14, 2000, is adopted as a final rule without change.

Dated: December 19, 2000.

Robert C. Keeney,

Deputy Administrator, Fruit and Vegetable Programs.

[FR Doc. 00–32715 Filed 12–21–00; 8:45 am]

BILLING CODE 3410–02–P

FEDERAL RESERVE SYSTEM

12 CFR Part 203

[Regulation C; Docket No. R–1093]

Home Mortgage Disclosure

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; staff commentary.

SUMMARY: The Board is publishing a final rule amending the staff commentary that interprets the requirements of Regulation C (Home Mortgage Disclosure). The Board is required to adjust annually the asset-size exemption threshold for depository institutions based on the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. The present adjustment reflects changes for the twelve-month period ending in November 2000. During this period, the index increased by 3.4 percent; as a result, the threshold is increased to $31 million. Thus, depository institutions with assets of $31 million or less as of December 31, 2000, are exempt from data collection in 2001.

EFFECTIVE DATE: January 1, 2001. This rule applies to all data collection in 2001.

FOR FURTHER INFORMATION CONTACT: Kathleen C. Ryan, Senior Attorney, Division of Consumer and Community Affairs, at (202) 452–3667; for users of Telecommunications Device for the Deaf (TDD) only, contact Janice Simms at (202) 872–4984.

SUPPLEMENTARY INFORMATION: The Home Mortgage Disclosure Act (HMDA; 12 U.S.C. 2801 *et seq.*) requires most mortgage lenders located in metropolitan areas to collect data about their housing-related lending activity. Annually, lenders must file reports with their federal supervisory agencies and make disclosures available to the public. The Board's Regulation C (12 CFR part 203) implements HMDA.

Provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (codified at 12 U.S.C. 2808(b)) amended HMDA to expand the exemption for small depository institutions. Prior to 1997, HMDA exempted depository institutions with assets totaling $10 million or less, as of the preceding year end. The statutory amendment increased the asset-size exemption threshold by requiring a one time adjustment of the $10 million figure based on the percentage by which the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIW) for 1996 exceeded the CPIW for 1975, and provided for annual adjustments thereafter based on the annual percentage increase in the CPIW. The one-time adjustment increased the exemption threshold to $28 million for 1997 data collection.

Section 203.3(a)(1)(ii) of Regulation C provides that the Board will adjust the threshold based on the year-to-year change in the average of the CPIW, not seasonally adjusted, for each twelve-month period ending in November, rounded to the nearest million. Pursuant to this section, the Board raised the threshold to $30 million for 1999 data collection, and kept it at that level for data collection in 2000.

During the period ending November 2000, the CPIW increased by 3.4 percent. As a result, the threshold is increased to $31 million. Thus, depository institutions with assets of $31 million or less as of December 31, 2000, are exempt from data collection in 2001. An institution's exemption from collecting data in 2001 does not affect its responsibility to report the data it was required to collect in 2000.

The Board is amending comment 3(a)–2 of the staff commentary to implement the increase in the exemption threshold. Under the Administrative Procedure Act, notice and opportunity for public comment are not required if the Board finds that notice and public comment are unnecessary or would be contrary to the public interest. 5 U.S.C. 553(b)(B). Regulation C establishes the formula for determining adjustments to the exemption threshold, if any, and the amendment to the staff commentary merely applies the formula. This amendment is technical and not subject to interpretation. For these reasons, the Board has determined that publishing a notice of proposed rulemaking and providing opportunity for public comment are unnecessary and would be contrary to the public interest. Therefore, the amendment is adopted in final form.

List of Subjects in 12 CFR Part 203

Banks, Banking, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board amends 12 CFR part 203 as follows:

PART 203—HOME MORTGAGE DISCLOSURE (REGULATION C)

1. The authority citation for part 203 continues to read as follows:

Authority: 12 U.S.C. 2801–2810.

2. In Supplement I to part 203, under Section 203.3—Exempt Institutions, under 3(a) *Exemption based on location, asset size, or number of home-purchase loans,* paragraph 2 is revised to read as follows:

Supplement I to Part 203—Staff Commentary

* * * * *

Section 203.3 Exempt Institutions

3(a) *Exemption based on location, asset size, or number of home-purchase loans.*

* * * * *

2. *Adjustment of exemption threshold for depository institutions.* For data collection in 2001, the asset-size exemption threshold is $31 million. Depository institutions with assets at or below $31 million are exempt from collecting data for 2001.

