TO: The Chief Executive Officer of each financial institution and others concerned in the Eleventh Federal Reserve District

SUBJECT

Final Rule on Alternative to Rated Debt Requirement for Financial Holding Companies

DETAILS

Section 121 of the Gramm-Leach-Bliley Act (GLBA) permits a national bank or state member bank that is among the second 50 largest insured banks to own or control a financial subsidiary only if the bank meets either of the following requirements:

- the eligible debt requirement in section 121 of the GLBA or
- alternative criteria established jointly by the Board of Governors of the Federal Reserve System and the Department of the Treasury.

On March 14, 2000, the Board and the Treasury adopted and requested public comment on an interim rule establishing the alternative criteria. The interim rule provided that a national or state member bank meets the alternative criteria if the bank has a current long-term issuer credit rating from a nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization.

After reviewing the public comment, the Board and the Treasury have adopted a final rule that is substantively identical to the interim rule. The final rule is effective March 5, 2001.

ATTACHMENT

A copy of the agencies’ notice as it appears on pages 8748–50, Vol. 66, No. 23 of the Federal Register dated February 2, 2001, is attached.
MORE INFORMATION

For more information, please contact Bob Moore, Financial Industry Studies Department, (214) 922-5355. For additional copies of this Bank’s notice, contact the Public Affairs Department at (214) 922-5254 or access District Notices on our web site at http://www.dallasfed.org/banking/notices/index.html.
Board of Governors of the Federal Reserve System

12 CFR Part 208
Regulation H; Docket No. R-1066

Department of the Treasury

12 CFR Part 1501
RIN 1505-AA77

Office of the Under Secretary for Domestic Finance; Financial Subsidiaries
After reviewing public comments, the Board and Treasury are adopting a final rule that is substantively identical to the interim rule. A bank does not have to satisfy the debt rating requirement or the alternative criteria established by this rule if the bank’s financial subsidiaries engage in the newly authorized financial activities solely as agent and not as principal.

A bank does not have to satisfy the debt rating requirement or the alternative criteria established by this rule if the bank’s financial subsidiaries engage in the newly authorized financial activities solely as agent and not as principal.
willingness to make payments on any individual class or issue of debt, nor does it reflect priority or preference in payment among financial obligations.

The issuer credit rating must be assigned to the national or state member bank that controls or holds an interest in the financial subsidiary. Issuer credit ratings that are assigned to a subsidiary or affiliate of the parent bank, such as a subsidiary engaged in derivatives activities, do not meet the rule’s requirements. Furthermore, ratings organizations may issue long-term or short-term issuer credit ratings for the same bank and separate ratings for dollar-denominated and foreign currency-denominated obligations. Only long-term issuer credit ratings for dollar-denominated obligations satisfy the requirements of the rule. An issuer credit rating is long-term if it reflects an assessment of the bank’s ability over a period of not less than one year to fulfill its financial obligations on a timely basis.

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<th>Rating organization</th>
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<td>Moody’s</td>
<td>Issuer credit rating (including a Counterparty credit rating).</td>
<td>AAA, AA or A.</td>
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<td>Fitch</td>
<td>Issuer credit rating</td>
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<td>International credit rating</td>
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denominated financial obligations maturing in not less than one year.


Jennifer J. Johnson,
Secretary of the Board.

Department of the Treasury

12 CFR Chapter XV

Authority and Issuance

For the reasons set forth in the preamble, the Department of the Treasury amends part 1501 of Chapter XV of Title 12 of the Code of Federal Regulations as follows:

PART 1501—FINANCIAL SUBSIDIARIES

1. The authority citation for part 1501 continues to read as follows:


2. Section 1501.3 is amended to read as follows:

§ 1501.3 Comparable ratings requirement for national banks among the second 50 largest insured banks.

(a) Scope and purpose. Section 5136A of the Revised Statutes permits a national bank that is within the second 50 largest insured banks to own or control a financial subsidiary only if, among other requirements, the bank satisfies the eligible debt requirement set forth in section 5136A or an alternative criteria jointly established by the Secretary of the Treasury and the Board of Governors of the Federal Reserve System. This section establishes the alternative criteria that a national bank among the second 50 largest insured banks may meet, which criteria is comparable to and consistent with the purposes of the eligible debt requirement established by section 5136A.

