The Committee's meetings were widely publicized throughout the sweet onion industry and all interested persons were invited to attend the meetings and participate in Committee deliberations on all issues. Like all Committee meetings, the December 8, 2003, and the February 10, 2004, meetings were public meetings and all entities, both large and small, were able to express their views.

An interim final rule concerning this action was published in the **Federal Register** on April 26, 2004 (69 FR 22377). Copies of the rule were mailed by the Committee's staff to all Committee members and Walla Walla sweet onion handlers. In addition, the rule was made available through the Internet by the Office of the Federal Register and the USDA. That rule provided a 60-day comment period which ended June 25, 2004. No comments were received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: *http://www.ams.usda.gov/fv/moab.html.* Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant material presented, including the Committee's recommendation, and other information, it is found that finalizing the interim final rule, without change, as published in the **Federal Register** (69 FR 22377, April 26, 2004) will tend to effectuate the declared policy of the Act.

List of Subjects in 7 CFR Part 956

Marketing agreements, Onions, Reporting and recordkeeping requirements.

PART 956—SWEET ONIONS GROWN IN THE WALLA WALLA VALLEY OF SOUTHEAST WASHINGTON AND NORTHEAST OREGON

■ Accordingly, the interim final rule amending 7 CFR part 956 which was published at 69 FR 22377 on April 26, 2004, is adopted as a final rule without change.

Dated: August 10, 2004.

A.J. Yates,

Administrator, Agricultural Marketing Service.

[FR Doc. 04–18612 Filed 8–13–04; 8:45 am]

BILLING CODE 3410–02–P

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 989

[Docket No. FV04–989–1 FIR]

Raisins Produced From Grapes Grown in California; Final Free and Reserve Percentages for 2003–04 Crop Natural (Sun-Dried) Seedless Raisins

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: The Department of Agriculture (USDA) is adopting, as a final rule, without change, an interim final rule that established final volume regulation percentages for 2003–04 crop Natural (sun-dried) Seedless (NS) raisins covered under the Federal marketing order for California raisins (order). The order regulates the handling of raisins produced from grapes grown in California and is locally administered by the Raisin Administrative Committee (Committee). The volume regulation percentages are 70 percent free and 30 percent reserve. The percentages are intended to help stabilize raisin supplies and prices, and strengthen market conditions.

EFFECTIVE DATE: Effective September 15, 2004. The volume regulation percentages apply to acquisitions of NS raisins from the 2003–04 crop until the reserve raisins from that crop are disposed of under the order.

FOR FURTHER INFORMATION CONTACT: Maureen T. Pello, Senior Marketing Specialist, California Marketing Field Office, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 2202 Monterey Street, suite 102B, Fresno, California 93721; telephone: (559) 487–5901, Fax: (559) 487–5906; or George Kelhart, Technical Advisor, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1400 Independence Avenue SW., STOP 0237, Washington, DC 20250–0237; telephone: (202) 720–2491, Fax: (202) 720–8938.

Small businesses may request information on complying with this regulation by contacting Jay Guerber, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1400 Independence Avenue SW., STOP 0237, Washington DC 20250–0237; telephone: (202) 720–2491, Fax: (202) 720–8938, or E-mail: *Jay.Guerber@usda.gov.*

SUPPLEMENTARY INFORMATION: This rule is issued under Marketing Agreement and Order No. 989 (7 CFR part 989), both as amended, regulating the handling of raisins produced from grapes grown in California, hereinafter referred to as the ''order.'' The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674), hereinafter referred to as the ''Act.''

USDA is issuing this rule in conformance with Executive Order 12866.

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. Under the order provisions now in effect, final free and reserve percentages may be established for raisins acquired by handlers during the crop year. This rule continues to establish final free and reserve percentages for NS raisins for the 2003–04 crop year, which began August 1, 2003, and ends July 31, 2004. This rule will not preempt any State or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with USDA a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. Such handler is afforded the opportunity for a hearing on the petition. After the hearing USDA would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This rule continues in effect final volume regulation percentages for 2003–04 crop NS raisins covered under the order. The volume regulation percentages are 70 percent free and 30 percent reserve, and were established through an interim final rule published on April 22, 2004 (69 FR 21695). Free tonnage raisins may be sold by handlers to any market. Reserve raisins must be held in a pool for the account of the Committee and are disposed of through various programs authorized under the order. For example, reserve raisins may be sold by the Committee to handlers for free use or to replace part of the free tonnage raisins they exported; used in diversion programs; carried over as a hedge against a short crop; or disposed of in other outlets not competitive with those for free tonnage raisins, such as government purchase, distilleries, or animal feed.

