

that it is permitted by statute to purchase and sell for its own account. Commenters noted that sections 16 and 21 of the Glass-Steagall Act, and regulations adopted pursuant thereto, require that a bank determine that "there is adequate evidence that the obligor will be able to perform all that it undertakes to perform in connection with the security, including all debt service requirements, and that the security is marketable" before purchasing a security.¹¹ Commenters contended that these restrictions fully address the issues of credit quality and liquidity in bank investments.

Another commenter stressed that regional bank holding companies have legitimate reasons for asset transactions between a section 20 company and its affiliated bank. Because the securities distribution side of regional section 20 companies tends to be dominated by individual investors and smaller institutional and corporate investors, a bank holding company might find it economically advantageous for its section 20 subsidiary to acquire securities which can both be sold to the bank for its investment portfolio and distributed by the section 20 subsidiary to its investor clients. The commenter stated that such commingled transactions enable the institution to obtain securities in the open market at more favorable terms than would otherwise be available at lower volume.

A securities trade association objected to the proposal on the grounds that it would permit banks to sell financial assets to, or purchase such assets from, affiliated section 20 subsidiaries on terms or under conditions that would not be available to other securities firms, in effect subsidizing the activities of their affiliated section 20 subsidiaries. The commenter also expressed concern that banks could provide their section 20 affiliates with access to certain financial assets either earlier, or in greater amounts, than other securities firms.

3. Final Order

The Board is expanding the exception to the financial assets restriction, but using a more definite standard than that proposed. Rather than allowing the purchase or sale of any security with a "broad and liquid market," the Board is extending the exception to "assets having a readily identifiable and publicly available market quotation and purchased at that market quotation." Asset purchases meeting this price availability standard are already exempt from the quantitative and qualitative

restrictions on inter-affiliated funding contained in sections 23A and 23B of the Federal Reserve Act. 12 U.S.C. 371c(d)(6); 12 U.S.C. 371c-1(d)(3). Use of the same standard is appropriate here. First, the same policy is being served: ensuring that an inter-affiliate transaction is so verifiably arm's-length so as not to require federal regulation of its terms. Second, use of the same standard will ease compliance burden for banks, who are experienced in administering it. Indeed, for any purchase of assets by a bank from an affiliated section 20 subsidiary, the bank will already be required to ensure compliance with this standard for purposes of sections 23A and 23B. Third, compliance with this standard would ensure that section 20 affiliates would not gain a competitive advantage over other securities firms through asset sales to their affiliated banks.

The Board has decided to retain for now the financial assets restriction to the extent that it prohibits a purchase or sale of less liquid assets and any purchase or sale of assets subject to a repurchase or reverse repurchase agreement. Any further changes to the financial assets restriction will be considered in conjunction with other funding firewalls, as part of a more comprehensive review of all the remaining firewalls between a section 20 subsidiary and its affiliated banks.

Revised Amendment to Firewalls

The Board is amending the section 20 firewalls as follows:

Interlocks Restriction

1987 and 1989 Orders (Domestic Bank Holding Companies)

Directors, officers or employees of a bank or thrift shall not serve as a majority of the board of directors or the chief executive officer of an affiliated section 20 subsidiary, and directors, officers or employees of a section 20 subsidiary shall not serve as a majority of the board of directors or the chief executive officer of an affiliated bank or thrift. The underwriting subsidiary will have separate offices from any affiliated bank or thrift.***

1990 Order (Foreign Banks)

Directors, officers or employees of Applicant's U.S. bank or thrift subsidiaries, branches or agencies shall not serve as a majority of the board of directors or the chief executive officer of

*** An underwriting subsidiary may have offices in the same building as a bank or thrift affiliate if the underwriting subsidiary's offices are clearly distinguished from those of the bank or thrift affiliate.

an affiliated section 20 subsidiary, and directors, officers or employees of a section 20 subsidiary shall not serve as a majority of the board of directors or the chief executive officer + + + of an affiliated U.S. bank or thrift subsidiary, branch or agency of Applicant, except that the manager of a branch or agency may act as a director of the underwriting subsidiary. The underwriting subsidiary will have separate offices from any bank or thrift subsidiary or branch or agency of Applicant.***

Cross-Marketing Restriction

1987, 1989 and 1990 Orders

The cross-marketing restriction is removed.

