

RESCINDED

Office of Thrift Supervision

October 11, 2001

Department of the Treasury

Transmittal TR-259

This rescission does not change the applicability of the conveyed document. To determine the applicability of the conveyed document, refer to the original issuer of the document.



Federal Register, Vol. 66, No. 138, pp. 37406-37407

Number TR-259

In the attached, the Office of Thrift Supervision (OTS) adopts as final the interim rule published on March 15, 2001, that implemented the repeal of the statutory liquidity requirement at section 6 of the HOLA.

Even though the percentage requirement now has been eliminated, the rule still requires thrifts to maintain adequate liquidity to assure safe and sound operation. The rule moves this regulatory liquidity requirement based on safety and soundness to § 563.161, Management and Financial Policies.

In response to a question from a commenter on wholesale borrowings, OTS responded in the preamble to the final rule that such borrowings are considered in evaluating whether an institution has "sufficient liquidity". The response also included cautions about such borrowings.

The final rule was published in the July 18, 2001 edition of the Federal Register, Vol. 66, No. 138, pp. 37406-37407.

For further information contact:

Josephine Battle (202) 906-6870
Program Analyst
Supervision Policy

Sally Watts, Counsel (202) 906-7380
Banking and Finance
Regulations and Legislation Division


— Richard M. Riccobono
Deputy Director
Office of Thrift Supervision

Attachment

subsidiary or affiliated company. For this reason RUS does not consider this information to be duplicative of similar RUS or GAAP reporting requirements. The information submitted with the RUS Form 479 is in the aggregate for all subsidiary companies.

Comment: Keisling also commented that similar disclosure requirements for investments accounted for on the cost method should not be required as such investments are typically not of a material nature. And if such investments were material they would be properly disclosed in the footnotes to the audited financial statements.

Reply: While investments accounted for on the cost method may or may not be material, RUS' purpose for including similar disclosures for investments accounted for cost method is to provide a means for RUS to track the RUS borrowers' investments in rural infrastructure. When called upon to provide this information from Congressional and government oversight agencies, RUS has not been able to readily gather and summarize such data. The disclosure of all investments in subsidiary and affiliated companies, whether accounted for on the cost or equity method, will provide the appropriate information for such inquiries.

Confirmation of Effective Date

This is to confirm the effective date of July 5, 2001, of the direct final rule 7 CFR Part 1773, Policy on Audits of RUS Borrowers; Management Letter, published in the **Federal Register** on May 21, 2001, at 66 FR 27829.

Dated: July 12, 2001.

Blaine D. Stockton,

Acting Administrator, Rural Utilities Service.

[FR Doc. 01-17933 Filed 7-17-01; 8:45 am]

BILLING CODE 3410-15-P

DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Part 1773

RIN 0572-AB62

Policy on Audits of RUS Borrowers; Generally Accepted Government Auditing Standards (GAGAS)

AGENCY: Rural Utilities Service, USDA.

ACTION: Notice of confirmation of direct final rule.

SUMMARY: The Rural Utilities Service (RUS) hereby gives notice that no adverse comments were received regarding the direct final rule 7 CFR part 1773, Policy on Audits of RUS

Borrowers; Generally Accepted Government Auditing Standards (GAGAS), and confirms the effective date of the direct final rule.

DATES: The direct final rule published in the **Federal Register** on May 21, 2001 (66 FR 27833) is effective July 5, 2001.

FOR FURTHER INFORMATION CONTACT:

Richard Annan, Chief, Technical Accounting and Auditing Staff, Program Accounting Services Division, Rural Utilities Service, U.S. Department of Agriculture, 1400 Independence Ave., SW., STOP 1523, Washington, DC 20250-1523. Telephone: 202-720-5227.

Background

The rule amends Part 1773 to incorporate two amendments to Generally Accepted Government Auditing Standards (GAGAS) adopted in 1999 by the General Accounting Office. Among other requirements the GAGAS amendments require the auditor to document in the working papers the basis for assessing risk when certain assertions are significantly dependent on computerized information systems; expands the requirements for the auditor's communication with the borrower; replaces the term irregularities with the term fraud; and requires the auditor to emphasize in the auditor's report the importance of the report on compliance and on internal control over financial reporting. In addition to the GAGAS amendments, this rule corrects errors and omissions in previous versions of Part 1773.

Confirmation of Effective Date

This is to confirm the effective date of July 5, 2001, of the direct final rule, 7 CFR Part 1773, Policy on Audits of RUS Borrowers; Generally Accepted Government Auditing Standards (GAGAS), published in the **Federal Register** on May 21, 2001, at 66 FR 27833.

Dated: July 12, 2001.

Blaine D. Stockton,

Acting Administrator, Rural Utilities Service.

[FR Doc. 01-17932 Filed 7-17-01; 8:45 am]

BILLING CODE 3410-15-P

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Parts 506, 560, 563, 566, and 584

[No. 2001-51]

RIN 1550-AB42

Liquidity

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Final rule.

SUMMARY: The Office of Thrift Supervision (OTS) is adopting as final an interim rule that removed the regulation that required a savings association to maintain an average daily balance of liquid assets of at least four percent of its liquidity base, and retained a provision requiring a savings association to maintain sufficient liquidity to ensure its safe and sound operation. The interim rule implemented the statutory repeal of the percentage liquidity requirement.

DATES: Effective July 18, 2001.

