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## NATIONAL CREDIT UNION ADMINISTRATION

### 12 CFR Part 745

#### Share Insurance and Appendix

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Interim final rule with request for comments.

**SUMMARY:** This interim rule simplifies NCUA's share insurance regulations on testamentary accounts, frequently referred to as revocable trust accounts or payable on death accounts, and joint ownership accounts. These amendments are similar to those adopted by the Federal Deposit Insurance Corporation (FDIC) for its deposit insurance regulations. The first amendment increases available share insurance coverage on payable on death accounts by adding parents and siblings to the list of relatives for whom a member may receive separate coverage. The second amendment simplifies the method for determining the amount of insured funds a person may have in one or more joint accounts by eliminating the first of two steps used to make such determinations. These amendments are adopted as an interim rule to provide parity between NCUA and FDIC insurance regulations on commonly held accounts, and to aid the public and prevent confusion over the amount of federal insurance available on those accounts.

**DATES:** Effective April 22, 1999. Comments must be received on or before July 15, 1999.

**ADDRESSES:** Comments should be directed to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428. Fax comments to (703) 518-6319. E-mail comments to boardmail@ncua.gov.

Please send comments by one method only.

**FOR FURTHER INFORMATION CONTACT:** James J. Engel, Deputy General Counsel, at the above address, or telephone: (703) 518-6540.

#### SUPPLEMENTARY INFORMATION:

##### A. Background

In accordance with NCUA's regulatory review process, at year end 1998, NCUA staff identified part 745 as one of the regulations in need of updating, clarification and simplification. Part 745 was included in NCUA's Semi-Annual Agenda of Regulations that will appear in the April 1999, Unified Agenda of Federal Regulatory and Deregulatory Actions published by the Regulatory Information Service Center, GSA. Work on this project is to begin in late summer.

However, due to recent deposit insurance rule changes for joint accounts and revocable trust accounts adopted by the Board of Directors of the Federal Deposit Insurance Corporation (FDIC), the NCUA Board believes it is in the public interest to adopt similar changes for two basic reasons. First, the FDIC's recent action to simplify its rules and provide added protection for bank customers warrants similar action by the NCUA Board to maintain parity between the coverage provided by both federal programs. Both revocable trust accounts and joint accounts are types of accounts commonly used by members of the public for the future transfer of ownership of family assets without loss of control during the owner's life. Traditionally, the owners of these accounts have been afforded the same protection through similar Congressionally created federal insurance funds, whether the accounts are maintained in banks or credit unions.

Second, changes are needed to reduce, and hopefully avoid, confusion about the application of NCUA's insurance rules to these types of accounts, and also to avoid confusion regarding any differences between NCUA insurance on credit union accounts and FDIC insurance on similar accounts at bank and savings associations. The NCUA Board is aware that there is confusion, both on the part of credit union members and credit union employees about the current rules regarding these accounts. This

confusion has been brought to the Board's attention through appeals filed under subpart B of part 745. It is especially apparent when family members open several different joint accounts, or joint owners use combinations of joint accounts and revocable trust accounts. The FDIC had noted that its previous joint account and payable on death account rules were frequently misunderstood by bank depositors. It also looked at surveys conducted by public interest research groups that showed that bank employees too shared depositors' confusion. The action taken by FDIC provides needed clarification and simplification for customers of its insured institutions. The same benefits are extended to credit unions and their members by the Board's adoption of this interim rule.

In order to expedite this process, the Board has chosen to make minimum changes to the existing language of its regulations and not a full scale rewrite or format revision at this time. Further, the NCUA Board has not attempted to duplicate the studies conducted by or reviewed by the FDIC prior to its adoption of the recent final rule. The Board recognizes that its payout experience on revocable trust and joint accounts has not been of the magnitude of that cited by the FDIC.

