

spare contacts and filler rods, the FAA has determined that all airplanes, as stated above, must accomplish the requirements of this proposed AD.

### Cost Impact

There are approximately 1,974 Model 737 series airplanes of the affected design in the worldwide fleet. The FAA estimates that 755 airplanes of U.S. registry would be affected by this proposed AD, that it would take approximately 1 work hour per airplane to accomplish the proposed inspection, and that the average labor rate is \$60 per work hour. The cost of required parts would be negligible. Based on these figures, the cost impact of the proposed AD on U.S. operators is estimated to be \$45,300, or \$60 per airplane, per inspection cycle.

The cost impact figure discussed above is based on assumptions that no operator has yet accomplished any of the proposed requirements of this AD action, and that no operator would accomplish those actions in the future if this proposed AD were not adopted. The cost impact figures discussed in AD rulemaking actions represent only the time necessary to perform the specific actions actually required by the AD. These figures typically do not include incidental costs, such as the time required to gain access and close up, planning time, or time necessitated by other administrative actions.

### Regulatory Impact

The regulations proposed herein would not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, it is determined that this proposal would not have federalism implications under Executive Order 13132.

For the reasons discussed above, I certify that this proposed regulation (1) is not a "significant regulatory action" under Executive Order 12866; (2) is not a "significant rule" under the DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979); and (3) if promulgated, will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act. A copy of the draft regulatory evaluation prepared for this action is contained in the Rules Docket. A copy of it may be obtained by contacting the Rules Docket at the location provided under the caption ADDRESSES.

### List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Safety.

### The Proposed Amendment

Accordingly, pursuant to the authority delegated to me by the Administrator, the Federal Aviation Administration proposes to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

### PART 39—AIRWORTHINESS DIRECTIVES

1. The authority citation for part 39 continues to read as follows:

**Authority:** 49 U.S.C. 106(g), 40113, 44701.

#### § 39.13 [Amended]

2. Section 39.13 is amended by adding the following new airworthiness directive:

**Boeing:** Docket 2000–NM–39–AD.

**Applicability:** All Model 737–300, –400, and –500 series airplanes; certificated in any category.

**Note 1:** This AD applies to each airplane identified in the preceding applicability provision, regardless of whether it has been modified, altered, or repaired in the area subject to the requirements of this AD. For airplanes that have been modified, altered, or repaired so that the performance of the requirements of this AD is affected, the owner/operator must request approval for an alternative method of compliance in accordance with paragraph (b) of this AD. The request should include an assessment of the effect of the modification, alteration, or repair on the unsafe condition addressed by this AD; and, if the unsafe condition has not been eliminated, the request should include specific proposed actions to address it.

**Compliance:** Required as indicated, unless accomplished previously.

To detect and correct discrepancies of certain connectors, which could result in electrical arcing of the connectors, uncommanded movement of the engine fuel shut-off valves to the closed position, and consequent in-flight loss of thrust or engine shutdown from lack of fuel, accomplish the following:

#### Repetitive Inspections/Corrective Action

(a) Within 12 months after the effective date of this AD: Perform a detailed visual inspection of connectors (connectors are linked to the fuel shut-off valves and outboard landing lights) located in the main wheel wells, to detect discrepancies (missing spare contacts and filler rods, improper plugs or filler rods, or contamination or corrosion), as specified in Boeing Service Letter 737–SL–24–138, dated May 24, 1999. Repair any discrepancies in accordance with the service letter, and repeat the inspection thereafter at intervals not to exceed 18 months.

**Note 2:** For the purposes of this AD, a detailed visual inspection is defined as: An intensive visual examination of a specific structural area, system, installation, or

assembly to detect damage, failure, or irregularity. Available lighting is normally supplemented with a direct source of good lighting at intensity deemed appropriate by the inspector. Inspection aids such as mirror, magnifying lenses, etc., may be used. Surface cleaning and elaborate access procedures may be required."

#### Alternative Methods of Compliance

(b) An alternative method of compliance or adjustment of the compliance time that provides an acceptable level of safety may be used if approved by the Manager, Seattle Aircraft Certification Office (ACO), FAA. Operators shall submit their requests through an appropriate FAA Principal Maintenance Inspector, who may add comments and then send it to the Manager, Seattle ACO.