The volume regulation percentages are intended to help stabilize raisin supplies and prices, and strengthen market conditions. The Committee unanimously recommended final percentages on February 12, 2004.

Computation of Trade Demands

Section 989.54 of the order prescribes procedures and time frames to be followed in establishing volume regulation. This includes methodology used to calculate percentages. Pursuant to § 989.54(a) of the order, the Committee met on August 14, 2003, to review shipment and inventory data, and other matters relating to the supplies of raisins of all varietal types. The Committee computed a trade demand for each varietal type for which a free tonnage percentage might be recommended. Trade demand is computed using a formula specified in the order and, for each varietal type, is equal to 90 percent of the prior year's shipments of free tonnage and reserve tonnage raisins sold for free use into all market outlets, adjusted by subtracting the carryin on August 1 of the current crop year, and adding the desirable carryout at the end of that crop year. As specified in § 989.154(a), the desirable carryout for NS raisins shall equal the total shipments of free tonnage during August and September for each of the past 5 crop years, converted to a natural condition basis, dropping the high and low figures, and dividing the remaining sum by three, or 60,000 natural condition tons, whichever is higher. For all other varietal types, the desirable carryout shall equal the total shipments of free tonnage during August, September and one-half of October for each of the past 5 crop years, converted to a natural condition basis, dropping the high and low figures, and dividing the remaining sum by three.

At its August 2003 meeting, the Committee computed and announced the 2003–04 trade demand for NS raisins at 210,933 tons. The August trade demand, however, did not account for Oleate Seedless raisins (Oleates). Beginning with the 2003–04 crop year, the NS varietal type was modified to include Oleates (68 FR 42943; July 21, 2003). Prior to that time, Oleates were a separate varietal type. The Oleate and NS trade demands were calculated separately. Then the two individual trade demand figures were added together to obtain a combined trade demand reflecting the new combined varietal type. The Committee establishes a 500-ton minimum trade demand for any varietal type for which the computed trade demand is zero or less. The computed trade demand for Oleates was less than zero, so the Committee established the trade demand for Oleates at 500 tons. At USDA's request, the Committee met on September 9, 2003, and recomputed the combined NS trade demand to account for Oleates at 211,493 tons (210,933 plus 500).

COMPUTED TRADE DEMANDS (NATURAL CONDITION TONS)

	NS raisins
Prior year's shipments	297,176
Multiplied by 90 percent	0.90
Equals adjusted base	267,458
Minus carryin inventory	116,465
Plus desirable carryout	60,000
Equals computed trade demand	210,993
Plus Oleate minimum trade demand tons	500
Equals revised trade demand	211,493

Computation of Preliminary Volume Regulation Percentages

Section 989.54(b) of the order requires that the Committee announce, on or before October 5, preliminary crop estimates and determine whether volume regulation is warranted for the varietal types for which it computed a trade demand. That section allows the Committee to extend the October 5 date up to 5 business days if warranted by a late crop.

The Committee met on October 2, 2003, and announced a preliminary crop estimate for NS raisins of 276,931 tons, which is about 20 percent lower than the 10-year average of 348,419 tons. NS raisins are the major varietal type of California raisin. Adding the carryin inventory of 116,465 tons, plus the 276,931-ton crop estimate resulted in a total available supply of 393,396 tons, which was significantly higher (186 percent) than the 211,493-ton trade demand. Thus, the Committee determined that volume regulation for NS raisins was warranted. The Committee announced preliminary free and reserve percentages for NS raisins, which released 85 percent of the computed trade demand since the field price (price paid by handlers to producers for their free tonnage raisins) had been established. The preliminary percentages were 65 percent free and 35 percent reserve.

In addition, preliminary percentages were announced for Other Seedless raisins. It was ultimately determined that volume regulation was only warranted for NS raisins. As in past seasons, the Committee submitted its marketing policy to USDA for review.

