

According to the size standards established by the Small Business Administration (SBA) for livestock and animal specialties, producers of cattle and calves (North American Industry Classification System [NAICS] code 112111), game animals (NAICS 112990), sheep (NAICS 112410), and goats (NAICS 112420) with not more than \$750,000 annual sales qualify as small entities. Based on data from the 2002 Census of Agriculture, 851,971 operations in the U.S. raised and sold 73 million cattle and calves in 2002. Small operations (over 99 percent of the farms) had an average of 68 cattle and an average income of \$24,067, well below the SBA criterion of \$750,000 in annual sales for businesses primarily engaged in cattle farming. Large operations had an annual income of \$3,821,440. Similarly, over 99 percent of sheep and goat producers (80,443) are small. Small sheep and lamb producers had an average income of \$7,520, while large ones had an average income of \$1,042 million.

Meat processing entities (NAICS 311612), and meat and meat product merchant wholesalers (NAICS 424470) may be affected by this rule (Source: U.S. Census Bureau, 2002 Economic Census, Wholesale Trade-Subject Series, August 2006). Under SBA standards, meat processing establishments with no more than 500 employees and meat and meat product wholesalers with no more than 100 employees are considered small. In 2002, there were 1,335 companies in the United States that processed and sold meat. More than 97 percent of these establishments are considered to be small entities and had average sales of \$15.4 million, while large meat processors had average sales of \$188 million. In 2002, there were 2,535 meat and meat product wholesalers in the United States. (Source: SBA and 2002 Economic Census.) Of these establishments, 2,456 (97 percent) employed not more than 100 employees and are, thus, considered small by SBA standards. Small wholesalers had average sales of \$9.3 million, while large entities had average sales of \$131 million.<sup>2</sup>

The only alternative to the rule would involve not changing the current regulations regarding the importation of beef, sheep, and goat meat and game meat from Namibia. This alternative would not be appropriate in light of the findings of our risk analysis and our conclusion that the Namibian

government has the laws, policies, and infrastructure to detect, respond to, and eliminate any reoccurrence of FMD. The rule provides the safeguarding measures appropriate to the animal disease risk associated with importation of this type of animal product. The rule also enhances a positive trade environment between Namibia and the United States. We note again that Namibia is not currently eligible to export ruminant meat products to the United States under the FSIS regulations cited earlier in this document; there would, therefore, be no economic effects on U.S. entities until establishments in Namibia were approved to export ruminant meat and other products to the United States.

Under these circumstances, the Administrator of the Animal and Plant Health Inspection Service has determined that this action will not have a significant economic impact on a substantial number of small entities.

#### Executive Order 12372

This program/activity is listed in the Catalog of Federal Domestic Assistance under No. 10.025 and is subject to Executive Order 12372, which requires intergovernmental consultation with State and local officials. (See 7 CFR part 3015, subpart V.)

#### Executive Order 12988

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rule: (1) Preempts all State and local laws and regulations that are in conflict with this rule; (2) has no retroactive effect; and (3) does not require administrative proceedings before parties may file suit in court challenging this rule.

#### Paperwork Reduction Act

This final rule contains no information collection or recordkeeping requirements under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

#### List of Subjects in 9 CFR Part 94

Animal diseases, Imports, Livestock, Meat and meat products, Milk, Poultry and poultry products, Reporting and recordkeeping requirements.

■ Accordingly, we are amending 9 CFR part 94 as follows:

## PART 94—RINDERPEST, FOOT-AND-MOUTH DISEASE, FOWL PEST (FOWL PLAGUE), EXOTIC NEWCASTLE DISEASE, AFRICAN SWINE FEVER, CLASSICAL SWINE FEVER, AND BOVINE SPONGIFORM ENCEPHALOPATHY: PROHIBITED AND RESTRICTED IMPORTATIONS

■ 1. The authority citation for part 94 continues to read as follows:

**Authority:** 7 U.S.C. 450, 7701–7772, 7781–7786, and 8301–8317; 21 U.S.C. 136 and 136a; 31 U.S.C. 9701; 7 CFR 2.22, 2.80, and 371.4.

#### § 94.1 [Amended]

■ 2. Section 94.1 is amended as follows:

■ a. In paragraph (a)(2), by adding the words “Namibia (excluding the region north of the Veterinary Cordon Fence),” after the word “Mexico.”

