

quantifiable objectives and measurable time frames. Actions may include working with the borrower for an orderly resolution while preserving the institution's interests, sale of the credit in the secondary market, or liquidation. Problem credits should be reviewed regularly for risk rating accuracy, accrual status, recognition of impairment through specific allocations, and charge-offs.

Deal Sponsors

Institutions should develop guidelines for evaluating the qualifications of financial sponsors and implement a process to regularly monitor performance. Deal sponsors may provide valuable support to borrowers such as strategic planning, management, and other tangible and intangible benefits. Sponsors may also provide a source of financial support for a borrower that fails to achieve projections. Institutions generally rate borrowers based on their analysis of the borrowers' standalone financial condition. However, lending institutions may consider support from a sponsor in assigning an internal risk rating when the institution can document the sponsor's history of demonstrated support as well as the economic incentive, capacity, and stated intent to continue to support the transaction. However, even with documented capacity and a history of support, a sponsor's potential contributions may not mitigate examiner criticism absent a documented commitment of continued support. An evaluation of a sponsor's financial support should include the following:

- Sponsor's historical performance in supporting its investments, financially and otherwise.
- Sponsor's economic incentive to support, including the nature and amount of capital contributed at inception.
- Documentation of degree of support (e.g., guarantee, comfort letter, verbal assurance).
- Consideration of the sponsor's contractual investment limitations.
- To the extent feasible, a periodic review of the sponsor's financial statements and trends, and an analysis of its liquidity, including the ability to fund multiple deals.
- Consideration of the sponsor's dividend and capital contribution practices.
- Likelihood of supporting the borrower compared to other deals in the sponsor's portfolio.
- Guidelines for evaluating the qualifications of financial sponsors and a process to regularly monitor performance.

Credit Review

Institutions should have a strong and independent credit review function with a demonstrated ability to identify portfolio risks and documented authority to escalate inappropriate risks and other findings to senior management. Due to the elevated risk inherent in leveraged finance, and depending on the relative size of an institution's leveraged finance business, it may be prudent for the institution's credit review function to examine the leveraged portfolio more frequently than other segments, go into greater depth, and be more selective in identifying personnel to assess the underlying transactions. Portfolio reviews

should generally be conducted at least annually. For many institutions, the risk characteristics of the leveraged portfolio, such as high reliance on enterprise value, concentrations, adverse risk rating trends, or portfolio performance, may dictate more frequent reviews.

Institutions should staff their internal credit review function appropriately and ensure that it has sufficient resources to ensure timely, independent, and accurate assessments of leveraged finance transactions. Reviews should evaluate the level of risk and risk rating integrity, valuation methodologies, and the quality of risk management. Internal credit reviews also should encompass a review of the institution's leveraged finance practices, policies and procedures to ensure that they are consistent with regulatory guidance.

Conflicts of Interest

Institutions should develop appropriate policies to address and prevent potential conflicts of interest. For example, a lender may be reluctant to use an aggressive collection strategy with a problem borrower because of the potential impact on the value of the lender's equity interest. A lender may receive pressure to provide financial or other privileged client information that could benefit an affiliated equity investor. Such conflicts also may occur where the underwriting bank serves as financial advisor to the seller and simultaneously offers financing to multiple buyers (i.e., stapled financing). Similarly, there may be conflicting interests between the different lines of business or between the institution and its affiliates. These and other situations may arise that create conflicts of interest between the institution and its customers. Policies should clearly define potential conflicts of interest, identify appropriate risk management controls and procedures, enable employees to report potential conflicts of interest to management for action without fear of retribution, and ensure compliance with applicable law. Further, management should establish responsibility for training employees on how to avoid conflicts of interest, as well as provide for reporting, tracking, and resolution of any conflicts of interest that occur.

Anti-Tying Regulations

Because leveraged finance transactions often involve a number of types of debt and several bank products, institutions should ensure that their policies incorporate safeguards to prevent violations of anti-tying regulations. Section 106(b) of the BHC Act Amendments of 1970 prohibits certain forms of product tying by banks and their affiliates. The intent behind section 106(b) is to prevent institutions from using their market power over certain products to obtain an unfair competitive advantage in other products.

Reputational Risk

Leveraged finance transactions are often syndicated through the bank and institutional markets. An institution's apparent failure to meet its legal or fiduciary responsibilities in underwriting and distributing transactions can damage its reputation and impair its ability to compete.

Similarly, institutions distributing transactions that over time have significantly higher default or loss rates and performance issues may also see their reputation damaged in the markets.

Securities Laws

Equity interests and certain debt instruments used in leveraged finance transactions may constitute "securities" for the purposes of federal securities laws. When securities are involved, institutions should ensure compliance with applicable securities laws, including disclosure and other regulatory requirements. Institutions should also establish procedures to appropriately manage the internal dissemination of material nonpublic information about transactions in which it plays a role.

Compliance Function

The legal and regulatory issues raised by leveraged transactions are numerous and complex. To ensure that potential conflicts are avoided and laws and regulations are adhered to, an independent compliance function should periodically review an institution's leveraged finance activity. Additional information is available in the Agencies' existing guidance on compliance with laws and regulations.

Conclusion

Leveraged finance is an important type of financing for the economy, and the banking industry plays an integral role in making credit available and syndicating that credit to investors. Institutions should ensure they do not heighten risks by originating poorly underwritten deals that find their way into a wide variety of investment instruments. Therefore, it is important this financing be provided to creditworthy borrowers in a safe and sound manner that is consistent with this guidance.