**Note 3:** Information concerning the existence of approved alternative methods of compliance with this AD, if any, may be obtained from the Seattle ACO.

#### Special Flight Permit

(c) Special flight permits may be issued in accordance with sections 21.197 and 21.199 of the Federal Aviation Regulations (14 CFR 21.197 and 21.199) to operate the airplane to a location where the requirements of this AD can be accomplished.

Issued in Renton, Washington, on August 22, 2000.

**Donald L. Riggan,**

*Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.*

[FR Doc. 00–21872 Filed 8–25–00; 8:45 am]

**BILLING CODE 4910–13–P**

## COMMODITY FUTURES TRADING COMMISSION

### 17 CFR Part 1

RIN 3038–AB54

### Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers; Amendment to the Capital Charge on Unsecured Receivables Due From Foreign Brokers

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Proposed rule.

**SUMMARY:** The Commodity Futures Trading Commission ("Commission") is proposing to amend Rule 1.17(c)(5)(xiii) which requires a futures commission merchant ("FCM") or an independent introducing broker ("IBI"), when computing its adjusted net capital, to take a capital charge for certain unsecured receivables due from foreign brokers.<sup>1</sup> The capital charge is equal to five percent of the unsecured receivable

<sup>1</sup> Commission regulations cited herein may be found at 17 CFR Ch. I (2000).

balance. In computing the capital charge, however, the FCM or IBI may exclude that portion of the unsecured receivable that represents the amount required to be on deposit to maintain futures and option positions (*i.e.*, margin or performance bond requirements) on a foreign board of trade provided that certain conditions are met. The foreign broker must have received confirmation of "comparability relief" pursuant to Rule 30.10 from the Commission and the margin deposit must be held by the foreign broker itself, by another foreign broker granted Rule 30.10 "comparability relief," or by a depository in the same jurisdiction as either foreign broker that would qualify as a depository for funds under Rule 30.7. In addition, to be exempt from the capital charge, customer funds must be held by the foreign broker in compliance with any conditions imposed by the applicable Rule 30.10 order.

The proposal would amend the current rule by increasing the amount of the unsecured receivable that is eligible to be exempt from the capital charge from the minimum amount required to maintain futures and option positions to the greater of: 150 percent of the amount required to maintain the current futures and option positions in the account; or 100 percent of the greatest amount required to support futures and option positions in the account at any time during the preceding six-month period. The proposal also would continue to require the foreign broker to receive Rule 30.10 "comparability relief" but would not condition the exemption on the margin deposits be held by the foreign broker itself, another foreign broker granted Rule 30.10 "comparability relief," or with a depository in the same jurisdiction as either foreign broker that would qualify as a depository for funds under Rule 30.7.

**DATES:** Comments must be received on or before September 27, 2000.

**ADDRESSES:** Comments should be mailed to: Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581. In addition, comments may be sent by facsimile to (202) 418-5521, or by electronic mail to [secretary@cftc.gov](mailto:secretary@cftc.gov). Reference should be made to "Capital Charge on Unsecured Receivables Due from Foreign Brokers."

**FOR FURTHER INFORMATION CONTACT:** Thomas J. Smith, Special Counsel, Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Centre,

1155 21st Street, N.W., Washington, D.C. 20581; telephone (202) 418-5495; electronic mail [tsmith@cftc.gov](mailto:tsmith@cftc.gov); or Henry J. Matecki, Financial Audit and Review Branch, Division of Trading and Markets, Commodity Futures Trading Commission, 300 South Riverside Plaza, Suite 1600 North, Chicago, IL 60606; telephone (312) 886-3217; electronic mail [hmatecki@cftc.gov](mailto:hmatecki@cftc.gov).