##### B. Current Rules

###### *Testamentary Accounts (Revocable Trust Accounts)*

These are accounts that evidence an intention on the part of the owner to pass funds on to one or more beneficiaries upon the owner's death. They include payable-on-death accounts (POD accounts), and tentative or "Totten" trust accounts. These accounts are insured separately from other accounts of the owner if the beneficiary is a spouse, child or grandchild. There can be more than one beneficiary, and if each beneficiary is either the spouse, a child or grandchild, the account will be insured up to \$100,000 for each such beneficiary. For example, if an account is held by a husband "in trust for" his wife and three children, the account will be insured for \$400,000. This coverage will be separate from any insurance the husband, wife or children may have on their own accounts. For these accounts, insurance is provided on a per beneficiary basis for the spouse,

child or grandchild. If, however, a credit union member names a parent or sibling as a beneficiary, a common practice particularly for single individuals, then the account will be added to the individual account of the member and insured up to \$100,000. There is no per beneficiary protection in that case even though there is a close familial relationship.

As the FDIC noted, by adding parents and siblings to the list of family members who qualify as beneficiaries for additional coverage, most of the customers who misunderstand the current rules will be protected. The Board believes that same level of protection should be provided to credit union members and, therefore, has adopted a similar amendment. This interim rule also clarifies that the degree of kinship for named beneficiaries includes relationships through blood, adoption, or by virtue of remarriage. FDIC has a similar provision.

#### *Joint Accounts*

NCUA's current regulation does not expressly refer to a two step process in determining insurance coverage on joint accounts as did the FDIC's rule. However, where an individual had several joint accounts, some with different joint owners, insurance coverage was determined by applying two subsections. First, under subsection 745.8(d), joint accounts with the same combination of owners are aggregated and insured up to \$100,000. Even though there is more than one account, if the owners are the same, the accounts are treated as one account. Then, under subsection 745.8(e), a person's interest in all joint accounts with different combinations of owners joint is aggregated and insured up to \$100,000. Thus, NCUA followed the same type of two step process used by the FDIC

The application of this process results in certain inequities. If a person has ownership interests in several different joint accounts, each with a different combination of joint owners, his or her interest in each of those accounts will be added together and insured to \$100,000. The same will be done for each of the other joint owners as well. If instead, that person has one or more joint accounts with the same combination of joint owners, the maximum insurance available to all of those joint owners combined will be limited to \$100,000. Thus, in one instance, each joint owner's interest can be insured up to \$100,000, while in the other, total coverage on the account is limited to \$100,000, notwithstanding the amount of each of the joint owner's interest.

Through this interim final rule, the Board is taking the same approach to simplify coverage on joint accounts as did the FDIC. It will no longer be necessary to aggregate all joint accounts owned by the same combination of individuals. With this amendment, each person's interest in all qualifying joint accounts will be aggregated and insured to a maximum of \$100,000. The rule also eliminates the signature requirement for share certificates, a matter that has presented problems in the past, and for accounts maintained by certain fiduciaries for joint owners as long as the credit union's records reflect that there are joint owners. FDIC has a similar provision.

#### **C. Interim Rule—Amendments**

For purposes of this interim rule, the Board has not changed the current format used in part 745. Instead, minor modifications have been made to keep the amendments simple while accomplishing the desired change. It is expected that more substantial changes to part 745 will be made when agency staff undertakes a more comprehensive review of all of its provisions and after receiving comments as a result of this request for comments.

##### *1. Section 745.4*

The title of this section has been changed from "Testamentary Accounts" to "Revocable Trust Accounts," the section title the FDIC adopted when it issued uniform rules for banks and savings associations previously insured by the former Federal Savings and Loan Insurance Corporation (FSLIC). See 55 FR 20111 (May 15, 1990). This nomenclature will be more reflective of the types of accounts that members will be using in the future and that the Board anticipates will be addressed in subsequent action on part 745. Substantively, this interim rule extends insurance coverage by adding parents and siblings to the list of relatives who may be named as beneficiary on a revocable trust account and for whom per beneficiary insurance coverage will be provided. The rule also adds a new subsection (d) to define the degree of kinship for named beneficiaries to include relationships through blood, adoption, or by virtue of remarriage, such as a step-child or step-sister.