* * * * *

By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, December 19, 2000.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 00–32749 Filed 12–21–00; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

12 CFR Part 225

[Regulation Y; Docket No. R–1078]

Bank Holding Companies and Change in Bank Control

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System, in consultation with the Secretary of the Treasury and after seeking public comment, has determined by rule that acting as a finder is an activity that is incidental to a financial activity and therefore permissible for a financial holding company. The Board's final rule amends Subpart I of Regulation Y by adding acting as a finder to the list of activities that a financial holding company may conduct using the streamlined post-

transaction notice procedure authorized by the Gramm-Leach-Bliley Act.

The final rule allows a financial holding company to bring together buyers and sellers of products and services for transactions that the buyers and sellers themselves negotiate and consummate. The rule provides examples of specific services that a financial holding company may and may not perform when acting as a finder under the rule. The rule also requires a financial holding company that acts as a finder to provide appropriate disclosures to distinguish products and services that are offered by the financial holding company from those that are offered by a third party using the financial holding company's finder service.

DATES: Effective January 22, 2001.

FOR FURTHER INFORMATION CONTACT: Scott G. Alvarez, Associate General Counsel (202/452–3583), Kieran J. Fallon, Senior Counsel (202/452–5270), or Adrianne G. Threatt, Senior Attorney (202/452–3554), Legal Division; Betsy Cross, Assistant Director (202/452–2574), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C., 20551. For users of Telecommunications Device for the Deaf (''TDD''), contact Janice Simms at 202/452–4984.

SUPPLEMENTARY INFORMATION:

Background

The Gramm-Leach-Bliley Act (Pub. L. 106–102, 113 Stat. 1338 (1999)) (''GLB Act'') amended the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (''BHC Act'') to allow a bank holding company or foreign bank that qualifies as a financial holding company to engage in a broad range of activities that the GLB Act defined as financial in nature or incidental to a financial activity. The GLB Act also provides that the Board, in consultation with the Secretary of the Treasury (''Secretary''), may determine that additional activities are financial in nature or incidental to a financial activity and, thus, permissible for a financial holding company.[1]

Earlier this year, the Board, after consulting with the Secretary, requested public comment on a proposal to determine that acting as a finder is an activity that is incidental to a financial activity and, therefore, permissible for a financial holding company.[2] Under the proposal, a financial holding company could act as a finder that brings together one or more buyers and sellers of any type of products and services for transactions that the parties themselves negotiate and consummate. The proposed rule noted that the services provided by a finder could include: (1) identifying potential parties to a transaction, making inquiries as to interest, introducing and referring potential parties to each other, and arranging contacts between and meetings of interested parties; (2) conveying between interested parties expressions of interest, bids, offers, orders, and confirmations relating to a transaction; and (3) transmitting information concerning products and services to potential parties in connection with the activities described in items (1) and (2) above. To illustrate some of the services of a finder, the proposed rule included examples of specific services that a finder could provide under the proposed rule, including hosting an Internet marketplace on the finder's web site, hosting the Internet web site of a seller, and operating an Internet web site that allows multiple buyers and sellers to enter into transactions between themselves.

The proposed rule also included specific parameters designed to ensure that a finder did not engage in any nonfinancial activity. In addition, the proposed rule required a finder to use disclosures or other means to distinguish the products and services offered by the financial holding company from those offered by a third party through the finder service.

Overview of Public Comments

The Board received 18 public comments on the proposal. Commenters included financial holding companies and other bank holding companies; trade associations representing the banking, securities, and real estate industries; a state banking and insurance department; and a law firm.

Nearly all of the commenters supported the proposal. Many of these commenters praised the scope of the proposed rule or stated that adoption of the proposal would increase the ability of financial holding companies to compete effectively with other financial service providers in a manner consistent with the purposes of the GLB Act. Some commenters that supported the proposal suggested that the Board determine acting as finder to be a financial activity, rather than an activity that is incidental to a financial activity. Two commenters opposed the proposal, contending that it would allow financial holding companies to engage in commercial activities and would expose financial holding companies to additional risks.