■ b. In paragraph (a)(3), by removing the words “The Republic” and adding the words “Namibia and the Republic” in their place.

#### § 94.11 [Amended]

■ 3. In § 94.11, paragraph (a) is amended by adding the words “Namibia (excluding the region north of the Veterinary Cordon Fence),” before the words “The Netherlands”.

Done in Washington, DC, this 18th day of October 2006.

**Kevin Shea,**

*Acting Administrator, Animal and Plant Health Inspection Service.*

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 204

[Regulation D; Docket No. R-1268]

#### Reserve Requirements of Depository Institutions

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** The Board is amending Regulation D, Reserve Requirements of Depository Institutions, to reflect the annual indexing of the reserve requirement exemption amount and the low reserve tranche for 2007. The Regulation D amendments set the amount of total reservable liabilities of each depository institution that is subject to a zero percent reserve requirement in 2007 at \$8.5 million, up from \$7.8 million in 2006. This amount is known as the reserve requirement exemption amount. The Regulation D amendment also sets the amount of net

<sup>2</sup> U.S. Census Bureau, 2002 Economic Census: Manufacturing-Industries Series, Wholesale Trade-Subject Series and Transportation and Warehousing-Subject Series, Issued December 2005.

transaction accounts at each depository institution that is subject to a three percent reserve requirement in 2007 at \$45.8 million, down from \$48.3 million in 2006. This amount is known as the low reserve tranche. The adjustments to both of these amounts are derived using statutory formulas specified in the Federal Reserve Act.

The Board is also announcing changes in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency at which depository institutions must submit deposit reports.

**DATES:** *Effective date:* November 24, 2006.

**Compliance dates:** For depository institutions that report deposit data weekly, the new low reserve tranche and reserve requirement exemption amount will apply to the fourteen-day reserve computation period that begins Tuesday, November 21, 2006, and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 21, 2006. For depository institutions that report deposit data quarterly, the new low reserve tranche and reserve requirement exemption amount will apply to the seven-day reserve computation period that begins Tuesday, December 19, 2006, and the corresponding seven-day reserve maintenance period that begins Thursday, January 18, 2007. For all depository institutions, these new values of the nonexempt deposit cutoff level, the reserve requirement exemption amount, and the reduced reporting limit will be used to determine the frequency at which a depository institution submits deposit reports effective in either June or September 2007.

**FOR FURTHER INFORMATION CONTACT:** Heatherun Allison, Senior Counsel (202/452-3565), Legal Division, or Margaret Gillis, Financial Analyst (202/452-3139), Division of Monetary Affairs; for user of Telecommunications Device for the Deaf (TDD) only, contact (202/263-4869); Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:** Section 19(b)(2) of the Federal Reserve Act (12 U.S.C. 461(b)(2)) requires each depository institution to maintain reserves against its transaction accounts and nonpersonal time deposits, as prescribed by Board regulations, for the purpose of implementing monetary policy. Section 11(a)(2) of the Federal Reserve Act (12 U.S.C. 248(a)(2)) authorizes the Board to require reports of liabilities and assets from depository

institutions to enable the Board to conduct monetary policy. The Board's actions with respect to each of these provisions are discussed in turn below.

## 1. Reserve Requirements

Pursuant to section 19(b) of the Federal Reserve Act (Act), transaction account balances maintained at each depository institution are subject to reserve requirement ratios of zero, three, or ten percent. Section 19(b)(11)(A) of the Act (12 U.S.C. 461(b)(11)(A)) provides that a zero percent reserve requirement shall apply at each depository institution to total reservable liabilities that do not exceed a certain amount, known as the reserve requirement exemption amount. Section 19(b)(11)(B) provides that, before December 31 of each year, the Board shall issue a regulation adjusting the reserve requirement exemption amount for the next calendar year if total reservable liabilities held at all depository institutions increase from one year to the next. No adjustment is made to the reserve requirement exemption amount if total reservable liabilities held at all depository institutions should decrease during the applicable time period. The Act requires the percentage increase in the reserve requirement exemption amount to be 80 percent of the increase in total reservable liabilities of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Total reservable liabilities of all depository institutions grew by 10.4 percent (from \$3,361.8 billion to \$3,712.7 billion) between June 30, 2005, and June 30, 2006. Accordingly, the Board is amending Regulation D to increase the reserve requirement exemption amount by \$0.7 million, from \$7.8 million for 2006 to \$8.5 million for 2007.<sup>1</sup>