Computation of Final Volume Regulation Percentages

Pursuant to § 989.54(c), at its February 12, 2004, meeting, the Committee announced interim percentages for NS raisins to release slightly less than the full trade demand. Based on a revised NS crop estimate of 304,072 tons (up from the October estimate of 276,931 tons), interim percentages for NS raisins were announced at 69.75 percent free and 30.25 percent reserve.

Pursuant to § 989.54(d), the Committee also recommended final percentages at its February 2004 meeting to release the full trade demand for NS raisins. Final percentages were recommended at 70 percent free and 30 percent reserve. The Committee's calculations to arrive at final percentages for NS raisins are shown in the table below:

FINAL VOLUME REGULATION PERCENTAGES (NATURAL CONDITION TONS)

	NS raisins
Trade demand	211,493
Divided by crop estimate	304,072
Equals free percentage	70
100 minus free percentage equals reserve percentage	30

In addition, USDA's ''Guidelines for Fruit, Vegetable, and Specialty Crop Marketing Orders'' (Guidelines) specify that 110 percent of recent years' sales should be made available to primary markets each season for marketing orders utilizing reserve pool authority. This goal was met for NS raisins by the establishment of final percentages, which released almost 100 percent of the trade demand, and offers of additional reserve raisins for sale to handlers for free pursuant to § 989.54(g) (''10 plus 10 offers''), and § 989.67(j) of the order.

As specified in § 989.54(g), the 10 plus 10 offers are two offers of reserve pool raisins, which are made available to handlers during each season. For each such offer, a quantity of reserve raisins equal to 10 percent of the prior year's shipments is made available for free use. Handlers may sell their 10 plus 10 raisins to any market.

For NS raisins, the first 10 plus 10 offer was made in February 2004, and the second offer was made in April 2004. A total of 61,026 tons was made available to raisin handlers through these offers, and all of the raisins were purchased. Adding the total figure of 61,026 tons of 10 plus 10 raisins to the

207,638 tons of free tonnage raisins acquired by handlers from producers through the week ending June 19, 2004, plus 129,345 tons of 2002–03 carryin NS and Oleate inventory, equates to 398,009 tons of natural condition raisins, or 373,117 tons of packed raisins, that are available to handlers for free use or primary markets. This is almost 130 percent of the quantity of NS raisins shipped during the 2002–03 crop year (305,133 natural condition tons or 286,260 packed tons). (Oleates were included in this computation because, as previously stated, Oleates were combined with the NS varietal type beginning with the 2003–04 crop year.)

In addition to the 10 plus 10 offers, § 989.67(j) of the order provides authority for sales of reserve raisins to handlers under certain conditions such as a national emergency, crop failure, change in economic or marketing conditions, inadequate carryover, or if free tonnage shipments in the current crop year exceed shipments of a comparable period of the prior crop year. Such reserve raisins may be sold by handlers to any market. When implemented, the additional offers of reserve raisins make even more raisins available to primary markets, which is consistent with USDA's Guidelines.

The Committee plans to offer 5,714 tons of 2002–03 NS reserve raisins for sale to handlers for free use pursuant to § 989.67(j). Free tonnage deliveries as of June 19, 2004, were 207,638 tons, which is 3,855 tons below the 211,493-ton trade demand. Offering 3,855 tons of reserve raisins for sale to handlers for free use would allow the industry to make available the full 211,493-ton trade demand. Free tonnage shipments from August 2003 through May 2004 are 1,859 tons greater than free tonnage shipments during the same period last year. Adding the 1,859 tons to the 3,855 tons equates to a total of 5,714 tons of reserve being offered to handlers for free use under § 989.67(j) of the order.

Final Regulatory Flexibility Analysis

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA), the Agricultural Marketing Service (AMS) has considered the economic impact of this action on small entities. Accordingly, AMS has prepared this final regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of business subject to such actions in order that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf. Thus, both statutes have small entity orientation and compatibility.

There are approximately 20 handlers of California raisins who are subject to regulation under the order and approximately 4,500 raisin producers in the regulated area. Small agricultural service firms are defined by the Small Business Administration (13 CFR 121.201) as those having annual receipts of less than $5,000,000, and small agricultural producers are defined as those having annual receipts of less than $750,000. Thirteen of the 20 handlers subject to regulation have annual sales estimated to be at least $5,000,000, and the remaining 7 handlers have sales less than $5,000,000. No more than 7 handlers, and a majority of producers, of California raisins may be classified as small entities.