##### *2. Section 745.8 Joint Accounts*

This amendment adds language to subsection (a) to provide that a co-owner's interest in all joint accounts will be added together and insured up to a maximum of \$100,000. It also removes subsections (d) and (e). These changes eliminate the two step process

for determining insurance coverage on joint accounts. Language is also added to subsection (b) to eliminate the signature requirement for share certificates and accounts maintained for joint owners provided the credit union records reflect the nature of the accounts.

#### **D. Request for Comments**

This interim rule only affects those provisions in part 745 and the appendix that relate to joint accounts and revocable trust accounts. As noted above, the Board is not amending or proposing any specific amendments to other provisions of Part 745. Also, the Board is not adopting in this interim rule a change similar to that adopted by the FDIC regarding insurance coverage of accounts held by agents or fiduciaries. However, the Board is interested in comments on part 745 in its entirety, including style and format and suggestions for simplification or clarification. NCUA currently uses a separate appendix to provide examples of insurance coverage, whereas FDIC provides examples within some of the specific provisions of its rules. Is either format preferable, or should NCUA add an additional appendix with staff interpretations, similar to that used in part 707 for Truth in Savings?

When reviewing part 745, the Board suggests commenters look to the simplification of deposit insurance rules amendments adopted by the FDIC (63 FR 25750, May 11, 1998; 64 FR 15653, April 1, 1999). Many of those changes, with or without additional modification, may be appropriate for Board consideration. The Board invites comments on how to address insurance on living trusts, or the need for guidance on any account insurance related areas they may be unique to credit unions. Of particular importance are suggestions on ways to make the share insurance regulations more easily understandable to members and employees.

#### **E. Effective Date**

Under the Administrative Procedure Act, a substantive rule is to be published 30 days before its effective date unless it meets one of that Act's exceptions. The NCUA Board has determined that this interim rule falls within the "good cause" exception of that Act, 5 U.S.C. 553(d), and, therefore, it is made effective immediately upon publication in the **Federal Register**. "Good cause" exists because the rule benefits credit union members and employees by simplifying how to determine the amount of coverage available on commonly used accounts; it increases the amount of coverage that

is available for the benefit of credit union members; it does not prejudice credit union members or credit unions; and it provides immediate protection for members whose interests might otherwise be jeopardized if an insured credit union were to fail within the normal thirty day delayed effective date period.

**Regulatory Procedures**

*Regulatory Flexibility Act*

This interim final rule applies to all federally-insured credit unions but does not impose new reporting, recordkeeping or other compliance requirements on those institutions. Therefore, the Board has determined and certifies that this rule will not have a significant economic impact on a substantial number of small credit unions. Accordingly, the NCUA Board has determined that a Regulatory Flexibility Analysis is not required.

*Paperwork Reduction Act*

This interim rule does not impose any paperwork requirements and, therefore, no information has been submitted to the Office of Management and Budget.

*Executive Order 12612*

Although this interim rule applies to federally-insured state-chartered credit unions, it has no effect on the regulation of those credit unions.

**List of Subjects in 12 CFR Part 745**

Credit unions, Pension plans, Share insurance, Trustee.

By the National Credit Union Administration Board, this 15th day of April, 1999.

**Becky Baker,**  
*Secretary, NCUA Board.*

For the reasons stated in the preamble, NCUA amends 12 CFR chapter VII as follows:

**PART 745—SHARE INSURANCE AND APPENDIX**

1. The authority citation for part 745 is revised to read as follows:

**Authority:** 12 U.S.C. 1752(5), 1757, 1765, 1766, 1781, 1782, 1787, 1789.

2. Section 745.4 is revised to read as follows:

**§ 745.4 Revocable trust accounts.**

(a) For purposes of this part, the term “revocable trust account” includes a testamentary account, tentative or “Totten” trust account, “payable-on-death” account, or any similar account which evidences an intention that the funds shall pass on the death of the

owner of the funds to a named beneficiary.

(b) If the named beneficiary of a revocable trust account is a spouse, child, grandchild, parent, brother or sister of the account owner, the account shall be insured up to \$100,000 in the aggregate as to each such beneficiary, separately from any other accounts of the owner or beneficiary, regardless of the membership status of the beneficiary.

