EPA ICR No. 1790.01; National Emission Standards for Hazardous Air Pollutants for Phosphoric Acid Manufacturing and Phosphat Fertilizers Production; was approved 06/29/97; OMB No. 2060–0361; expires 06/30/2000.

EPA ICR No. 1803.02; Drinking Water State Revolving Fund Programs; was approved 06/30/97; OMB No. 2040–0185; expires 06/30/2000.

EPA ICR No. 1793.01; Collecting of Environmental Compliance Information on Automotive Service and Repair Shops; was approved 06/30/97; OMB NO. 2020–0006; expires 06/30/2000.

EPA ICR No. 1698.03; Reporting and Recordkeeping Requirements under EPA's Waste Wise Program; was approved 07/03/97; OMB 2050–0139; expires 07/31/2000.

OMB Correction

EPA ICR No. 0940.14; Ambient Air Surveillance Revision; was approved 02/25/97; OMB No. 2060–0084; instead of 2060–0054; expires 03/31/99.

Dated: July 15, 1997.

Joseph Retzer,

Division Director, Regulatory Information Division.

[FR Doc. 97–19089 Filed 7–18–97; 8:45 am]

BILLING CODE 6560–50–M

ENVIRONMENTAL PROTECTION AGENCY

[FRL–5861–1]

Proposed Administrative Settlement Under Section 122(h) of the Comprehensive Environmental Response, Compensation, and Liability Act; In Re: Harco Property Site, Wilton, Connecticut

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice of proposed administrative settlement and request for public comment.

SUMMARY: The Environmental Protection Agency (EPA) is proposing to enter into a cost recovery settlement agreement to address claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), 42 U.S.C. 9601 *et seq.* Notice is being published to inform the public of the proposed settlement and of the opportunity to comment. The settlement is intended to resolve liability under CERCLA of Gilbert & Bennett Manufacturing Company (''Gilbert & Bennett'') for costs incurred by EPA in response activities at the Harco Property Site (the ''Site'') in Wilton, Connecticut.

DATES: Comments must be provided on or before August 20, 1997.

ADDRESSES: Comments should be addressed to the Docket Clerk, U.S. Environmental Protection Agency, Region I, JFK Federal Building, Mailcode RCH, Boston, Massachusetts 02203, and should refer to: Agreement for Recovery of Past Response Costs Re: Harco Property Site, Wilton, Connecticut, U.S. EPA Docket No. CERCLA–I–97–1038.

FOR FURTHER INFORMATION CONTACT: Bruce Marshall, U.S. Environmental Protection Agency, Office of Site Remediation and Restoration, J.F.K. Federal Building, Mailcode HBS, Boston, Massachusetts 02203, (617) 573–9686.

SUPPLEMENTARY INFORMATION: In accordance with the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), 42 U.S.C. 9601 *et seq.*, notice is hereby given of a proposed cost recovery settlement agreement under section 122(h) of CERCLA concerning the Harco Property Site in Wilton, CT. The settlement was approved by EPA Region I, subject to review by the public pursuant to this notice. Gilbert & Bennett has executed a signature page committing it to participate in the settlement. Under the proposed settlement, Gilbert & Bennett will pay $171,100, in two installments, to the EPA Hazardous Substance Superfund to reimburse the fund for costs incurred in performing removal activities at the Site. In response to the release or threat of release of hazardous substances at the Site, EPA undertook response actions which included site investigation, sampling and analysis of soil and surface water and oversight of work performed at the Site.

EPA is entering into this agreement under the authority of CERCLA section 122(h) which provides EPA with authority to consider, compromise, and settle a claim under section 107 of CERCLA for costs incurred by the United States if the claim has not been referred to the U.S. Department of Justice for further action. Written approval of this settlement by the U.S. Department of Justice is not required. EPA will receive written comments relating to this settlement until August 20, 1997.

A copy of the proposed administrative settlement may be obtained in person or by mail from Bruce Marshall, U.S. Environmental Protection Agency, Office of Site Remediation and Restoration, Mailcode HBS, Boston, Massachusetts 02203, (617) 573–9686.