Since 1949, the California raisin industry has operated under a Federal marketing order. The order contains authority to, among other things, limit the portion of a given year's crop that can be marketed freely in any outlet by raisin handlers. This volume control mechanism is used to stabilize supplies and prices and strengthen market conditions.

Pursuant to § 989.54(d) of the order, this rule continues in effect final volume regulation percentages for 2003–04 crop NS raisins. The volume regulation percentages are 70 percent free and 30 percent reserve. Free tonnage raisins may be sold by handlers to any market. Reserve raisins must be held in a pool for the account of the Committee and are disposed of through certain programs authorized under the order.

Volume regulation is warranted this season for NS raisins because acquisitions of 296,625 tons through the week ending June 19, 2004, combined with the carryin inventory of 129,345 tons, results in a total available supply of 425,970 tons, which is about 200 percent higher than the 211,493-ton trade demand. (Oleate inventory was included in this computation because, as previously stated, Oleates were combined with the NS varietal type beginning with the 2003–04 crop year.)

The current volume regulation procedures have helped the industry address its marketing problems by keeping supplies in balance with domestic and export market needs, and strengthening market conditions. The current volume regulation procedures fully supply the domestic and export markets, provide for market expansion, and help reduce the burden of oversupplies in the domestic market.

Raisin grapes are a perennial crop, so production in any year is dependent upon plantings made in earlier years. The sun-drying method of producing raisins involves considerable risk because of variable weather patterns.

Even though the product and the industry are viewed as mature, the industry has experienced considerable change over the last several decades. Before the 1975–76 crop year, more than 50 percent of the raisins were packed and sold directly to consumers. Now, over 60 percent of raisins are sold in bulk. This means that raisins are now sold to consumers mostly as an ingredient in another product such as cereal and baked goods. In addition, for a few years in the early 1970's, over 50 percent of the raisin grapes were sold to the wine market for crushing. Since then, the percent of raisin-variety grapes sold to the wine industry has decreased.

California's grapes are classified into three groups—table grapes, wine grapes, and raisin-variety grapes. Raisin-variety grapes are the most versatile of the three types. They can be marketed as fresh grapes, crushed for juice in the production of wine or juice concentrate, or dried into raisins. Annual fluctuations in the fresh grape, wine, and concentrate markets, as well as weather-related factors, cause fluctuations in raisin supply. This type of situation introduces a certain amount of variability into the raisin market. Although the size of the crop for raisin-variety grapes may be known, the amount dried for raisins depends on the demand for crushing. This makes the marketing of raisins a more difficult task. These supply fluctuations can result in producer price instability and disorderly market conditions.

Volume regulation is helpful to the raisin industry because it lessens the impact of such fluctuations and contributes to orderly marketing. For example, producer prices for NS raisins remained fairly steady from the 1993–94 through the 1997–98 seasons, although production varied. As shown in the table below, during those years, production varied from a low of 272,063 tons in 1996–97 to a high of 387,007 tons in 1993–94, or about 42 percent. According to Committee data, the total producer return per ton during those years, which includes proceeds from both free tonnage plus reserve pool raisins, has varied from a low of $904.60 in 1993–94 to a high of $1,049 in 1996–97, or 16 percent. Total producer prices for the 1998–99 and 1999–2000 seasons increased significantly due to back-to-back short crops during those years. Producer prices dropped dramatically for the last three seasons due to record-size production, large carry-in inventories, and stagnant demand.

NATURAL SEEDLESS PRODUCER PRICES

Crop year	Deliveries (natural condition tons)	Producer prices (per ton)($)
2002–03	388,010	[1]394.85
2001–02	377,328	650.94
2000–01	432,616	603.36
1999–2000	299,910	1,211.25
1998–99	240,469	[2]1,290.00
1997–98	382,448	946.52
1996–97	272,063	1,049.20
1995–96	325,911	1,007.19
1994–95	378,427	928.27
1993–94	387,007	904.60

[1] Return-to-date, reserve pool still open.
[2] No volume regulation.

There are essentially two broad markets for raisins—domestic and export. In recent years, both export and domestic shipments have been decreasing. Domestic shipments decreased from a high of 204,805 packed tons during the 1990–91 crop year to a low of 156,325 packed tons in 1999–2000. In addition, exports decreased from 114,576 packed tons in 1991–92 to a low of 91,600 packed tons in the 1999–2000 crop year.