Commenters also requested that the Board make certain changes to the proposed rule. For example, some commenters requested that the Board expand, modify, or clarify the examples of permissible finder services included in the proposed rule. In addition, while some commenters supported the limitations included in the proposed rule on the finder activities of financial holding companies, other commenters requested that the Board modify or eliminate some of these limitations, including the limitations that prevent a financial holding company from binding a buyer or seller to a specific transaction, negotiating the terms of a specific transaction on behalf of a buyer or seller, or engaging in any activity that would cause the company to register or obtain a license as a real estate agent or broker. One commenter urged that the limitations on real estate agency and brokerage activities be retained.

Some commenters asked the Board to provide additional guidance concerning how a financial holding company could comply with the disclosure requirements of the proposed rule. A few commenters also asked that the Board clarify that the proposed limitations on the finder activities do not apply to other activities that a financial holding company is authorized to conduct.

Final Rule

National banks and many state banks are permitted to act and have acted as a finder in nonfinancial transactions for many years. Opportunities to provide finder services and interest in acting as a finder have grown dramatically with advances in technology and the increased use of the Internet. Thus, banking organizations, which in the past largely have served as a finder by providing statement stuffers and other marketing materials of sellers of various products and services or by helping to

[1] *See* 12 U.S.C. 1843 (k)(2). In determining whether to authorize an additional activity, the GLB Act directs the Board to consider: (1) the purposes of the GLB and BHC Acts; (2) the changes or reasonably expected changes in the marketplace in which financial holding companies compete; (3) the changes or reasonably expected changes in technology for delivering financial services; and (4) whether the proposed activity is necessary or appropriate to allow a financial holding company to compete effectively with companies seeking to provide financial services in the United States, efficiently deliver financial information and services through technological means, and offer customers any available or emerging technological means for using financial services or for the document imaging of data. The Board also may consider other information that it considers relevant to its determination.

[2] *See* 65 FR 47696 (August 3, 2000).

identify service providers as an accommodation to customers, have begun to explore the opportunity to act as a finder electronically on a broader scale. Financial holding companies have argued that acting as a finder, particularly electronically, offers increased opportunities for financial holding companies to cross sell financial products and services or to enhance the attractiveness to customers of the financial holding company's own electronic web site. Commenters asserted that authorizing FHCs to act as a finder as proposed would facilitate competition between FHCs and nonbanking companies to provide customers with a wide range of financial services. One commenter stated that the new authority particularly would benefit FHCs affiliated with community banks, which often are knowledgeable about the business interests of third parties with whom they deal. In this way, finder services have become incidental to financial activities.

After carefully reviewing the public comments on the finder proposal, the Board has adopted a final rule that provides that acting as a finder, as defined in the rule, is an activity that is incidental to a financial activity and therefore permissible for financial holding companies to conduct. Under the GLB Act, the Board may not determine that an activity is financial in nature or incidental to a financial activity if the Secretary notifies the Board in writing that the Secretary believes the activity is not financial in nature, incidental to a financial activity, or otherwise permissible under section 4 of the BHC Act. The Secretary must notify the Board of the Secretary's determination within 30 days of receiving notice from the Board, or within such longer period as the Board may allow under the circumstances. The Board has provided the Secretary with notice of the proposed activity as required by the GLB Act and the Secretary has informed the Board in writing that the Secretary does not object to the final rule as adopted.

The Board has made a number of changes to the rule to respond to public comments and to clarify the scope of the proposed rule. These changes and the comments on particular aspects of the rule are discussed below.

Detailed Description of Final Rule

The rule adds ''acting as finder'' to the list of activities in section 225.86 of Subpart I of the Board's Regulation Y that are financial in nature or incidental to a financial activity and, thus, permissible for a financial holding company. Bank holding companies and foreign banks that qualify as financial holding companies may engage in finder activities by using the post-transaction notice procedure described in section 225.87 of Regulation Y. Bank holding companies and foreign banks that do not qualify as financial holding companies may not engage in finder activities under the rule.

Section 225.86(d)(1)(i)—What Is the Scope of Finder Activities?

The activity of a finder is defined under the rule as bringing together one or more buyers and sellers of any product or service for transactions that the parties themselves negotiate and consummate. A financial holding company may act as a finder under the rule for financial and nonfinancial products or services that are offered or sold by third-party buyers and sellers.[3]

As the Board noted in the proposal, the actual services provided by a finder in a particular transaction may vary. Under current practices, however, finders perform two principal functions—(1) locating and matching third parties that are interested in engaging in a business transaction between themselves, and (2) acting as a conduit for transaction-related information between parties that may be or are interested in conducting a business transaction between themselves.