Financial Assets Restriction

1989 and 1990 Orders

No bank or thrift (or U.S. branch or agency of a foreign bank) shall, directly or indirectly, for its own account, purchase financial assets of an affiliated underwriting subsidiary or a subsidiary thereof or sell such assets to the underwriting subsidiary or subsidiary thereof. This limitation shall not apply to the purchase and sale of assets having a readily identifiable and publicly available market quotation and purchased at that market quotation for purposes of section 23A of the Federal Reserve Act, 12 U.S.C. 371c(d)(6), provided that those assets are not subject to a repurchase or reverse repurchase agreement between the underwriting subsidiary and its bank or thrift affiliate.

By order of the Board of Governors of the Federal Reserve System, November 1, 1996.
William W. Wiles,
Secretary of the Board.

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Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank

+ + + For purposes of this firewall, the manager of a U.S. branch or agency of a foreign bank normally will be considered to be the chief executive officer of the branch or agency.

*** An underwriting subsidiary may have offices in the same building as a bank or thrift subsidiary or branch or agency of Applicant if the underwriting subsidiary's offices are clearly distinguished from those of the bank, thrift, branch or agency.

¹¹ 12 CFR 1.5(a).

holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. Once the application has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act, including whether the acquisition of the nonbanking company can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. 1843). Any request for a hearing must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal. Unless otherwise noted, nonbanking

activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than November 29, 1996.

A. Federal Reserve Bank of Richmond (Lloyd W. Bostian, Jr., Senior Vice President) 701 East Byrd Street, Richmond, Virginia 23261:

1. *CN Bancorp, Inc.*, Glen Burnie, Maryland; to become a bank holding company by acquiring 100 percent of the voting shares of County National Bank, Glen Burnie, Maryland (in organization).

B. Federal Reserve Bank of Atlanta (Zane R. Kelley, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303:

1. *First Bank Holding Company*, Tallahassee, Florida; to become a bank holding company by acquiring 100 percent of the voting shares of First Bank, Tallahassee, Florida.

Board of Governors of the Federal Reserve System, November 1, 1996.

Jennifer J. Johnson,

Deputy Secretary of the Board.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

Proposed Information Collection Activity; Comment Request

Proposed Projects

Title: Title IV-B Five Year Plan, Annual Progress and Services Report and CFS-101.

OMB No.: New collection.

Description: The information collection activities in the final rule have changed since publication of the NPRM in October 1994. Therefore, public comment is invited on the revised collections. The content of the plan, and the annual progress and services report are prescribed in the final rule. The CFS-101 is a revised report form.

Under title IV-B, subparts 1 and 2, States and Indian Tribes are to submit a five year plan, an annual progress and services report, and an annual budget request and estimated expenditure report (CFS-101). The plan is used by States and Indian Tribes to develop and implement services and describe coordination efforts with other federal, state and local programs. The Annual Progress and Services Report is used to provide updates and changes in the goals and services under the five year plan. The CFS-101 will be submitted annually with the Annual Progress and Services Report to apply for appropriated funds for the next fiscal year.

Respondents: State, Local or Tribal Govt.

ANNUAL BURDEN ESTIMATES

Instrument	No. of respondents	No. of responses per respondent	Average burden hours per response	Total burden hours
CFSP	25	1	500	12,500
APSR	114	1	120	13,680
CFS-101	114	1	5	570

Estimated Total Annual Burden Hours: 20,750.

In compliance with the requirements of Section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995, the Administration for Children and Families is soliciting public comment on the specific aspects of the information collection described above. Copies of the proposed collection of information can be obtained and comments may be forwarded by writing

to the Administration for Children and Families, Office of Information Services, Division of Information Resource Management Services, 370 L'Enfant Promenade, S.W., Washington, D.C. 20447, Attn: ACF Reports Clearance Officer. All requests should be identified by the title of the information collection.

The Department specifically requests comments on: (a) Whether the proposed 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 proposed collection of information; (c) the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or