The Agency's response to any comments received will be available for public inspection with the Docket Clerk, U.S. Environmental Protection Agency, Region I, JFK Federal Building, Mailcode RCH, Boston, Massachusetts (U.S. EPA Docket No. CERCLA–I–97–1038).

Dated: July 9, 1997.

Frank Ciavattieri,

Acting Director of the Office of Site Remediation and Restoration.

[FR Doc. 97–19091 Filed 7–18–97; 8:45 am]

BILLING CODE 6560–50–P

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Revised Policy Statement on Securities Lending

AGENCY: Federal Financial Institutions Examination Council.

ACTION: Notice of revised policy statement.

SUMMARY: The Task Force on Supervision, acting under delegated authority from the Federal Financial Institutions Examination Council (FFIEC), has revised the policy statement on ''Securities Lending'', and is recommending that the FFIEC member agencies adopt and implement the updated policy statement. The Council's three banking agencies adopted the policy pursuant to section 1006(b) of FIRA. It was not published in the **Federal Register**.

EFFECTIVE DATE: Effective immediately.

FOR FURTHER INFORMATION CONTACT:

FRB: Angela Desmond, Senior Counsel, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th & C Streets, NW, Washington, DC 20551 (202/452–3497).

OCC: Roberta L. Ouimette, National Bank Examiner, Asset Management Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219 (202/874–5331).

OTS: William J. Magrini, Senior Project Manager, Supervision Policy, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552 (202/906–5744).

FDIC: Kenton P. Fox, Senior Capital Markets Specialist, Division of Supervision, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429 (202/898–7119).

The text of the Revised Policy Statement follows:

Purpose

Financial institutions are lending securities with increasing frequency. In some instances a financial institution may lend its own investment or trading account securities. More and more often, however, financial institutions lend customers' securities held in custody, safekeeping, trust or pension accounts. Not all institutions that lend securities or plan to do so have relevant experience. Because the securities available for lending often greatly exceed the demand for them, inexperienced lenders may be tempted to ignore commonly recognized safeguards. Bankruptcies of broker-dealers have heightened regulatory sensitivity to the potential for problems in this area. Accordingly, we are providing the following discussion of guidelines and regulatory concerns.

Securities Lending Market

Securities brokers and commercial banks are the primary borrowers of securities. They borrow securities to cover securities fails (securities sold but not available for delivery), short sales, and option and arbitrage positions. Securities lending, which used to involve principally corporate equities and debt obligations, increasingly involves loans of large blocks of U.S. government and federal agency securities.

Securities lending is conducted through open-ended ''loan'' agreements, which may be terminated on short notice by the lender or borrower.[1] The objective of such lending is to receive a safe return in addition to the normal interest or dividends. Securities loans are generally collateralized by U.S. government or federal agency securities, cash, or letters of credit.[2] At the outset, each loan is collateralized at a predetermined margin. If the market value of the collateral falls below an acceptable level during the time a loan is outstanding, a margin call is made by the lender institution. If a loan becomes over-collateralized because of appreciation of collateral or market depreciation of a loaned security, the borrower usually has the opportunity to request the return of any excessive margin.

When a securities loan is terminated, the securities are returned to the lender and the collateral to the borrower. Fees received on securities loans are divided between the lender institution and the customer account that owns the securities. In situations involving cash collateral, part of interest earned on the temporary investment of cash is returned to the borrower and the remainder is divided between the lender institution and the customer account that owns the securities.

Definitions of Capacity

Securities lending may be done in various capacities and with differing associated liabilities. It is important that all parties involved understand in what capacity the lender institution is acting. For the purposes of these guidelines, the relevant capacities are:

Principal: A lender institution offering securities from its own account is acting as principal. A lender institution offering customers' securities on an undisclosed basis is also considered to be acting as principal.

Agent: A lender institution offering securities on behalf of a customer-owner is acting as an agent. For the lender institution to be considered a bona fide or ''fully disclosed'' agent, it must disclose the names of the borrowers to the customer-owners (or give notice that names are available upon request), and must disclose the names of the customer-owner to borrowers (or give notice that names are available upon request). In all cases the agent's compensation for handling the transaction should be disclosed to the customer-owner. Undisclosed agency transactions, i.e., ''blind brokerage'' transactions in which participants cannot determine the identity of the counterparty, are treated as if the lender institution were the principal. (See definition above.)

