

custody and control, collateral valuation and initial margin, accrued interest, marking to market, and margin calls; methods for transmitting coupon or dividend payments received if a security is on loan on a payment date; conditions which will trigger the termination of a loan (including events of default); and acceptable methods of delivery for loaned securities and collateral.

Use of Finders

Some lender institutions may use a finder to place securities, and some financial institutions may act as finders. A finder brings together a borrower and a lender for a fee. Finders should not take possession of securities or collateral. The delivery of securities loaned and collateral should be direct between the borrower and the lender. A finder should not be involved in the delivery process.

The finder should act only as a fully disclosed intermediary. The lender institution must always know the name and financial condition of the borrower of any securities it lends. If the lender institution does not have that information it and its customers are exposed to unnecessary risks.

Written policies should be in place concerning the use of finders in a securities lending program. These policies should cover the circumstances in which a finder will be used, which party pays the fee (borrower or lender), and which finders the lender institution will use.

Employee Benefit Plans

The Department of Labor has issued two class exemptions which deal with securities lending programs for employee benefit plans covered by the Employee Retirement Income Security Act (ERISA)—Prohibited Transaction Exemption 81-6 (46 FR 7527 (January 23, 1981), supplemented 52 FR 18754 (May 19, 1987)), and Prohibited Transaction Exemption 82-63 (47 FR 14804 (April 6, 1982) and correction published at 47 FR 16437 (April 16, 1982)). The exemptions authorize transactions which might otherwise constitute unintended "prohibited transactions" under ERISA. Any institution engaged in lending of securities for an employee benefit plan subject to ERISA should take all steps necessary to design and maintain its program to conform with these exemptions.

Prohibited Transaction Exemption 81-6 permits the lending of securities owned by employee benefit plans to persons who could be "parties in interest" with respect to such plans,

provided certain conditions specified in the exemption are met. Under those conditions neither the borrower nor an affiliate of the borrower can have discretionary control over the investment of plan assets, or offer investment advice concerning the assets, and the loan must be made pursuant to a written agreement. The exemption also establishes a minimum acceptable level for collateral based on the market value of the loaned securities.

Prohibited Transaction Exemption 82-63 permits compensation of a fiduciary for services rendered in connection with loans of plan assets that are securities. The exemption details certain conditions which must be met.

Indemnification

Certain lender institutions offer participating accounts indemnification against losses in connection with securities lending programs. Such indemnifications may cover a variety of occurrences including all financial loss, losses from a borrower default, or losses from collateral default. Lender institutions that offer such indemnification should obtain a legal opinion from counsel concerning the legality of their specific form of indemnification under federal and/or state law.

A lender institution which offers an indemnity to its customers may, in light of other related factors, be assuming the benefits and, more importantly, the liabilities of a principal. Therefore, lender institutions offering indemnification should also obtain written opinions from their accountants concerning the proper financial statement disclosure of their actual or contingent liabilities.

Regulatory Reporting

Securities borrowing and lending transactions should be reported by commercial banks according to the Instructions for the Consolidated Reports of Condition and Income and by thrifts according to Thrift Financial Report instructions.

Dated at Washington, DC this 16th day of July 1997.

Federal Financial Institutions Examination Council.

Joe M. Cleaver,

Executive Secretary.

[FR Doc. 97-19132 Filed 7-18-97; 8:45 am]

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FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than August 4, 1997.

A. Federal Reserve Bank of St. Louis
(Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63102-2034:

1. *Cross County Bank Employee Stock Ownership Plan*, Wynne, Arkansas; to retain a total of 16.01 percent of the voting shares of Cross County Bancshares, Inc., Wynne, Arkansas, and thereby indirectly retain Cross County Bank, Wynne, Arkansas.

Board of Governors of the Federal Reserve System, July 15, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 97-19018 Filed 7-18-97; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments

must be received not later than August 5, 1997.