Accordingly, the final rule provides that the services provided by a finder may include—

(1) Identifying potential parties that may be interested in engaging in a transaction between themselves;

(2) Making inquiries of third parties as to their interest in engaging in a transaction with another party;

(3) Introducing and referring potential parties to each other;

(4) Arranging contacts and meetings between interested parties;

(5) Conveying expressions of interests, bids, offers, orders, and confirmations relating to a transaction between third parties; and

(6) Transmitting information concerning products and services to potential parties in connection with the activities described in paragraphs (1) through (5) above, such as transmitting to a buyer information concerning the products and services offered by a seller or transmitting to a seller the product preferences of a buyer.

Some commenters requested that the Board clarify that a finder may act through a variety of media, including through electronic means (such as the Internet) or non-electronic means. The final rule explicitly provides that a finder may act through any means and also clarifies that a finder may perform one, all, or any combination of the permissible finder services described in the rule.

A few commenters contended that the Board should expand the rule to allow a finder to transmit or exchange any type of information between any parties. The final rule authorizes financial holding companies to transmit any type of information between potential parties to a transaction, including information about the buyer and seller and the products and services sought or offered by the buyer or seller, so long as the information is related to the proposed transaction. The Board believes that it is not appropriate to expand this authority to allow a finder to transmit between parties information that is not related to a proposed transaction. Allowing financial holding companies to provide information without limit goes beyond what is necessary to bring transacting parties together and could be interpreted to allow a financial holding company to engage in nonfinancial activities, such as operating a newspaper.

Section 225.86(d)(1)(ii)—What Are Some Examples of Finder Services?

As noted above, the proposed rule included examples of specific services that a finder may provide under the rule. Commenters generally favored the Board's decision to include examples of permissible finder services in the rule but were divided on the issue of whether additional examples of permissible finder services should be provided. A number of commenters requested that the Board modify or clarify certain examples included in the proposed rule, and several commenters requested assurance that the examples included in the rule were not exhaustive.

In light of these comments, the Board has revised and reorganized the examples of permissible finder activities included in the rule to illustrate more fully the breadth of the rule. The examples included in the final rule illustrate that a finder may:

- Host an electronic marketplace Internet web site that provides hypertext or similar links to the web sites of third party buyers or sellers;

[3] The Board notes that a financial holding company is permitted to act as a finder for financial products and services as part of other permissible financial activities. For example, a financial holding company may act as a finder in the purchase and sale of securities under authority to act as a securities broker under § 225.86(a) of Regulation Y, or act as a finder in the purchase and sale of insurance products as an insurance agent under § 225.86(c) of Regulation Y.

• Host the Internet web site of a buyer (or seller) that provides information concerning the buyer (or seller) and the products or services it seeks to buy (or sell) and allows sellers (or buyers) to submit expressions of interest, bids, offers, orders, and confirmations relating to such products or services;

• Host the Internet web site of a government or government agency that provides information concerning the services or benefits made available by the government or government agency, assists persons in completing applications to receive such services or benefits from the government or agency, and allows persons to transmit their applications for services or benefits to the government or agency;

• Operate an Internet web site that allows multiple buyers and sellers to exchange information concerning the products and services that they are willing to purchase or sell, locate potential counterparties for transactions, aggregate orders for goods or services with those made by other parties, and enter into transactions between themselves; and

• Operate a telephone call center that provides permissible finder services.

The rule states that the examples of permissible finder services included in the rule are illustrative and not exclusive. Furthermore, while the Board expects that financial holding companies likely will engage in finder activities through electronic means, such as over the Internet or other electronic networks, a finder may act through any means available so long as the activity complies with the requirements of the rule. Financial holding companies that are uncertain whether a proposed activity is within the scope of the rule may contact Federal Reserve staff to discuss the proposal.

Section 225.86(d)(1)(iii)—What Limitations Are Applicable to a Financial Holding Company Acting as a Finder?

The rule prevents a finder from becoming a principal in the underlying transaction. In particular, a finder may not negotiate for or bind third parties; acquire or take title to, or provide distribution services for, products and services offered or sold through the finder service; or own or operate real property used to manufacture, store, transport, or assemble products offered or sold by a third party.