Directed Agent: A lender institution which lends securities at the direction of the customer-owner is acting as a directed agent. The customer directs the lender institution in all aspects of the transaction, including to whom the securities are loaned, the terms of the transaction (rebate rate and maturity/call provisions on the loan), acceptable collateral, investment of any cash collateral, and collateral delivery.

Fiduciary: A lender institution which exercises discretion in offering securities on behalf of and for the benefit of customer-owners is acting as a fiduciary. For purposes of these guidelines, the underlying relationship may be as agent, trustee, or custodian.

Finder: A finder brings together a borrower and a lender of securities for a fee. Finders do not take possession of the securities or collateral. Securities and collateral are delivered directly by the borrower and the lender without the involvement of the finder. The finder is simply a fully disclosed intermediary.

Guidelines

All financial institutions that participate in securities lending should establish written policies and procedures governing these activities. At a minimum, policies and procedures should cover each of the topics in these guidelines.

Recordkeeping

Before establishing a securities lending program, a financial institution must establish an adequate recordkeeping system. At a minimum, the system should produce daily reports showing which securities are available for lending, and which are currently lent, outstanding loans by borrower, outstanding loans by account, new loans, returns of loaned securities, and transactions by account. These records should be updated as often as necessary to ensure that the lender institution fully accounts for all outstanding loans, that adequate collateral is required and maintained, and that policies and concentration limits are being followed.

Administrative Procedures

All securities lent and all securities standing as collateral must be marked to market daily. Procedures must ensure that any necessary calls for additional margin are made on a timely basis.

In addition, written procedures should outline how to choose the customer account that will be the source of lent securities when they are held in more than one account. Possible methods include: Loan volume analysis, automated queue, a lottery, or some combination of these methods. Securities loans should be fairly allocated among all accounts participating in a securities lending program.

[1] 1 Repurchase agreements, generally used by owners of securities as financing vehicles are, in certain respects, closely analogous to securities lending. Repurchase agreements however, are not the direct focus of these guidelines. A typical repurchase agreement has the following distinguishing characteristics:

- The sale and repurchase (loan) of U.S. government or federal agency securities.
- Cash is received by the seller (lender) and the party supplying the funds receives the collateral margin.
- The agreement is for a fixed period of time.
- A fee is negotiated and established for the transaction at the outset and no rebate is given to the borrower from interest earned on the investment of cash collateral.
- The confirmation received by the financial institution from a borrower broker/dealer classifies the transaction as a repurchase agreement.

[2] 2 Brokers and dealers registered with the Securities and Exchange Commission are generally subject to the restrictions of the Federal Reserve Board's Regulation T (12 CFR Part 220) when they borrow or lend securities. Regulation T specifies acceptable borrowing purposes and any applicable collateral requirements for these transactions.

Internal controls should include operating procedures designed to segregate duties and timely management reporting systems. Periodic internal audits should assess the accuracy of accounting records, the timeliness of management reports, and the lender institution's overall compliance with established policies and procedures.

Credit Analysis and Approval of Borrowers

In spite of strict standards of collateralization, securities lending activities involve risk of loss. Such risks may arise from malfeasance or failure of the borrowing firm or institution. Therefore, a duly established management or supervisory committee of the lender institution should formally approve, in advance, transactions with any borrower.

Credit and limit approvals should be based upon a credit analysis of the borrower. A review should be performed before establishing such a relationship and reviews should be conducted at regular intervals thereafter. Credit reviews should include an analysis of the borrower's financial statement, and should consider capitalization, management, earnings, business reputation, and any other factors that appear relevant. Analyses should be performed in an independent department of the lender institution, by persons who routinely perform credit analyses. Analyses performed solely by the person(s) managing the securities lending program are not sufficient.