#### SUPPLEMENTARY INFORMATION:

##### I. Background

In 1978, the Commission implemented major revisions to its regulations governing the minimum financial requirements for FCMs.<sup>2</sup> As part of these revisions, the Commission adopted Rule 1.17(c)(5)(xiii) which required an FCM, in computing its adjusted net capital, to take a capital charge for unsecured receivables resulting from commodity futures and option transactions executed on foreign boards of trade and which were due from foreign brokers that were not registered with the Commission as FCMs or with the Securities and Exchange Commission ("SEC") as securities brokers or dealers. The capital charge was equal to five percent of the unsecured receivable balance.

The Commission had minimal interaction with foreign regulators and limited experience with trading on foreign futures and option markets when it adopted Rule 1.17(c)(5)(xiii). The capital charge reflected the Commission's concern that unsecured receivables from foreign brokers represented a greater risk to an FCM's financial condition than comparable receivables due from registered FCMs or securities brokers or dealers which, under Commission and SEC capital rules, are required to maintain sufficient liquid assets to cover liabilities associated with funds received to maintain or carry futures and option positions on foreign boards of trade.

Subsequently, the Commission gained greater experience with foreign futures and option trading. In this regard, in 1987 the Commission adopted Part 30 of its regulations to govern the domestic offer and sale of futures and option contracts traded on foreign boards of trade.<sup>3</sup> Furthermore, in 1996 the

<sup>2</sup> 43 FR 39956 (September 8, 1978).

<sup>3</sup> 52 FR 28980 (August 5, 1987). The Part 30 rules generally extended the Commission's existing customer protection requirements for products offered or sold on contract markets in the United States to foreign futures and option products sold to United States customers by foreign firms.

Specifically, the Part 30 rules include requirements with respect to registration, risk disclosure, capital adequacy, protection of customer funds, recordkeeping and transaction reporting, sales practices and compliance procedures that are

Commission, citing an enhancement of capital standards monitoring and an increased cooperation among regulators globally, amended Rule 1.17(c)(5)(xiii) to exclude from the five percent capital charge that portion of the unsecured receivable that represented amounts required to be on deposit to maintain futures and option positions transacted on foreign boards of trade.<sup>4</sup> Deposits in excess of required margin or performance bond continued to be subject to the capital charge. In addition, to be exempt from the capital charge, the receivable had to be due from a foreign broker that had received confirmation of "comparability relief" in accordance with a Commission order issued under Rule 30.10 and the margin deposits had to be held by the foreign broker itself, another foreign broker that had received confirmation of Rule 30.10 "comparability relief," or at a depository that qualified as a depository pursuant to Rule 30.7 and which was located within the same jurisdiction as either foreign broker.<sup>5</sup>

##### II. Proposal

The Joint Audit Committee ("JAC") has asked the Commission to amend Rule 1.17(c)(5)(xiii) to expand the capital charge exemption on unsecured receivables from a foreign broker that has received "comparability relief" under Rule 30.10, but is not a registered FCM or a registered securities broker or dealer.<sup>6</sup> Specifically, the JAC has asked that the exemption be expanded to include balances in excess of required

generally comparable to those applicable to transactions conducted on or subject to the rules of U.S. contract markets.

<sup>4</sup> 61 FR 19177, 19184 (May 1, 1996).

<sup>5</sup> Under Rule 30.10 and Appendix A thereto, the Commission may exempt a foreign firm from compliance with certain Commission rules provided that a comparable regulatory system exists in the firm's home country and that certain safeguards are in place to protect U.S. customers, including an information-sharing arrangement between the Commission and the firm's home country regulator or self-regulatory organization ("SRO"). Once the Commission determines that the foreign jurisdiction's regulatory structure offers comparable regulatory oversight, the Commission issues an order granting general relief subject to certain conditions. Foreign firms seeking confirmation of this relief must make certain representations set forth in the Rule 30.10 order issued to the regulator or SRO from the firm's home country. Appendix C to Part 30 lists those foreign regulators and SROs that have been issued a Rule 30.10 order by the Commission.

Rule 30.7(c) sets forth acceptable depositories for funds deposited by U.S. customers with foreign brokers for futures and option trading on foreign boards of trade.