Several commenters requested that the Board modify or eliminate certain of these limitations. For example, some commenters requested that the Board remove the restrictions on binding parties or negotiating transactions or, alternatively, allow a financial holding company to take such actions within parameters established by the buyer or seller. A few commenters also contended that the Board should allow a finder to acquire an ownership interest in products as a ''riskless principal.'' In addition, some commenters asked the Board to confirm that the restrictions included in the rule would not prevent a financial holding company from operating an electronic exchange that provides finder services and that automatically matches bids and offers submitted to the exchange, and that these restrictions would not apply to the conduct of financial activities that a financial holding company is authorized to engage in under other provisions of Regulation Y.

The Board has carefully reviewed the limitations included in the proposed rule in light of the comments received. As a general matter, the Board continues to believe that the restrictions included in the proposed rule are appropriate to ensure that a finder acts only as an intermediary in providing finder services and does not otherwise become involved in impermissible commercial activities. The Board recognizes, however, that technological developments in communications, computing, and the Internet have made the intermediary function more important and that further developments in these areas may alter the methods and manner of providing finder services. The Board intends to monitor future developments in technology, the financial services industry, and the market for finder services and to review periodically the limits in the rule to determine whether such limits continue to be necessary or appropriate.

For the foregoing reasons, the final rule continues to provide that a finder may act only as an intermediary and may not bind any buyer or seller to the terms of a specific transaction or negotiate the terms of a specific transaction on behalf of a buyer or seller. In response to comments, the final rule clarifies that these restrictions do not prevent a finder from establishing rules of general applicability governing the use and operation of the finder service. These operating rules may, for example, establish the parameters under which buyers and sellers may submit bids and offers to the finder service and the circumstances under which the finder service will match bids and offers submitted by buyers and sellers. Similarly, the finder may establish rules of general applicability that govern the manner in which buyers and sellers bind themselves to the terms of a specific transaction entered into through the finder service. Under these provisions, a financial holding company may establish and operate an electronic exchange that assists buyers and sellers to locate potential counterparties, matches buyers and sellers that submit bids and offers within specified ranges established by the rules of the exchange, and requires buyers and sellers to accept transactions matched through the exchange.

The proposed rule also stated that the proposal did not prevent a financial holding company from arranging for buyers that use its finder services to receive preferred terms from sellers so long as the terms are not negotiated as part of any individual transaction, are made available to broad categories of customers, and are provided by the seller and not the financial holding company. Commenters generally supported this provision and it is retained in the final rule.

The final rule does not authorize a financial holding company to take title to, or acquire or hold an ownership interest in, any product or service offered or sold through the finder service or provide distribution services for physical products or services offered or sold through such service. In addition, a financial holding company may not own or operate any real or personal property that is used for the purpose of manufacturing, storing, transporting, or assembling physical products offered or sold by third parties, or that serves as a physical location for the physical purchase, sale, or distribution of products or services offered or sold by third parties. These limitations are consistent with the limited role of a finder as an intermediary and distinguish a finder, for example, from a company that owns or operates a physical shopping mall, retail store, a manufacturing plant, a product distribution center, or a transport or trucking company.

Acting As a Real Estate Agent or Broker

The proposed rule did not authorize a financial holding company to engage in any activity that would require the company to register or obtain a license as a real estate agent or broker under applicable law. While some commenters supported this provision, others requested that the Board remove the provision from the rule or amend the rule to only prohibit financial holding companies from engaging in ''general'' real estate agency or brokerage activities under the rule.

The Board has not to date determined whether real estate agency or brokerage activities are financial in nature or incidental to financial activities and, thus, permissible for financial holding companies. The Board has received a request to determine that real estate agency and brokerage services are financial in nature and separately has requested public comment on a proposal that would find those activities to be financial in nature or incidental to a financial activity.[4] Accordingly, the final rule retains the limitation that prohibits a financial holding company from engaging in activities that require licensing or registration as a real estate broker.[5]

Other Authorities Not Affected

As noted above, several commenters were uncertain whether the limits included in the rule applied to or restricted the conduct of other financial activities that a financial holding company is authorized to conduct. The Board confirms that authorization to act as a finder is in addition to, and separate from, the authority that a financial holding company has under other provisions of Regulation Y to conduct other financial activities. The restrictions contained in § 225.86(d)(1)(iii) apply only to the finder activities conducted by a financial holding company under § 225.86(d) of Regulation Y. These limitations do not restrict or otherwise limit the manner in which a financial holding company may conduct other activities that are permissible for a financial holding company, such as securities brokerage, insurance agency, investment advisory, or leasing activities.