Pursuant to Section 19(b)(2) of the Act (12 U.S.C. 461(b)(2)), transaction account balances maintained at each depository institution over the reserve requirement exemption amount and up to a certain amount, known as the low reserve tranche, are subject to a three percent reserve requirement. Transaction account balances over the low reserve tranche are subject to a ten percent reserve requirement. Section 19(b)(2) also provides that, before December 31 of each year, the Board shall issue a regulation adjusting the low reserve tranche for the next

calendar year. The Act requires the adjustment in the low reserve tranche to be 80 percent of the percentage increase or decrease in total transaction accounts of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Currently, the low reserve tranche is \$48.3 million. Net transaction accounts of all depository institutions declined 6.4 percent (from \$714.9 billion to \$669.1 billion) between June 30, 2005 and June 30, 2006. Accordingly, the Board is amending Regulation D (12 CFR part 204) to decrease the low reserve tranche for net transaction accounts by \$2.5 million, from \$48.3 million for 2006 to \$45.8 million for 2007.

For depository institutions that file deposit reports weekly, the new low reserve tranche and reserve requirement exemption amount will be effective for the fourteen-day reserve computation period beginning Tuesday, November 21, 2006, and for the corresponding fourteen-day reserve maintenance period beginning Thursday, December 21, 2006. For depository institutions that report quarterly, the new low reserve tranche and reserve requirement exemption amount will be effective for the seven-day reserve computation period beginning Tuesday, December 19, 2006, and for the corresponding seven-day reserve maintenance period beginning Thursday, January 18, 2007.

## 2. Deposit Reports

Section 11(b)(2) of the Federal Reserve Act authorizes the Board to require depository institutions to file reports of their liabilities and assets as the Board may determine to be necessary or desirable to enable it to discharge its responsibility to monitor and control the monetary and credit aggregates. The Board screens depository institutions each year and assigns them to one of four deposit reporting panels (weekly reporters, quarterly reporters, annual reporters, or nonreporters). The panel assignment for annual reporters is effective in June of the screening year; the panel assignment for weekly and quarterly reporters is effective in September of the screening year.

In order to ease reporting burden, the Board permits smaller depository institutions to submit deposit reports less frequently than larger depository institutions. In the past, the Board used the level of a depository institution's total deposits as one of the measures for determining the frequency at which a depository institution files deposit reports. With the elimination of M3, the Board announced in July 2006 that it

<sup>1</sup>Consistent with Board practice, the low reserve tranche and reserve requirement exemption amounts have been rounded to the nearest \$0.1 million.

would use a measure of deposits based on M2 instead of total deposits. That measure of deposits is the sum of total transaction accounts, savings deposits, and small time deposits.<sup>2</sup>

The Board permits depository institutions with net transaction accounts above the reserve requirement exemption amount but with a sum of total transaction accounts, savings deposits, and small time deposits below a specified level (the “nonexempt deposit cutoff”) to report deposit data quarterly. The Board requires certain large depository institutions to report weekly regardless of the level of their net transaction accounts if the sum of total transaction accounts, savings deposits, and small time deposits exceeds a specified level (the “reduced reporting limit”). The nonexempt deposit cutoff level and the reduced reporting limit are adjusted annually, by an amount equal to 80 percent of the increase, if any, in the sum of total transaction accounts, savings deposits, and small time deposits of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment. In the past, the Board has adjusted the nonexempt deposit cutoff level and the reduced reporting limit above their indexed levels as a part of its triennial review of the reports of deposit.

From June 30, 2005 to June 30, 2006, the sum of total transaction accounts, savings deposits, and small time deposits at all depository institutions increased 4.8 percent (from \$5,598.0 billion to \$5,867.1 billion). Accordingly, the Board is adjusting the nonexempt deposit cutoff level to \$207.7 million for 2007. The Board is also adjusting the reduced reporting limit to \$1.163 billion for 2007.<sup>3</sup>