<sup>6</sup> The JAC is comprised of representatives of the audit and compliance departments of the domestic SROs and the National Futures Association. The JAC coordinates the industry's audit and ongoing surveillance activities to promote a uniform framework of self-regulation.

margin deposits. In support of its request, the JAC has stated that FCMs and IBIs generally deposit amounts in excess of required margin with foreign brokers as part of prudent risk management policies. In addition, the JAC has stated that increasing the amount of the deposit subject to the exclusion would allow FCMs to leave more funds on deposit with a foreign broker, thereby reducing costs associated with frequent transfers of funds between an FCM or IBI and a foreign broker. Accordingly, the JAC has asked that the amount exempted from the capital charge be expanded to a "reasonable amount of funds" to support the commodity futures and option trading activity conducted through the foreign broker.

The Commission agrees with the JAC in principle and is proposing to amend Rule 1.17(c)(5)(xiii) in this regard. The Commission believes, however, that the phrase "reasonable amount" is overly broad and subject to a wide range of interpretation. Therefore, for purposes of Rule 1.17(c)(5)(xiii), the maximum amount eligible for exclusion from the five percent capital charge is proposed to be the greater of: (1) 150 percent of the amount currently required to support futures and option transactions in an account; or (2) 100 percent of the maximum amount required to support futures and option transactions at any time during the preceding six-month period. The Commission believes that the proposed amendment would provide the cash management flexibility that the JAC has requested on behalf of its member FCMs and IBIs without unnecessarily broadening the capital charge exemption. The Commission further believes that the proposal would provide greater legal certainty than the phrase "reasonable amount."

The JAC also has asked the Commission to amend Rule 1.17(c)(5)(xiii) to eliminate the requirement that an FCM or IBI be responsible for monitoring the ultimate destination of funds deposited with a foreign broker in order for such funds to be exempt from the capital charge. As set forth above, to be exempt from the capital charge, the funds must be held in accordance with the mandates of the applicable Rule 30.10 order by the foreign broker itself, another foreign broker that has received confirmation of Rule 30.10 "comparability relief," or at a depository that qualifies as a depository pursuant to Rule 30.7 and is within the jurisdiction of either foreign broker. In support of its request, the JAC has stated that requiring FCMs and IBIs to monitor the flow of funds deposited with a foreign broker is impractical from

an operational standpoint and overly burdensome.

By granting Rule 30.10 "comparability relief" to a foreign broker, the Commission has made a determination that the foreign broker is subject to a regulatory structure that is comparable to the regulatory structure imposed on entities that operate on U.S. exchanges by the Commodity Exchange Act and Commission regulations.<sup>7</sup> Of particular relevance to the relief requested by the JAC, the Commission, as part of the Rule 30.10 petition process, assesses the extent to which a foreign regulator's or SRO's regulatory program imposes bona fide minimum financial requirements on its regulatees or members as well as the protections afforded customers by the segregation of funds and the bankruptcy rules.<sup>8</sup> The Commission's determination that standards and protections exist pursuant to the foreign regulatory structure supports an easing of the capital charge.

Furthermore, the proposed amendments to the capital rule do not alter a foreign broker's obligation to comply with the applicable Rule 30.10 order when dealing with the funds of U.S. customers trading on foreign futures and option markets nor an FCM's or IBI's obligation to comply with applicable provisions of Part 30. Accordingly, the Commission is proposing to amend Rule 1.17(c)(5)(xiii) to eliminate the requirement that, to be exempt from the capital charge, margin deposits must be held by the foreign broker itself, another foreign broker granted Rule 30.10 "comparability relief," or a depository in the same jurisdiction as either foreign broker that qualifies as a depository for funds under Rule 30.7.

### III. Related Matters

#### A. Regulatory Flexibility Act

The Regulatory Flexibility Act ("RFA"), 5 U.S.C. 601-611, requires that agencies, in proposing rules, consider the impact of those rules on small businesses. The rule amendments discussed herein would affect registered FCMs and IBIs. The Commission has previously determined that, based upon the fiduciary nature of FCM/customer relationships, as well as the requirement that FCMs meet minimum financial requirements, FCMs should be excluded from the definition of small entity.<sup>9</sup>

<sup>7</sup> U.S.C. 1 *et seq.* (1994).