(c) If the named beneficiary of a revocable trust account is other than the spouse, child, grandchild, parent, brother or sister of the account owner, the funds in such account shall be added to any individual accounts of the owner and insured up to \$100,000 in the aggregate.

(d) For purposes of this section, the term “child” includes the biological, adopted or step-child of the owner; the term “grandchild” includes the biological, adopted or step-child of any of the owner’s children; the term “parent” includes the biological, adoptive or step-parent of the owner; the term “brother” includes a full brother, half brother, brother through adoption or step-brother; and the term “sister” includes a full sister, half sister, sister through adoption or step-sister.

3. Section 745.8 is revised to read as follows:

**§ 745.8 Joint ownership accounts.**

(a) *Separate insurance coverage.* Qualifying joint accounts, whether owned as joint tenants with right of survivorship, as tenants by the entireties, as tenants in common, or by husband and wife as community property, shall be insured separately from accounts individually owned by any of the co-owners. The interest of a co-owner in all qualifying joint accounts shall be added together and the total for that co-owner shall be insured up to \$100,000.

(b) *Qualifying joint accounts.* A joint account is a qualifying joint account if each of the co-owners has personally signed a membership or account signature card and has a right of withdrawal on the same basis as the other co-owners. The signature requirement does not apply to share certificates, or to any accounts maintained by an agent, nominee, guardian, custodian or conservator on behalf of two or more persons if the records of the credit union properly reflect that the account is so maintained.

(c) *Failure to qualify.* A joint account that does not meet the requirements for a qualifying joint account shall be treated as owned by the named persons as individuals and the actual ownership

interest of each such person in such account shall be added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate. An account will not fail to qualify as a joint account if a joint owner is a minor and applicable state law limits or restricts a minor’s withdrawal rights.

(d) *Nonmember joint owners.* A nonmember may become a joint owner with a member on a joint account with right of survivorship. The nonmember’s interest in such accounts will be insured in the same manner as the member joint-owner’s interest.

4. Part B of the Appendix to Part 745 is amended by revising the heading of Part B and first three sentences of the introductory paragraph to read as follows:

**Appendix to Part 745—Examples of Insurance Coverage Afforded Accounts in Credit Unions Insured by the National Credit Union Share Insurance Fund**

\* \* \* \* \*

*B. Revocable Trust Accounts*

The term “revocable trust account” includes a testamentary account, tentative or “Totten” trust account, “payable-on-death” account, or any similar account which evidences an intention that the funds shall pass on the death of the owner of the funds to a named beneficiary. If the named beneficiary is a spouse, child, grandchild, parent, brother or sister (as defined in subsection 745.4(d)) of the owner, the funds in all such accounts are insured for the owner up to \$100,000 in the aggregate as to each such beneficiary. If the beneficiary of such an account is other than the spouse, child, grandchild, parent, brother or sister of the owner, the funds in the account are, for insurance purposes, added to any other individual (single ownership) accounts of the owner and insured up to \$100,000 in the aggregate. \* \* \*

5. Part B of the Appendix to Part 745 is amended by revising Example 2 to read as follows:

\* \* \* \* \*

*B. Revocable Trust Accounts*

\* \* \* \* \*

**Example 2**

*Question:* Member H invests \$100,000 in each of four “payable-on-death” accounts. Under the terms of each account contract, H has the right to withdraw any or all of the funds in the account at any time. Any funds remaining in the account at the time of H’s death are to be paid to a named beneficiary. The respective beneficiaries of the four accounts are H’s wife, his mother, his brother, and his nephew. H also holds an individual account containing \$100,000. What is the insurance coverage?

*Answer:* The accounts payable on death to H’s wife, mother and brother are each

separately insured to the \$100,000 maximum (Sec. 745.4(b)). The account payable to H's nephew is added to H's individual account and insured to \$100,000 in the aggregate, leaving \$100,000 uninsured (Sec. 745.4(c)).