Beginning in September 2007, the boundaries of the four deposit reporting

panels will be defined as follows. Those depository institutions with net transaction accounts over \$8.5 million (the reserve requirement exemption amount) or with the sum of total transaction accounts, savings deposits, and small time deposits greater than or equal to \$1.163 billion (the reduced reporting limit) are subject to detailed reporting, and must file a Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900 report) either weekly or quarterly. Of this group, those with the sum of total transaction accounts, savings deposits, and small time deposits greater than or equal to \$207.7 million (the nonexempt deposit cutoff level) are required to file the FR 2900 report each week, while those with the sum of total transaction accounts, savings deposits, and small time deposits less than \$207.7 million are required to file the FR 2900 report each quarter. Those depository institutions with net transaction accounts less than or equal to \$8.5 million (the reserve requirement exemption amount) and with the sum of total transaction accounts, savings deposits, and small time deposits less than \$1.163 billion (the reduced reporting limit) are eligible for reduced reporting, and must either file a deposit report annually or not at all. Of this group, those with total deposits greater than \$8.5 million (but less than \$1.163 billion) are required to file the Annual Report of Deposits and Reservable Liabilities (FR 2910a) report annually, while those with total deposits less than or equal to \$8.5 million are not required to file a deposit report. A depository institution that adjusts reported values on its FR 2910a report in order to qualify for reduced reporting will be shifted to an FR 2900 reporting panel.

*Notice and Regulatory Flexibility Act.* The provisions of 5 U.S.C. 553(b)

relating to notice of proposed rulemaking have not been followed in connection with the adoption of these amendments. The amendments involve expected, ministerial adjustments prescribed by statute and by the Board's policy concerning reporting practices. The adjustments in the reserve

requirement exemption amount, the low reserve tranche, the nonexempt deposit cutoff level, and the reduced reporting limit serve to reduce regulatory burdens on depository institutions. Accordingly, the Board finds good cause for determining, and so determines, that notice in accordance with 5 U.S.C. 553(b) is unnecessary. Consequently, the provisions of the Regulatory Flexibility Act, 5 U.S.C. 601, do not apply to these amendments.

#### List of Subjects in 12 CFR Part 204

Banks, banking, Reporting and recordkeeping requirements.

- For the reasons set forth in the preamble, the Board is amending 12 CFR part 204 as follows:

#### PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (REGULATION D)

- 1. The authority citation for part 204 continues to read as follows:

**Authority:** 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

- 2. Section 204.9 is revised to read as follows:

##### **§ 204.9 Reserve requirement ratios.**

The following reserve requirement ratios are prescribed for all depository institutions, banking Edge and agreement corporations, and United States branches and agencies of foreign banks:

Category	Reserve requirement
Net transaction accounts:	
\$0 to \$8.5 million .....	0 percent of amount.
Over \$8.5 million and up to \$45.8 million .....	3 percent of amount.
Over \$45.8 million .....	\$1,119,000 plus 10 percent of amount over \$45.8 million.
Nonpersonal time deposits .....	0 percent.
Eurocurrency liabilities .....	0 percent.

<sup>2</sup>This measure also includes ineligible acceptances and obligations issued by affiliates maturing in less than seven days.

<sup>3</sup>Consistent with Board practice, the nonexempt deposit cutoff level has been rounded to the nearest

\$0.1 million, and the reduced reporting limit has been rounded to the nearest \$1 million.

By order of the Board of Governors of the Federal Reserve System, October 18, 2006.  
**Jennifer J. Johnson,**  
*Secretary of the Board.*  
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## SMALL BUSINESS ADMINISTRATION

### 13 CFR Part 121

RIN: 3245-AE81

#### Small Business Size Standards; Surety Bond Guarantee Program

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Final rule.

**SUMMARY:** This rule finalizes the U.S. Small Business Administration's (SBA) November 14, 2005 interim final rule that amended the small business size standard for its Surety Bond Guarantee (SBG) Program for construction (general or special trades) or service concerns performing contracts in the Presidentially-declared disaster areas resulting from the 2005 Hurricanes Katrina, Rita, and Wilma by allowing them to meet either the size standard for the primary industry in which it, together with its affiliates, is engaged, or the current \$6.5 million standard for the SBG Program, whichever is higher. The size standard under this rule will remain in effect until SBA determines it is no longer necessary.

**DATES: Effective Date:** This regulation becomes effective on November 24, 2006.

**FOR FURTHER INFORMATION CONTACT:** Carl Jordan, Office of Size Standards, (202) 205-6618 or [sizestandards@sba.gov](mailto:sizestandards@sba.gov).