In addition, the per capita consumption of raisins has declined from 2.07 pounds in 1988 to 1.48 pounds in 2002. This decrease is consistent with the decrease in the per capita consumption of dried fruits in general, which is due to the increasing availability of most types of fresh fruit throughout the year.

While the overall demand for raisins has been decreasing (as reflected in the decline in commercial shipments), production has been increasing. Deliveries of NS dried raisins from producers to handlers reached an all-time high of 432,616 tons in the 2000–01 crop year. This large crop was preceded by two short crop years; deliveries were 240,469 tons in 1998–99 and 299,910 tons in 1999–2000. Deliveries for the 2000–01 crop year soared to a record level because of increased bearing acreage and yields. Deliveries for the 2001–02 crop year were 377,328 tons, and deliveries for the 2002–03 crop year were 388,010 tons. Deliveries through the week ending June 19, 2004, of the current crop year were at 296,625 tons. Three crop years of high production and a large 2001–02 carryin inventory have contributed to the industry's burdensome supply of raisins.

The order permits the industry to exercise supply control provisions, which allow for the establishment of free and reserve percentages, and establishment of a reserve pool. One of the primary purposes of establishing free and reserve percentages is to equilibrate supply and demand. If raisin markets are over-supplied with product, producer prices will decline.

Raisins are generally marketed at relatively lower price levels in the more elastic export market than in the more inelastic domestic market. This results in a larger volume of raisins being marketed and enhances producer returns. In addition, this system allows the U.S. raisin industry to be more competitive in export markets.

To assess the impact that volume control has on the prices producers receive for their product, an econometric model has been constructed. The model developed is for the purpose of estimating nominal prices under a number of scenarios using the volume control authority under the Federal marketing order. The price producers receive for the harvest and delivery of their crop is largely determined by the level of production and the volume of carryin inventories. The Federal marketing order permits the industry to exercise supply control provisions, which allow for the establishment of reserve and free percentages for primary markets, and a reserve pool. The establishment of reserve percentages impacts the production that is marketed in the primary markets.

The reserve percentage limits what handlers can market as free tonnage. Assuming the 30 percent reserve limits the total free tonnage to 207,638 natural condition tons (.70 × 296,625 tons delivered through June 19, 2004) and carryin is 129,345 natural condition tons, and purchases from reserve total 66,740 natural condition tons (which includes reserve raisins released through both 10 plus 10 offers plus the offer under § 989.67(j)), then the total free supply is estimated at 403,723 natural condition tons. The econometric model estimates prices to be $63 per ton higher than under an unregulated scenario. This price increase is beneficial to all producers regardless of size and enhances producers' total revenues in comparison to no volume control. Establishing a reserve allows the industry to help stabilize supplies in both domestic and export markets, while improving returns to producers.

Free and reserve percentages are established by varietal type, and usually in years when the supply exceeds the trade demand by a large enough margin that the Committee believes volume regulation is necessary to maintain market stability. Accordingly, in assessing whether to apply volume regulation or, as an alternative, not to apply such regulation, it has been determined that volume regulation is warranted this season for only one of the nine raisin varietal types defined under the order.

The free and reserve percentages established by this rule release the full trade demand and apply uniformly to all handlers in the industry, regardless of size. For NS raisins, with the exception of the 1998–99 crop year, small and large raisin producers and handlers have been operating under volume regulation percentages every year since 1983–84. There are no known additional costs incurred by small handlers that are not incurred by large handlers. While the level of benefits of this rulemaking are difficult to quantify, the stabilizing effects of volume regulation impact small and large handlers positively by helping them maintain and expand markets even though raisin supplies fluctuate widely from season to season. Likewise, price stability positively impacts small and large producers by allowing them to better anticipate the revenues their raisins will generate.

There are some reporting, recordkeeping and other compliance requirements under the order. The reporting and recordkeeping burdens are necessary for compliance purposes and for developing statistical data for maintenance of the program. The requirements are the same as those applied in past seasons. Thus, this action imposes no additional reporting or recordkeeping burdens on either small or large handlers. The forms require information which is readily available from handler records and which can be provided without data processing equipment or trained statistical staff. The information collection and recordkeeping requirements have been previously approved by the Office of Management and Budget (OMB) under OMB Control No. 0581–0178. As with other similar marketing order programs, reports and forms are periodically studied to reduce or eliminate duplicate information collection burdens by industry and public sector agencies. In addition, USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this rule.