(b) Alternative criteria. A national bank satisfies the alternative criteria referenced in Section 5136A(a)(2)(E) of the Revised Statutes (12 U.S.C. 24a) and 12 CFR 5.39(g)(3) if the bank has a current long-term issuer credit rating from at least one nationally recognized statistical rating organization that is within the three highest investment grade rating categories used by the organization.

(c) Definition of long-term issuer credit rating. A “long-term issuer credit rating” is a written opinion issued by a nationally recognized statistical rating organization of the bank’s overall capacity and willingness to pay on a timely basis its unsecured, dollar-denominated financial obligations maturing in not less than one year.


Gregory A. Baer,
Assistant Secretary for Financial Institutions,
Department of the Treasury.

[FEDERAL REGISTER NO. 66 FR 2732]

BILLING CODE 6210-01-P; 4810–25-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39


RIN 2120–AA64

Airworthiness Directives; Raytheon Aircraft Company Beech Models 60, A60, and B60 Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD) that applies to certain Raytheon Aircraft Company (Raytheon) Beech Models 60, A60, and B60 airplanes. This AD requires you to inspect for the existence of any lower forward wing bolts with the Mercury Aerospace trademark, and replace any such bolt with an FAA-approved bolt without this trademark. This AD is the result of a report that wing bolts supplied by Mercury Aerospace may not meet Rockwell hardness specifications. The actions specified by this AD are intended to detect and correct wing bolts that do not meet strength requirements. Continued airplane operation with such bolts could result in fatigue failure of the bolts with consequent separation of the wing from the airplane.

DATES: This AD becomes effective on March 19, 2001.

The Director of the Federal Register approved the incorporation by reference of certain publications listed in the regulations as of March 19, 2001.

ADDRESSES: You may get the service information referenced in this AD from Raytheon Aircraft Company, P.O. Box 85, Wichita, Kansas 67201–0085; telephone: (800) 429–5372 or (316) 676–3140. You may examine this information at the Federal Aviation Administration (FAA), Central Region, Office of the Regional Counsel, Attention: Rules Docket No. 99–CE–74–AD, 901 Locust, Room 506, Kansas City, Missouri 64106; or at the Office of the Federal Register, 800 North Capitol Street, NW, suite 700, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Mr. T.N. Baktha, Aerospace Engineer, FAA, Wichita Aircraft Certification Office, 1801 Airport Road, Mid-Continent Airport, Wichita, Kansas 67209; telephone: (316) 946–4155; facsimile: (316) 946–4407.

SUPPLEMENTARY INFORMATION:

Discussion

What events have caused this AD? The FAA has received a report indicating that about 70 lower forward wing bolts that Mercury Aerospace supplied for certain Raytheon Models 60, A60, and B60 airplanes may not meet Rockwell hardness specifications. The bolts were distributed between 1995 and 1996. An independent test lab has confirmed that the bolts do not meet the structural requirements for an MS21250–14034 bolt. Specifically, these wing bolts are required to meet Rockwell hardness specifications of C39–C43. Laboratory tests indicate that bolts from this manufacturing batch are below these specifications.

What are the consequences if the condition is not corrected? Continued airplane operation with such bolts could result in fatigue failure of the bolts with consequent separation of the wing from the airplane.

Has FAA taken any action to this point? We issued a proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to include an AD that would apply to certain Raytheon Beech Models 60, A60, and B60 airplanes. This proposal was published in the Federal Register as a notice of proposed rulemaking (NPRM) on October 12, 2000 (65 FR 60599). The NPRM proposed to require you to inspect for the existence of any lower forward wing bolt with the Mercury Aerospace trademark and replace such bolt with an FAA-approved bolt without this trademark.

Was the public invited to comment? Interested persons were afforded an opportunity to participate in the making of this amendment. No comments were received on the proposed rule or the FAA’s determination of the cost to the public.

The FAA’s Determination

What is FAA’s final determination on this issue? After careful review of all available information related to the subject presented above, we have determined that air safety and the public interest require the adoption of the rule as proposed except for minor