\* \* \* \* \*

6. Part F of the Appendix to Part 745 is amended by removing the five introductory paragraphs and adding four introductory paragraphs in their place to read as follows:

\* \* \* \* \*

#### F. Joint Accounts

The interest of a co-owner in all accounts held under any form of joint ownership valid under state law (whether as joint tenants with right of survivorship, tenants by the entirety, tenants in common, or by husband and wife as community property) is insured up to \$100,000. This insurance is separate from that afforded individual accounts held by any of the co-owners.

An account is insured as a joint account only if each of the co-owners has personally signed a membership card or an account signature card and possesses the same withdrawal rights as the other co-owners. (The signature requirement does not apply to share certificates, or to any accounts maintained by an agent, nominee, guardian, custodian or conservator on behalf of two or more persons. However, the records of the credit union must show that the account is being maintained for joint owners. There is also another exception in the case of a minor discussed below.) An account owned jointly which does not qualify as a joint account for insurance purposes is insured as if owned by the named persons as individuals. In that case, the actual ownership interest in the account of each person is added to any other accounts individually owned by such person and insured up to \$100,000 in the aggregate.

Any individual, including a minor, may be a co-owner of a joint account. Although, generally, each co-owner must have signed an account signature card and must have the same rights of withdrawal as other co-owners in order for the account to qualify for separate joint account insurance, there is an exception for minors. If state law limits or restricts a minor's withdrawal rights—for example, a minimum age requirement to make a withdrawal—the account will still be insured as a joint account.

The interests of a co-owner in all joint accounts that qualify for separate insurance coverage are insured up to the \$100,000 maximum. For insurance purposes, the co-owners of any joint account are deemed to have equal interests in the account, except in the case of a tenancy in common. With a tenancy in common, equal interests are presumed unless otherwise stated on the records of the credit union.

7. Part F of the Appendix to Part 745 is amended by removing Example 6 and by revising Examples 1 through 5(b) to read as follows:

\* \* \* \* \*

#### F. Joint Accounts

\* \* \* \* \*

#### Example 1

*Question:* Members A and B maintain an account as joint tenants with right of survivorship and, in addition, each holds an individual account. Is each account separately insured?

*Answer:* If both A and B have signed the membership or signature card and possess equal withdrawal rights with respect to the joint funds, their interests in the joint account are separately insured from their interests in the individual accounts. (§ 745.8(a) and (b).) If the joint account is represented by a share certificate, their individual signatures are not required for that account.

#### Example 2

*Question:* Members H and W, husband and wife, reside in a community property state. Each holds an individual account and, in addition, they hold a qualifying joint account. The funds in all three accounts consist of community property. Is each account separately insured?

*Answer:* Yes. An account in the individual name of a spouse will be insured up to \$100,000 whether the funds consist of community property or separate property of the spouse. A joint account containing community property is separately insured. Thus, community property can be used for individual accounts in the name of each spouse and for a joint account in the name of both spouses. In this example, each individual account is insured up to \$100,000 (§ 745.3(a)(1)), and the interests of both the husband and wife in the joint account are each insured up to \$100,000 (§ 745.8(a)).

#### Example 3

*Question:* Two accounts of \$100,000 each are held by a member husband and his wife under the following names: John Doe and Mary Doe, husband and wife, as joint tenants with right of survivorship. Mrs. John Doe and John Q. Doe (community property). How much insurance do the husband and wife have?

*Answer:* They have \$200,000 of insurance. Both the husband and wife are deemed to have a one half interest (\$50,000) in each account. (§ 745.2(c)(4).) The husband's interest in both accounts would be added together and insured for \$100,000. The wife's insurance coverage would be determined the same way. (§ 745.8(a).)

#### Example 4

*Question:* The following accounts are held by members A, B and C, each of whom has personally executed signature cards for the accounts in which he has an interest. Each co-owner of a joint account possesses the necessary withdrawal rights.

1. A, as an individual—\$100,000.
2. B, as an individual—\$100,000.
3. C, as an individual—\$100,000.
4. A and B, as joint tenants w/r/o survivorship—\$90,000.
5. A and C, as joint tenants w/r/o survivorship—\$90,000.
6. B and C, as joint tenants w/r/o survivorship—\$90,000.
7. A, B and C, as joint tenants w/r/o survivorship—\$90,000.