#### SUPPLEMENTARY INFORMATION:

##### SBA's Surety Bond Guarantee Program and Size Standards

SBA, through its SBG Program, can guarantee bid, performance, payment and ancillary bonds for contracts up to \$2 million for small contractors who otherwise cannot obtain surety bonds without SBA's guarantee. SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors; it strengthens a contractor's ability to obtain bonding and provides greater access to contracting opportunities. A contractor applying for an SBA bond guarantee must qualify as a small business concern, in addition to meeting the surety company's underwriting requirements. Generally, except as modified by the November 14, 2005 interim final rule, businesses in construction and service industries can

qualify as small for the SBG Program on commercial, local or State contracts, if their average annual receipts, including those of their affiliates, for the last 3 fiscal years do not exceed \$6.5 million (13 CFR 121.301(d)(1) and 13 CFR 121.104(c)).

In addition, a concern that qualifies as small for a prime contract with the Federal Government is qualified as "small for financial assistance that is directly and primarily related to the performance of that particular contract" (13 CFR 121.305). Therefore, if the concern meets the small business size standard for the North American Industry Classification System (NAICS) code designated by the contracting officer for a specific procurement, the concern is eligible for SBA's financial assistance programs, including the SBG Program, even when its annual receipts exceed \$6.5 million.

#### What This Final Rule Accomplishes

On November 14, 2005, SBA published an interim final rule (70 FR 69048) revising the size standards for the SBG Program applicable to construction (general or special trades) and service concerns performing contracts in the Gulf Coast Region of the United States and in Florida that the President declared disaster areas following Hurricanes Katrina, Rita and Wilma in 2005. When the contract meets the performance location requirement, that interim final rule established that an SBG Program applicant concern is small when it meets the small business size standard for either the primary industry in which it, together with its affiliates, is engaged, or the then current SBG \$6.0 million size standard, whichever is higher. On December 6, 2005, SBA issued an interim final rule (70 FR 72577) adjusting its monetary based size standards for inflation. In that interim final rule, SBA changed the surety bond guarantee size standard from \$6.0 million to \$6.5 million. Today's final rule adopts the November 14, 2005 interim final rule, with the inflation adjusted size standard of \$6.5 million. Surety companies with whom SBA has executed a Preferred Surety Bond (PSB) Agreement under 13 CFR part 115 are responsible for determining eligibility under this regulation. SBA surety bond personnel are responsible for determining eligibility under this regulation for those surety guarantees that require SBA's prior approval.

This final rule also states in section 121.301(d)(3) that the concern is small if, together with its affiliates, it meets the requisite size standard. This merely clarifies that the concern must include

the annual receipts or number of employees of its affiliates when determining if it is small. This language is the same as in section 121.301(d)(1). In addition, under SBA's small business size regulations and for all SBA programs, concerns must always include the annual receipts or number of employees of affiliates to determine if they are small (13 CFR 121.103, 121.104 and 121.106).

In the Supplementary Information in the November 14, 2005 interim final rule, SBA stated that the amended size standards under the interim final rule are applicable until SBA determines that it is no longer necessary to expand the availability of SBG Program assistance for reconstruction and recovery of the Gulf Coast Region of the United States and in Florida that the President declared disaster areas following Hurricanes Katrina, Rita and Wilma in 2005. SBA further stated that the interim final rule was a specific response to those natural disasters. SBA recognizes that small construction and service contractors need this assistance now and in the very near future.

The need for this size standard for the SBG Program should be no longer necessary when expanded contractor participation has ceased or declined significantly relative to past experience. Because of ongoing major recovery efforts in the disaster areas where this size standard is valid, SBA cannot foresee precisely when the need for expanded SBG assistance in the disaster areas will end. Construction contracts can be long term, and subcontracts are sometimes not awarded or begun until well into the overall general contract. SBA does believe, however, that this could take at least three more years.

SBA will monitor the SBG Program, particularly the use of this modified size standard for work in the disaster areas. SBA's Office of Surety Guarantees will monitor annual Federal and State spending for rebuilding efforts, and as rebuilding approaches the desired end state, the office will continue to scrutinize the size and location of contracts bonded and the size of the small businesses that receive them. If SBA determines that this amended size standard causes an adverse effect on local small businesses or that the modified size standard is no longer needed, it will terminate or otherwise modify 13 CFR 121.301(d)(3).

However, SBA will not terminate this special size standard without first proposing to do so by publishing a proposed rule in the **Federal Register**. The proposed rule will seek public comment on discontinuing the size