In this regard, a financial holding company that acts as a finder for a buyer or seller may also provide the buyer or seller any combination of other services that are permissible under Regulation Y so long as the finder and other services are provided in accordance with any applicable limitations under the rule and Regulation Y. For example, a finder for a merchant may, in addition to acting as finder, make, acquire, broker, or service loans or other extensions of credit to or for the merchant or the merchant's customers; provide the merchant with check verification, check guaranty, collection agency and credit bureau services; provide financial investment advice to the merchant or the merchant's customers within the parameters of Regulation Y; act as a certification authority for digital signatures and thereby authenticate the identity of persons conducting business with the merchant over electronic networks; and process and transmit financial, economic, and banking data on behalf of the merchant, such as by processing the merchant's accounts receivables and debit and credit card transactions, providing the merchant with bill payment and billing services, and processing order, distribution, accounting, settlement, collection and payment information for the merchant's transactions.[6]

Furthermore, a financial holding company may market and provide its own financial products and services in conjunction with acting as a finder for buyers and sellers of nonfinancial products and services. For example, a financial holding company may use its finder service to promote the company's own products and services and, in connection with that activity, may negotiate on its own behalf and bind itself to transactions.

Section 225.86(d)(1)(iv)—What Disclosures Are Required?

The proposed rule required a finder to distinguish the products and services offered by the financial holding company from the products and services offered through the finder service by a third party. A number of commenters supported this disclosure requirement as an appropriate means of limiting potential customer confusion and reputational risk to financial holding companies. Some commenters requested that the Board provide additional guidance, such as sample disclosure clauses, illustrating how a financial holding company could comply with the rule's disclosure requirements.

The final rule continues to require that a finder distinguish the products or services offered by the financial holding company from those offered by a third party through the finder service. Because a financial holding company may act as a finder for third parties through varied technological means and in a wide variety of circumstances, the Board has determined not to identify specific disclosures that must or could be provided by financial holding companies. The Board expects financial holding companies to provide disclosures that, given the medium employed and type of buyers and sellers using the service (*e.g.,* consumers or corporations), are reasonably designed to ensure that users are not led to believe that the financial holding company is providing the products or services offered or sold by third parties through the finder service. A financial holding company could provide such notice by identifying through appropriate means those products or services that are offered or sold by the financial holding company (with a corresponding notice that all other products or services are provided by third parties), or by identifying those products or services that are offered and sold by third parties and not by the financial holding company. Financial holding companies are encouraged to tailor the content and presentation of their disclosures to suit the specific type of finder service they are providing. The Board intends to monitor the disclosure practices of financial holding companies and may provide additional guidance, such as identifying best practices in this area, as it gains experience with the finder activities of financial holding companies.

Regulatory Flexibility Act

In accordance with the Regulatory Flexibility Act, the Board is required to conduct an analysis of the effect this final rule would have on small institutions. The rule authorizes all financial holding companies regardless of their size to engage in a new activity—that of acting as a finder. Moreover, the rule enables such companies to commence the new activity by using the streamlined post-transaction notice procedure authorized by the GLB Act, which is the least burdensome notice procedure available to a financial holding company. This rule therefore should enhance the ability of financial holding companies, including small ones, to compete with other providers of financial services in the United States and to respond to technological and other changes in the marketplace in which financial holding companies compete. Moreover, the comments received by the Board did not indicate that the rule would impose a

[4] Published in the December 21, 2000, issued of the **Federal Register**.

[5] One commenter requested that the Board clarify that the rule does not preempt any applicable state insurance or mortgage solicitation licensing requirements. This rule represents a determination that finder activities are permissible activities for financial holding companies and does not represent an attempt by the Board to preempt applicable state law. This rule does not address whether other federal law, such as section 104 of the GLB Act (15 U.S.C. § 6701), may limit the applicability of state law in specific situations.

[6] *See* 12 CFR 225.28(b)(1) (extending credit and servicing extensions of credit); (b)(2)(iii), (iv), and (v) (credit bureau, check guaranty, check verification, collection agency and credit bureau services); (b)(6) (financial and investment advice); 12 CFR 225.86(a)(2) (certification authority for digital signatures); and 12 CFR 225.28(b)(14), *Banc One Corporation, Inc.,* 83 Federal Reserve Bulletin 602 (1997); *Royal Bank of Canada,* 83 Federal Reserve Bulletin 135 (1997); *Compagnie Financiere de Paribas,* 82 Federal Reserve Bulletin 348 (1996) (financial data processing and data transmission services).

burden on financial holding companies of any size.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the rule under authority delegated to the Board by the Office of Management and Budget (''OMB''). The Board may not conduct or sponsor, and an organization is not required to respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100–0292.