FOR FURTHER INFORMATION CONTACT:

Josephine Battle, Program Analyst Trainee, Office of Corporate Governance and Controls, Office of Supervision Policy, (202) 906-6870; or Sally Warner Watts, Counsel (Banking and Finance), Regulations and Legislation Division, Office of Chief Counsel, (202) 906-7380, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552. Persons wishing to access any of these telephone numbers by text telephone (TTY) may call the toll-free Federal Information Relay Service at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:

Background

Section 1201 of the Financial Regulatory Relief and Economic Efficiency Act of 2000 (Pub. L. 106-569, 114 Stat. 2944) repealed the statutory liquidity requirement for savings associations. See section 6 of the Home Owners' Loan Act (HOLA), 12 U.S.C. 1465 (1994). OTS published an interim rule implementing this repeal on March 15, 2001 (66 FR 15015). The interim rule removed part 566, which implemented the percentage of assets liquidity requirement of section 6 of the HOLA. The interim rule also moved a general requirement that each savings association must maintain sufficient liquidity to ensure safe and sound operations from part 566 to § 563.161 and made a few conforming changes.

Discussion of Comments

OTS received three public comments: one from a trade association and two from savings associations. The trade association strongly supported the interim rule, noting that the repeal of the percentage requirement will enable savings associations to manage their liquidity risk in a more efficient manner. It also supported the retention of a requirement that savings associations and their service corporations maintain sufficient liquidity to assure safe and sound operation. The trade association observed that it is not necessary to describe in a regulation the types of investments OTS will consider in measuring compliance with this requirement. It did request, however, that OTS make conforming changes to the Thrift Financial Report form and instructions. On February 26, 2001, OTS published the March 2001 Thrift Financial Report changes, which included removal of the entry for regulatory liquidity ratio, on its website.

The two savings associations also praised the elimination of the percentage requirement. However, they requested clarification of whether OTS considers available capacity to borrow from the Federal Home Loan Bank (with same-day access to advances) as a source of liquidity when evaluating whether an institution has "sufficient liquidity." OTS does consider the availability of access to borrowed money to meet liquidity needs in assessing the adequacy of a savings association's management of liquidity. See OTS Thrift Activities Handbook, Section 530, at pages 530.5 and 530.10 (November 1999). OTS also recognizes FHLB advances as a traditional source of such borrowings for savings associations. In addition, OTS acknowledges that the FHLB system has consistently played an important role in assisting the thrift industry to manage its short- and long-term liquidity needs. OTS Thrift Activities Handbook, at page 530.11. However, certain wholesale borrowings, including Federal Home Loan Bank advances, if not properly evaluated and prudently managed, may significantly increase an institution's sensitivity to interest rate and liquidity risks. Accordingly, savings associations should be fully informed of the risks of these borrowings before engaging in such transactions and should review these risks on an ongoing basis. See OTS Regulatory Bulletin 34, Examiner Guidance on Wholesale Borrowings (June 8, 2001).

Findings and Certifications*Executive Order 12866*

The Director of OTS has determined that this final rule does not constitute a significant regulatory action for the purposes of Executive Order 12866.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) requires OTS to prepare Regulatory Flexibility Analyses if the agency must publish a general notice of proposed rulemaking. 5 U.S.C. 603 and 604. In issuing the interim rule, OTS concluded, for good cause, that it was not necessary to publish a notice of proposed rulemaking. Accordingly, OTS concludes that the RFA does not require a final regulatory flexibility analysis of this rule.

Nevertheless, OTS has considered the likely impact of this rule and finds that the rule will not have a significant impact on a substantial number of small entities or create any additional burden on small entities under the RFA. The final rule imposes no new requirements and makes only burden reducing, clarifying, and technical conforming amendments to current OTS regulations.

Unfunded Mandates Act of 1995

Section 202 of the Unfunded Mandates Reform Act of 1995 (UMA) applies only when an agency issues a general notice of proposed rulemaking or when it publishes a final rule for which a general notice of proposed rulemaking was published. 2 U.S.C. 1532. In issuing the interim rule, OTS determined, for good cause, that it was not required to publish a proposed rule. Accordingly, OTS concludes that the UMA does not require OTS to conduct an unfunded mandates analysis of this final rule.

Moreover, OTS finds that this final rule will not result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year. Rather, the rule imposes no new requirements and makes only burden reducing, clarifying, and technical conforming amendments to current OTS regulations. Accordingly, OTS has not prepared a budgetary impact statement for this rule or specifically addressed the regulatory alternatives considered.

Effective Date

For the reasons stated in the interim rule, published on March 15, 2001 (66 FR 15016-15017), OTS is making this final rule effective immediately.

List of Subjects*12 CFR Part 506*

Reporting and recordkeeping requirements.

12 CFR Part 560

Consumer protection, Investments, Manufactured homes, Mortgages, Reporting and recordkeeping requirements, Savings associations, Securities.

12 CFR Part 563

Accounting, Advertising, Crime, Currency, Investments, Reporting and recordkeeping requirements, Savings associations, Securities, Surety bonds.

12 CFR Part 566

Liquidity, Reporting and recordkeeping requirements, Savings associations.

12 CFR Part 584

Administrative practice and procedure, Holding companies, Reporting and recordkeeping requirements, Savings associations, Securities.

Accordingly, the Office of Thrift Supervision adopts as final, without change, the interim rule published on March 15, 2001 at 66 FR 15015, amending parts 506, 560, 563, 566, and 584 in Title 12, Chapter V, Code of Federal Regulations.

Dated: July 11, 2001.

Ellen Seidman,

Director.

[FR Doc. 01-17871 Filed 7-17-01; 8:45 am]

BILLING CODE 6720-01-P

DEPARTMENT OF THE TREASURY**Office of Thrift Supervision****12 CFR Part 552**

[No. 2001-52]

RIN 1550-AB46

**Conversion From Stock Form
Depository Institution to Federal Stock
Association**

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Direct final rule: Confirmation of effective date.

SUMMARY: This document confirms the effective date of the direct final rule amending the Office of Thrift Supervision's (OTS) regulation on conversions from stock form depository institutions to federal stock savings associations. The final rule clarifies that