Dated: March 19, 2012.

John Walsh,

Acting Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, March 22, 2012.

Jennifer J. Johnson,

Secretary of the Board.

Dated at Washington, DC, this 26th Day of March 2012.

Federal Deposit Insurance Corporation.

Valerie J. Best,

Assistant Executive Secretary.

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BILLING CODE 4810-33- 6210-01- 6714-01-P

DEPARTMENT OF THE TREASURY

Bureau of the Public Debt

Proposed Collection; Comment Request

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort

to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). Currently the Bureau of the Public Debt within the Department of the Treasury is soliciting comments concerning the Application For Disposition Of Retirement Plan and/or Individual Retirement Bonds Without Administration Of Deceased Owner's Estate.

DATES: Written comments should be received on or before May 30, 2012 to be assured of consideration.

ADDRESSES: Direct all written comments to Bureau of the Public Debt, Bruce A. Sharp, 200 Third Street A4-A, Parkersburg, WV 26106-1328, or bruce.sharp@bpd.treas.gov. The opportunity to make comments online is also available at www.pracomment.gov.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies should be directed to Bruce A. Sharp, Bureau of the Public Debt, 200 Third Street A4-A, Parkersburg, WV 26106-1328, (304) 480-8150.

SUPPLEMENTARY INFORMATION:
Title: Application For Disposition Of Retirement Plan and/or Individual Retirement Bonds Without Administration Of Deceased Owner's Estate.

OMB Number: 1535-0032.

Form Number: PD F 3565.

Abstract: The information is used to support a request for disposition by the heirs of deceased owners or Retirement Plan and/or Individual Retirement bonds.

Current Actions: None.

Type of Review: Extension.

Affected Public: Individuals or Households.

Estimated Number of Respondents: 350.

Estimated Time Per Respondent: 20 minutes.

Estimated Total Annual Burden Hours: 117.

Request for Comments: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of

information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: March 26, 2012.

Bruce A. Sharp,

Bureau Clearance Officer.

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BILLING CODE 4810-39-P

DEPARTMENT OF VETERANS AFFAIRS

Prescription Drugs Not Administered During Treatment; Update to Administrative Cost for Calendar Year 2012

AGENCY: Department of Veterans Affairs.
ACTION: Notice.

SUMMARY: This Department of Veterans Affairs (VA) notice informs the public of the updated "National Average Administrative Costs" for purposes of calculating VA's charges for prescription drugs that were not administered during treatment but were provided or furnished by VA to a veteran for: A nonservice-connected disability for which the veteran is entitled to care (or the payment of expenses of care) under a health plan contract; a nonservice-connected disability incurred incident to the veteran's employment and covered under a worker's compensation law or plan that provides reimbursement or indemnification for such care and services; or a nonservice-connected disability incurred as a result of a motor vehicle accident in a State that requires automobile accident reparations insurance. This updated administrative cost charge was effective on January 1, 2012, for Calendar Year 2012.

FOR FURTHER INFORMATION CONTACT: Romona Greene, Chief Business Office (10NB1A), Veterans Health Administration, Department of Veterans Affairs, 810 Vermont Avenue NW., Washington, DC 20420, (202) 461-1595. This is not a toll free number.

SUPPLEMENTARY INFORMATION: Section 17.101 of title 38, Code of Federal Regulations, sets forth VA's medical regulations concerning the collection or recovery by VA for medical care or services provided or furnished to a veteran for a nonservice-connected

disability. As provided in 38 CFR 17.101(m), when VA provides or furnishes prescription drugs not administered during treatment for: (1) A nonservice-connected disability for which the veteran is entitled to care (or the payment of expenses of care) under a health plan contract; (2) a nonservice-connected disability incurred incident to the veteran's employment and covered under a worker's compensation law or plan that provides reimbursement or indemnification for such care and services; or (3) a nonservice-connected disability incurred as a result of a motor vehicle accident in a State that requires automobile accident reparations insurance, "charges billed separately for such prescription drugs will consist of the amount that equals the total of the actual cost to VA for the drugs and the national average of VA administrative costs associated with dispensing the drugs for each prescription."

Section 17.101(m) includes the methodology for calculating the national average administrative cost for prescription drug charges not administered during treatment. The administrative cost is determined annually using VA's managerial cost accounting system. Under this accounting system, the national average administrative cost is determined by adding the total VA national drug general overhead costs (such as costs of buildings and maintenance, utilities, billing, and collections) to the total VA national drug dispensing costs (such as costs of the labor of the pharmacy department, packaging, and mailing) with the sum divided by the actual number of VA prescriptions filled nationally. The labor cost also includes cost for the professional activity of reviewing and dispensing a prescription.

Based on this accounting system, VA will determine the amount of the national average administrative cost annually for the prior fiscal year (October through September) and then apply the charge at the start of the next calendar year. The national average administrative cost for calendar year 2012 is \$12.39 and was effective on January 1, 2012.

This notice will be posted at <http://www1.va.gov/CBO/apps/rates/index.asp> under the heading "Federal Registers, Rules, and Notices" and identified as "Administrative Charge Federal Register Notice, CY 2012." Following this Federal Register notice, all subsequent Federal Register notices providing updates on the administrative charge will be published in conjunction with the Federal Register notices