A. Federal Reserve Bank of Atlanta (Lois Berthaume, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303-2713:

1. *Richard Todd Proffitt*, Pigeon Forge, Tennessee; to acquire an additional 57.4 percent, for a total of 57.8 percent of the voting shares of Tennessee State Bancshares, Inc., Pigeon Forge, Tennessee (formerly Gatlinburg, Tennessee), and thereby indirectly acquire Tennessee State Bank, Gatlinburg, Tennessee.

B. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. *David L. and Nancy A. Spehar*, Kansas City, Kansas; to acquire voting shares of First Community Bancshares, Inc., Kansas City, Kansas, and thereby indirectly acquire First Community Bank, Kansas City, Kansas.

2. *Susan Aileen Young*, Chicago, Illinois; to acquire voting shares of C.S.B. Co., Cozad, Nebraska, and thereby indirectly acquire Cozad State Bank and Trust Company, Cozad, Nebraska, and First National Bank of Chadron, Chadron, Nebraska.

C. Federal Reserve Bank of San Francisco (Pat Marshall, Manager of Analytical Support, Consumer Regulation Group) 101 Market Street, San Francisco, California 94105-1579:

1. *Robert W. St. Yves*, Prineville, Oregon; to acquire an additional 6.65 percent, for a total of 10.99 percent, of the voting shares of Prineville Bancorporation, Prineville, Oregon, and thereby indirectly acquire Community First Bank, Prineville, Oregon (formerly The Prineville Bank).

Board of Governors of the Federal Reserve System, July 16, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 97-19101 Filed 7-18-97; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the

banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act. Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than August 14, 1997.

A. Federal Reserve Bank of Richmond (A. Linwood Gill III, Assistant Vice President) 701 East Byrd Street, Richmond, Virginia 23261-4528:

1. *People's Community Capital Corporation*, Aiken, South Carolina; to become a bank holding company by acquiring 100 percent of the voting shares of People's Community Bank of South Carolina, Aiken, South Carolina (in organization).

B. Federal Reserve Bank of Dallas (Genie D. Short, Vice President) 2200 North Pearl Street, Dallas, Texas 75201-2272:

1. *Planters & Merchants Bancshares, Inc.*, Hearne, Texas, and *Planters & Merchants Bancshares of Delaware, Inc.*, Wilmington, Delaware; to acquire 100 percent of the voting shares of Homestead Bank, S.S.B., College Station, Texas.

Board of Governors of the Federal Reserve System, July 15, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 97-19017 Filed 7-18-97; 8:45 am]

BILLING CODE 6210-01-F

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank

holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act. Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than August 15, 1997.

A. Federal Reserve Bank of Chicago (Philip Jackson, Applications Officer) 230 South LaSalle Street, Chicago, Illinois 60690-1413:

1. *First State Bancshares, Inc.*, Ida Grove, Iowa; to become a bank holding company by acquiring 100 percent of the voting shares of First State Bank, Ida Grove, Iowa.

2. *Hometown Independent Bancorp, Inc.*, Morton, Illinois; to become a bank holding company by acquiring 100 percent of the voting shares of Morton Community Bank, Morton, Illinois.

3. *O.A.K. Financial Corporation*, Byron Center, Michigan; to become a bank holding company by acquiring 24.9 percent of the voting shares of Caledonia Financial Corporation, Caledonia, Michigan, and State Bank of Caledonia, Caledonia, Michigan.

4. *Progressive Bancorp, Inc.*, Pekin, Illinois; to become a bank holding company by acquiring 100 percent of the voting shares of Pekin Savings Bank, S.B., Pekin, Illinois.

B. Federal Reserve Bank of Minneapolis (Karen L. Grandstrand, Vice President) 250 Marquette Avenue, Minneapolis, Minnesota 55480-2171:

1. *Dean Financial Services, Inc.*, St. Paul, Minnesota; to acquire 100 percent of the voting shares of The First National Corporation of Aitkin, Inc., Aitkin, Minnesota, and thereby indirectly acquire The First National Bank of Aitkin, Aitkin, Minnesota; Mid-Continent Financial Services, Inc.,