that developments contributing to unusual velocity increases could persist during the year and that money growth within these ranges would be consistent with its broad policy objectives. The monitoring range for growth of total domestic nonfinancial debt was maintained at 4 to 8 percent for the year. For 1995, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1994 to the fourth quarter of 1995, of 1 to 5 percent for M2 and 0 to 4 percent for M3. The Committee provisionally set the associated monitoring range for growth of domestic nonfinancial debt at 3 to 7 percent for 1995. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated

[1] Copies of the Minutes of the Federal Open Market Committee meeting of December 20, 1994, which include the domestic policy directive issued at that meeting, are available upon request to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The minutes are published in the Federal Reserve Bulletin and in the Board's annual report.