What is the insurance coverage?

*Answer:* Accounts numbered 1, 2 and 3 are each separately insured for \$100,000 as individual accounts held by A, B and C, respectively (§ 745.3(a)(1)). The interest of the co-owners of each joint account are deemed equal for insurance purposes (§ 745.2(c)(4)). A's interest in accounts numbered 4, 5, and 7 are added together for insurance purposes (§ 745.8(e)). Thus, A has an interest of \$45,000 in account No. 4, \$45,000 in account No. 5 and \$30,000 in account No. 7, for a total joint account interest of \$120,000, of which \$100,000 is insured. The interest of B and C are similarly insured.

#### Example 5(a)

*Question:* A, B and C hold accounts as set forth in Example 4. Members A and B are husband and wife; C, their minor child, has failed to sign the signature card for Account No. 7. In Account No. 5, according to the terms of the account, C cannot make a withdrawal without A's written consent. (This is not a limitation imposed under state law.) In Account No. 6, the signatures of both B and C are required for withdrawal. A has provided all of the funds for Accounts numbered 5 and 7 and under state law has the entire actual ownership interest in these two accounts. What is the insurance coverage?

*Answer:* If any of the co-owners of a joint account have failed to meet any of the joint account requirements, the account is not a qualifying joint account. Instead, the account is treated as if it consisted of commingled individual accounts of each of the co-owners in accordance with his or her actual ownership interest in the funds, as determined under applicable state law. (§ 745.8(c).)

Account No. 5 is not a qualifying joint account because C does not have equal withdrawal rights with A. Based on the terms of the account, C can only make a withdrawal if he has A's written consent. Account No. 7 is not a qualifying joint account because C did not personally sign the signature card. Therefore, all of the funds in Accounts 5 and 7 are treated as individually owned by A and added to A's individual account, Account No. 1. For insurance purposes then, A has \$280,000 in one individual account that is insured for \$100,000, leaving \$180,000 uninsured.

Account 6 is a qualifying joint account for insurance purposes since each co-owner has the right to withdraw funds on the same basis. Account 4 is also a qualifying joint account. A's interest in Account 4 is insured for \$45,000. B's interest of \$45,000 in Account 4 is added to her interest of \$45,000 in Account 6 and insured for \$90,000. C's interest in Account 6 is insured for \$45,000.

#### Example 5(b)

*Question:* Assume the same accounts as Example 5(a) except that, on Account No. 5, C's right to make a withdrawal is limited by state law which precludes a minor from making a withdrawal without the co-owner's written consent. What is the insurance coverage?

*Answer:* In this situation, Accounts 4, 5, and 6 all qualify as joint accounts. A, B, and

C will each have \$90,000 of insured funds based on: A's interest in Account 4 (\$45,000) and 5 (\$45,000), B's interest in Accounts 4 (\$45,000) and 6 (\$45,000), and C's interest in Accounts 5 (\$45,000) and 6 (\$45,000). As in Example 5(a), Account No. 7 does not qualify as a joint account and would be added to A's individual account for insurance purposes.

\* \* \* \* \*

[FR Doc. 99-9930 Filed 4-21-99; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 99-NM-44-AD; Amendment 39-11135; AD 99-09-03]

RIN 2120-AA64

#### Airworthiness Directives; McDonnell Douglas Model MD-11 Series Airplanes

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

**ACTION:** Final rule; request for comments.

**SUMMARY:** This amendment adopts a new airworthiness directive (AD) that is applicable to certain McDonnell Douglas Model MD-11 series airplanes. This action requires a one-time inspection of the wiring and wire bundles of the aft main avionics rack (MAR) to determine if the wires are damaged, or riding or chafing on structure, clamps, braces, standoffs, or clips, and to detect damaged or out of alignment rubber cushions inserts of the wiring clamps; and corrective actions, if necessary. This amendment is prompted by an incident in which the automatic and manual cargo door test in the cockpit was inoperative during dispatch of the airplane, due to the wiring of the MAR chafing against clamps as a result of the wire bundles being installed improperly during production of the airplane. The actions specified in this AD are intended to ensure that the wires that route from the main wire bundles to the MAR and associated brackets, clamps, braces, standoffs, and clips are installed properly. Improper installation of such wiring and structure could cause chafing of the wire/wire bundles, which could result in electrical arcing, smoke, and possible fire in the MAR.