A financial holding company may engage in the finder activities authorized by this rule by providing a post-transaction notice in accordance with § 225.87 of Regulation Y. This information is mandatory to evidence compliance with the requirements of the GLB Act and Regulation Y, and the burden of the post-transaction notice requirement was reviewed in connection with the Board's adoption of § 225.87.

In addition, this rule requires a finder to distinguish the products and services offered by the financial holding company from those offered by a third party through the finder service. Provision of such disclosures, although not contained in a submission to the Board, does constitute a collection of paperwork under the Paperwork Reduction Act. Financial holding companies, of which there are approximately 450, are the respondents/recordkeepers. Board staff anticipates that the majority of the burden on financial holding companies will be a one-time burden in the first year a company engages in the finder activity, when the financial holding company must develop a mechanism to distinguish the products and services offered by the financial holding company from those offered by a third party through the finder service. The estimated one-time burden to develop such disclosures is one hour. Although financial holding companies may update their disclosures periodically, this will be a negligible burden on them. It is estimated that there will be 50 financial holding companies required to comply with the post-transaction notice with an average of 1 update per respondent each year. Therefore the total amount of annual burden is estimated to be 50 hours.

Board staff estimates that there would be nominal start up costs associated with modifying the operations of the financial holding company's finder service to provide this notice. Thus, there is estimated to be no annual cost burden over the annual hour burden.

Because the disclosures would be maintained at and provided by financial holding companies and the disclosures are not submitted to the Federal Reserve System, no issue of confidentiality arises under the Freedom of Information Act. The Board has a continuing interest in the public's opinions of its collections of information. At any time, comments regarding the burden estimate, or any other aspect of this collection of information, including suggestions for reducing the burden, may be sent to: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100–0292), Washington, DC 20503.

List of Subjects in 12 CFR Part 225

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

Authority and Issuance

For the reasons set out in the preamble, the Board amends 12 CFR part 225 as follows:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p–1, 1843(c)(8), 1843(k), 1844(b), 1972(l), 3106, 3108, 3310, 3331–3351, 3907, and 3909.

2. Section 225.86 is amended by adding a new paragraph (d) to read as follows:

§ 225.86 What activities are permissible for financial holding companies?

* * * * *

(d) *Activities determined to be financial in nature or incidental to financial activities by the Board*—(1) *Acting as a finder*—Acting as a finder in bringing together one or more buyers and sellers of any product or service for transactions that the parties themselves negotiate and consummate.

(i) *What is the scope of finder activities?* Acting as a finder includes providing any or all of the following services through any means—

(A) Identifying potential parties, making inquiries as to interest, introducing and referring potential parties to each other, and arranging contacts between and meetings of interested parties;

(B) Conveying between interested parties expressions of interest, bids, offers, orders and confirmations relating to a transaction; and

(C) Transmitting information concerning products and services to potential parties in connection with the activities described in paragraphs (d)(1)(i)(A) and (B) of this section.

(ii) *What are some examples of finder services?* The following are examples of the services that may be provided by a finder when done in accordance with paragraphs (d)(1)(iii) and (iv) of this section. These examples are not exclusive.

(A) Hosting an electronic marketplace on the financial holding company's Internet web site by providing hypertext or similar links to the web sites of third party buyers or sellers.

(B) Hosting on the financial holding company's servers the Internet web site of—

(*1*) A buyer (or seller) that provides information concerning the buyer (or seller) and the products or services it seeks to buy (or sell) and allows sellers (or buyers) to submit expressions of interest, bids, offers, orders and confirmations relating to such products or services; or

(*2*) A government or government agency that provides information concerning the services or benefits made available by the government or government agency, assists persons in completing applications to receive such services or benefits from the government or agency, and allows persons to transmit their applications for services or benefits to the government or agency.

(C) Operating an Internet web site that allows multiple buyers and sellers to exchange information concerning the products and services that they are willing to purchase or sell, locate potential counterparties for transactions, aggregate orders for goods or services with those made by other parties, and enter into transactions between themselves.