Further, Committee and subcommittee meetings are widely publicized in advance and are held in a location central to the production area. The meetings are open to all industry members, including small business entities, and other interested persons who are encouraged to participate in the deliberations and voice their opinions on topics under discussion.

An interim final rule concerning this action was published in the **Federal Register** on April 22, 2004 (69 FR 21695). Copies of the rule were mailed to all Committee members and alternates, the Raisin Bargaining Association, handlers, and dehydrators. In addition, the rule was made available through the Internet by the Office of the Federal Register and USDA. That rule provided for a 60-day comment period that ended on June 21, 2004. No comments were received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: *http://www.ams.usda.gov/fv/moab.html.* Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant material presented, including the information and recommendation submitted by the Committee and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

List of Subjects in 7 CFR Part 989

Grapes, Marketing agreements, Raisins, Reporting and recordkeeping requirements.

PART 989—RAISINS PRODUCED FROM GRAPES GROWN IN CALIFORNIA

Accordingly, the interim final rule amending 7 CFR part 989 which was published at 69 FR 21695 on April 22, 2004, is adopted as a final rule without change.

Dated: August 10, 2004.

A.J. Yates,

Administrator, Agricultural Marketing Service.

[FR Doc. 04–18613 Filed 8–13–04; 8:45 am]

BILLING CODE 3410–02–P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 5

[Docket No. 04–20]

RIN 1557–AC11

Fundamental Change in Asset Composition of a Bank

AGENCY: Office of the Comptroller of the Currency, Treasury.

ACTION: Final rule.

SUMMARY: The Office of the Comptroller of the Currency (OCC) is amending its regulations to require a national bank to obtain the approval of the OCC before changing the composition of all, or substantially all, of its assets (1) through sales or other dispositions, or (2) after having sold or disposed of all, or substantially all, of its assets, through subsequent purchases or other acquisitions or other expansions of its operations. The final rule provides that, in the second case, the OCC will apply, among other factors, the same factors as it applies to the establishment of a *de novo* bank. This new approval requirement will enable the OCC to better assess the bank's compliance with applicable law and whether the proposed change comports with safe and sound banking practices.

DATES: Effective Date: October 1, 2004.

FOR FURTHER INFORMATION CONTACT: For questions concerning the final rule, contact Heidi M. Thomas, Special Counsel, Legislative and Regulatory Activities, at (202) 874–5090; Richard Cleva, Senior Counsel, Bank Activities and Structure Division, at (202) 874–5300; or Jan Kalmus, NBE/Licensing Expert, Licensing Activities, at (202) 874–5060, 250 E Street, SW., Washington, DC 20219.

SUPPLEMENTARY INFORMATION:

I. Introduction

The OCC's current regulations at 12 CFR part 5 do not require the approval of the OCC before a national bank substantially changes the composition of its assets through sale or other disposition, nor do they require prior OCC review or approval before a national bank charter becomes a ''stripped'' or ''dormant'' bank charter. Likewise, our regulations do not address a dormant national bank's increase in asset size through purchases or acquisitions to engage again in the business of banking. On January 7, 2004, we proposed to add to our regulations a prior approval requirement for these fundamental changes in a bank's asset composition in order to address the supervisory concerns raised by these types of transactions. *See* 69 FR 892 (Jan. 7, 2004).

As described in the preamble to the proposed rule, these concerns may include increased operations risk, increased concentration risk (especially where asset composition changes as a result of divestiture), and the ability of bank management to implement the new strategy successfully. In addition, a dormant bank being revived may propose to engage in activities that significantly deviate or are a change from the bank's original business plan or operations. If ill conceived, poorly planned, or inadequately executed, these new activities can expose the bank to imprudent levels of risk, with the potential for adverse consequences for the bank's financial condition and, in the extreme situation, for its viability. Even entry into lines of business that are traditional for national banks may present elevated levels of risk to a particular bank if the bank expands substantially or too quickly from a dormant status, misjudges its markets, or fails to ensure that bank management and internal control systems keep pace with the change. The preamble to the proposal also noted that concerns raised by the acquisition of a dormant bank by a third party necessitates the need for the OCC to thoroughly review the nature of the services and products that might be initiated by an acquiring entity.

For the reasons discussed in this preamble, we are adopting in final form