**DATES:** Effective May 7, 1999.

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of May 7, 1999.

Comments for inclusion in the Rules Docket must be received on or before June 21, 1999.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 99-NM-44-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.

The service information referenced in this AD may be obtained from Boeing Commercial Aircraft Group, Long Beach Division, 3855 Lakewood Boulevard, Long Beach, California 90846, Attention: Technical Publications Business Administration, Dept. C1-L51 (2-60). This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the FAA, Transport Airplane Directorate, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California; or at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Brett Portwood, Aerospace Engineer, ANM-130L, FAA, Transport Airplane Directorate, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California 90712; telephone (562) 627-5350; fax (562) 627-5210.

**SUPPLEMENTARY INFORMATION:** As part of its practice of re-examining all aspects of the service experience of a particular aircraft whenever an accident occurs, the FAA has become aware of an incident in which the automatic and manual cargo door test in the cockpit was inoperative. This incident occurred on a McDonnell Douglas Model MD-11 series airplane during dispatch.

Investigation revealed the insulation of a wire located on the aft main avionics rack (MAR) was worn through, and that the wire shorted to a coax cable clamp. The wires that route from the main wire bundles to the MAR also were found contacting clamps at other locations of the MAR. The cause of such chafing has been attributed to improper installation of the wire bundles in the MAR during production of the airplane. (This incident is not considered to be related to an accident that occurred off the coast of Nova Scotia involving a McDonnell Douglas Model MD-11 series airplane. The cause of that accident is still under investigation.)

Improper installation of the wires that route from the main wire bundles to the MAR or improper installation of associated brackets, clamps, braces, standoffs, or clips could cause chafing

of the wire/wire bundles, which could result in electrical arcing, smoke, and possible fire in the MAR.

#### Other Related Rulemaking

The FAA, in conjunction with Boeing and operators of Model MD-11 series airplanes, is continuing to review all aspects of the service history of those airplanes to identify potential unsafe conditions and to take appropriate corrective actions. This airworthiness directive (AD) is one of a series of actions identified during that process. The process is continuing and the FAA may consider additional rulemaking actions as further results of the review become available.

#### Explanation of Relevant Service Information

The FAA has reviewed and approved McDonnell Douglas Alert Service Bulletin MD11-24A146, dated February 1, 1999. The alert service bulletin describes procedures for a one-time inspection of the wiring and wire bundles of the aft MAR to determine if the wires are damaged, or riding or chafing on structure, clamps, braces, standoffs, or clips, and to detect damaged or out of alignment rubber cushions inserts of the wiring clamps; and corrective actions, if necessary. The corrective actions include repairing damaged wiring; routing and tying all wires/wire bundles so that they are not in contact with adjacent wire bundles, clamps, or structure; installing silicone rubber coated glass cloth wrapping on wiring; and inspecting all brackets, clamps, braces, standoffs, and clips to make sure they are not bent or twisted and come in contact with wires/wire bundles.

Accomplishment of the actions specified in the alert service bulletin is intended to adequately address the identified unsafe condition.

#### Explanation of the Requirements of the Rule

Since an unsafe condition has been identified that is likely to exist or develop on other McDonnell Douglas Model MD-11 series airplanes of the same type design, this AD is being issued to ensure that the wires that route from the main wire bundles to the MAR and associated brackets, clamps, braces, standoffs, and clips are installed properly. Improper installation of such wiring and structure could cause chafing of the wire/wire bundles, which could result in electrical arcing, smoke, and possible fire in the MAR. This AD requires accomplishment of the actions specified in the alert service bulletin described previously, except as