<sup>8</sup> The specific elements examined in evaluating whether a particular foreign regulatory program provides a basis for permitting substituted compliance for purposes of exemptive relief pursuant to Rule 30.10 are set forth in Appendix A to Part 30.

<sup>9</sup> 47 FR 18618-18621 (April 30, 1982).

With respect to IBIs, the Commission stated that it is appropriate to evaluate within the context of a particular rule whether some or all introducing brokers should be considered to be small entities and, if so, to analyze the economic impact on such entities at that time.<sup>10</sup> The proposed amendments to Rule 1.17(c)(5)(xiii) do not impose additional requirements on an IBI. Thus, on behalf of the Commission, the Chairman certifies that the proposed amendments will not have a significant economic impact on a substantial number of small entities.

#### B. Paperwork Reduction Act

The Paperwork Reduction Act of 1995, 44 U.S.C. 3501 *et seq.* (Supp. I 1995), imposes certain requirements on federal agencies (including the Commission) to review rules and rule amendments to evaluate the information collection burden that they impose on the public. The Commission believes that the proposed amendments to Rule 1.17(c)(5)(xiii) will impose a minimal information collection burden on the public, namely those FCMs and IBIs who wish to take advantage of the exemption will be required to maintain a record of the margins required to be on deposit with a foreign broker over the preceding six month period. However, this burden is believed to be minimal when compared to the capital savings to be generated by the exclusion of increased amounts from the capital charge.

#### List of Subjects in 17 CFR Part 1

Brokers, Commodity futures.

In consideration of the foregoing and pursuant to the authority contained in the Commodity Exchange Act and, in particular, Sections 4(b), 4f, 4g and 8a(5) thereof, 7 U.S.C. 6(b), 6d, 6g and 12a(5), the Commission hereby proposes to amend Chapter I of Title 17 of the Code of Federal Regulations as follows:

### PART 1—GENERAL REGULATIONS UNDER THE COMMODITY EXCHANGE ACT

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

**Authority:** 7 U.S.C. 1a, 2, 2a, 4, 4a, 6, 6a, 6b, 6c, 6d, 6e, 6f, 6g, 6h, 6i, 6j, 6k, 6l, 6m, 6n, 6o, 6p, 7, 7a, 7b, 8, 9, 12, 12a, 12c, 13a, 13a-1, 16, 16a, 19, 21, 23, and 24.

2. Section 1.17 is proposed to be amended by revising paragraph (c)(5)(xiii) to read as follows:

<sup>10</sup> 48 FR 35248, 35275-78 (August 3, 1983).

**§ 1.17 Minimum financial requirements for futures commission merchants and introducing brokers.**

\* \* \* \* \*

(c) \* \* \*

(5) \* \* \*

(xiii) Five percent of all unsecured receivables includable under paragraph (c)(2)(ii)(D) of this section used by the applicant or registrant in computing "net capital" and which are not due from:

(A) A registered futures commission merchant;

(B) A broker or dealer that is registered as such with the Securities and Exchange Commission; or

(C) A foreign broker that has been granted comparability relief pursuant to § 30.10 of this chapter, *Provided, however*, that the amount of the unsecured receivable not subject to the five percent capital charge is no greater than 150 percent of the current amount required to maintain futures and option positions in accounts with the foreign broker, or 100 percent of such greater amount required to maintain futures and option positions in the accounts at any time during the previous six-month period, and *Provided that*, in the case of customer funds, such account is treated in accordance with the special requirements of the applicable Commission order issued under § 30.10 of this chapter.

\* \* \* \* \*

Issued in Washington D.C. on August 23, 2000 by the Commission.

**Jean A. Webb,**

*Secretary of the Commission.*

[FR Doc. 00-21904 Filed 8-25-00; 8:45 am]

BILLING CODE 6351-01-P

**DEPARTMENT OF THE TREASURY**

**Bureau of Alcohol, Tobacco and Firearms**

**27 CFR Part 178**

[Notice No. 902]

RIN 1512-AC08

**Commerce in Firearms and Ammunition—Annual Inventory of Firearms (99R-502P)**

**AGENCY:** Bureau of Alcohol, Tobacco and Firearms (ATF), Treasury.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Bureau of Alcohol, Tobacco and Firearms (ATF) is proposing to amend the regulations to require Federally licensed importers, manufacturers, and dealers of firearms

to take at least one physical inventory each year. The proposed regulations also specify the circumstances under which these licensees must conduct a special physical inventory. In addition, the proposed regulations clarify that when a firearm is stolen or lost in transit between licensees, for reporting purposes it is considered stolen or lost from the transferor's/sender's inventory.