Credit and Concentration Limits

After the initial credit analysis, management of the lender institution should establish an individual credit limit for the borrower. That limit should be based on the market value of the securities to be borrowed, and should take into account possible temporary (overnight) exposures resulting from a decline in collateral values or from occasional inadvertent delays in transferring collateral. Credit and concentration limits should take into account other extensions of credit by the lender institution to the same borrower or related interests. Such information, if provided to an institution's trust department conducting a securities lending program, would not be considered material inside information and therefore, not violate ''Chinese Wall'' policies designed to protect against the misuse of material inside information. Violation of securities laws would arise only if material inside information were used in connection with the purchase or sale of securities.

Procedures should be established to ensure that credit and concentration limits are not exceeded without proper authorization from management.

When a lender institution is lending its own securities as principal, statutory lending limits may apply. For national banks and federal savings associations, the limitations in 12 U.S.C. 84 apply. For state-chartered institutions, state law and applicable federal law must be considered. Certain exceptions may exist for loans that are fully secured by obligations of the United States government and federal agencies.

Collateral Management

Securities borrowers pledge and maintain collateral at least 100 percent of the value of the securities borrowed.[3] The minimum amount of excess collateral, or ''margin'', acceptable to the lender institution should relate to price volatility of the loaned securities and the collateral (if other than cash).[4] Generally, the minimum initial collateral on securities loans is at least 102 percent of the market value of the lent securities plus, for debt securities, any accrued interest.

Collateral must be maintained at the agreed margin. A daily ''mark-to-market'' or valuation procedure must be in place to ensure that calls for additional collateral are made on a timely basis. The valuation procedures should take into account the value of accrued interest on debt securities.

Securities should not be lent unless collateral has been received or will be received simultaneously with the loan. As a minimum step toward perfecting the lender's interest, collateral should be delivered directly to the lender institution or an independent third party trustee.

Cash as Collateral

When cash is used as collateral, the lender institution is responsible for making it income productive. Lenders should establish written guidelines for selecting investments for cash collateral. Generally, a lender institution will invest cash collateral in repurchase agreements, master notes, a short-term investment fund, U.S. or Eurodollar certificates of deposits, commercial paper or some other type of money market instrument. If the lender institution is acting in any capacity other than as principal, the written agreement authorizing the lending relationship should specify how cash collateral is to be invested.

Investing cash collateral in liabilities of the lender institution or its holding company would be an improper conflict of interest unless that strategy was specifically authorized in writing by the owner of the lent securities. Written authorizations for participating accounts are further discussed later in these guidelines.

Letters of Credit as Collateral

Since May 1982, letters of credit have been permitted as collateral in certain securities lending transactions outlined in Federal Reserve Regulation T. If a lender institution plans to accept letters of credit as collateral, it should establish guidelines for their use. Those guidelines should require a credit analysis of the financial institution issuing the letter of credit before securities are lent against that collateral. Analyses must be periodically updated and reevaluated. The lender institution should also establish concentration limits for the institutions issuing letters of credit and procedures should ensure that they are not exceeded. In establishing concentration limits on letters of credit accepted as collateral, the lender institution's total outstanding credit exposures from the issuing institution should be considered.

Written Agreements

Securities should be lent only pursuant to a written agreement between the lender institution and the owner of the securities specifically authorizing the institution to offer the securities for loan. The agreement should outline the lender institution's authority to reinvest cash collateral (if any) and responsibilities with regard to custody and valuation of collateral. In addition, the agreement should detail the fee or compensation that will go to the owner of the securities in the form of a fee schedule or other specific provision. Other items which should be covered in the agreement have been discussed earlier in these guidelines.

A lender institution must also have written agreements with the parties who wish to borrow securities. These agreements should specify the duties and responsibilities of each party. A written agreement may detail: Acceptable types of collateral (including letters of credit); standards for collateral

[3] Employee Benefit Plans subject to the Employee Retirement Income Security Act are specifically required to collateralize securities loans at a minimum of 100 percent of the market value of loaned securities (see section concerning Employee Benefit Plans).

[4] The level of margin should be dictated by level of risk being underwritten by the securities lender. Factors to be considered in determining whether to require margin above the recommended minimum include: the type of collateral, the maturity of collateral and lent securities, the term of the securities loan, and the costs which may be incurred when liquidating collateral and replacing loaned securities.

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]

BILLING CODE 6210–01–P, 6720–01–P, 6714–01–P, 4810–33–P

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