**DATES:** Written comments must be received on or before November 27, 2000.

**ADDRESSES:** Send written comments to: Chief, Regulations Division; Bureau of Alcohol, Tobacco and Firearms; P.O. Box 50221; Washington, DC 20091-0221; *ATTN: Notice No. 902*. Written comments must be signed. Submit e-mail comments to: [nprm@atfhq.atf.treas.gov](mailto:nprm@atfhq.atf.treas.gov). E-mail comments must contain your name, mailing address, and e-mail address. They must also reference this notice number and be legible when printed on not more than three pages 8½" × 11" in size. We will treat e-mail as originals and we will not acknowledge receipt of e-mail. See the Public Participation section of this notice for alternative means of providing written comments.

**FOR FURTHER INFORMATION CONTACT:** James P. Ficaretta, Regulations Division, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW., Washington, DC 20226 (202-927-8230).

**SUPPLEMENTARY INFORMATION:**

**Background**

Section 923(g)(6) of the Gun Control Act of 1968 (GCA) requires licensed manufacturers, licensed importers, licensed dealers, and licensed collectors to report any theft or loss of firearms from the licensee's inventory or collection to ATF and the appropriate local authorities within 48 hours after the theft or loss is discovered.

The regulation that implements section 923(g)(6) is contained in 27 CFR 178.39a. This section provides that each Federal firearms licensee (FFL) must report the theft or loss of a firearm from the licensee's inventory (including any firearm which has been transferred from the licensee's inventory to a personal collection and held as a personal firearm for at least 1 year), or from the collection of a licensed collector within 48 hours after the theft or loss is discovered. Licensees must report such thefts or losses by telephoning 1-800-800-3855 (nationwide toll free number) and by preparing ATF Form 3310.11, Federal Firearms Licensee Theft/Loss Report, in accordance with the

instructions on the form. The original of the report must be forwarded to the office specified on the form, and Copy 1 must be retained by the licensee as part of the licensee's permanent records. The licensee must also report the theft or loss of a firearm to the appropriate local authorities.

Section 178.129(c) requires licensees to retain each copy of Form 3310.11 for a period of not less than 5 years after the date the theft or loss was reported to ATF.

**Proposed Regulations**

*27 CFR 178.130*

In 1998 and 1999, licensees filed theft/loss reports on over 5,000 incidents, involving over 27,000 lost or stolen firearms. Inventory discrepancies, recordkeeping errors, and employee theft (problems which often only become apparent when a physical inventory is conducted) accounted for almost 40 percent of the reported incidents and over 11,000 missing firearms.

Accordingly, ATF is proposing that all Federally licensed importers, manufacturers, and dealers in firearms be required to conduct at least one annual physical inventory of their firearms inventory and reconcile that inventory with the records of receipt and disposition required under part 178. In addition, ATF is proposing that these licensees be required to conduct special firearms inventories under the following conditions: at the time of commencing business (already a requirement for licensed dealers under 178.125(e)), at the time of changing the location of their business premises, at the time of discontinuing business, and at any other time the Director of Industry Operations may require in writing. These special inventory requirements are necessary to account for changes in business operations that often affect inventories.

Any theft or loss of a firearm disclosed during the annual inventory or during a special inventory must be reported within 48 hours after its discovery in accordance with the statutory requirements of 18 U.S.C. 923(g)(6). Without the inventory requirements, licensees could not effectively fulfill these reporting requirements.

The annual inventory requirement is considered to be an ordinary and customary business practice.

*27 CFR 178.39a*

Current regulations do not specify if firearms are considered the inventory of the sending or receiving Federal firearms licensee while in transit