(D) Operating a telephone call center that provides permissible finder services.

(iii) *What limitations are applicable to a financial holding company acting as a finder?*

(A) A finder may act only as an intermediary between a buyer and a seller.

(B) A finder may not bind any buyer or seller to the terms of a specific transaction or negotiate the terms of a specific transaction on behalf of a buyer or seller, except that a finder may—

(*1*) Arrange for buyers to receive preferred terms from sellers so long as the terms are not negotiated as part of any individual transaction, are provided generally to customers or broad categories of customers, and are made available by the seller (and not by the financial holding company); and

(*2*) Establish rules of general applicability governing the use and operation of the finder service, including rules that—

(*i*) Govern the submission of bids and offers by buyers and sellers that use the finder service and the circumstances under which the finder service will match bids and offers submitted by buyers and sellers; and

(*ii*) Govern the manner in which buyers and sellers may bind themselves to the terms of a specific transaction.

(C) A finder may not—

(*1*) Take title to or acquire or hold an ownership interest in any product or service offered or sold through the finder service;

(*2*) Provide distribution services for physical products or services offered or sold through the finder service;

(*3*) Own or operate any real or personal property that is used for the purpose of manufacturing, storing, transporting, or assembling physical products offered or sold by third parties; or

(*4*) Own or operate any real or personal property that serves as a physical location for the physical purchase, sale or distribution of products or services offered or sold by third parties.

(D) A finder may not engage in any activity that would require the company to register or obtain a license as a real estate agent or broker under applicable law.

(iv) *What disclosures are required?* A finder must distinguish the products and services offered by the financial holding company from those offered by a third party through the finder service.

(2) [Reserved]

December 19, 2000.

By order of the Board of Governors of the Federal Reserve System.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 00–32747 Filed 12–21–00; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2000–SW–19–AD; Amendment 39–12049; AD 2000–26–02]

RIN 2120–AA64

Airworthiness Directives; Eurocopter Deutschland Model EC135 P1 and T1 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment supersedes an existing airworthiness directive (AD) that applies to Eurocopter Deutschland Model EC135 P1 and T1 helicopters. That AD currently requires visual and dye-penetrant inspections for a cracked stator blade of the fenestron tail rotor (tail rotor). That AD also requires either stop drilling a cracked blade or, as necessary, replacing an unairworthy stator blade with an airworthy stator blade. This amendment requires replacing the existing stator blade assembly with a new stator blade assembly that incorporates a reinforced base and modified riveting and limits the applicability to certain serial numbered tail booms. This amendment is prompted by additional reports of cracked stator blades of the tail rotor. The actions specified by this AD are intended to prevent failure of the tail rotor and subsequent loss of control of the helicopter.

EFFECTIVE DATE: January 26, 2001.

FOR FURTHER INFORMATION CONTACT: Richard Monschke, Aviation Safety Engineer, FAA, Rotorcraft Directorate, Rotorcraft Standards Staff, 2601 Meacham Blvd., Fort Worth, Texas 76137, telephone (817) 222–5116, fax (817) 222–5961.

SUPPLEMENTARY INFORMATION: A proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) by superseding AD 97–20–13, Amendment 39–10240 (62 FR 65198), which is applicable to Eurocopter Deutschland Model EC135 P1 and T1 helicopters, was published in the **Federal Register** on September 18, 2000 (65 FR 56276). That action proposed to require replacing any stator blade assembly, part number (P/N) L 535A4201 052, with a stator blade assembly, P/N L 535A4201 053, that incorporates a reinforced base and modified riveting. That action also proposed limiting the applicability to certain serial numbered tail booms.

Interested persons have been afforded an opportunity to participate in the making of this amendment. No comments were received on the proposal or the FAA's determination of the cost to the public. The FAA has determined that air safety and the public interest require the adoption of the rule as proposed.

The FAA estimates that 25 helicopters of U.S. registry will be affected by this AD, that it will take approximately 12 work hours per helicopter to accomplish the required actions, and that the average labor rate is $60 per work hour. The manufacturer states in its service bulletin that parts and labor will be furnished at no cost. Based on that information, there is no cost impact from the AD on U.S. operators.

The regulations adopted herein will not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, it is determined that this final rule does not have federalism implications under Executive Order 13132.

For the reasons discussed above, I certify that this action (1) is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979); and (3) will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act. A final evaluation has been prepared for this action and it is contained in the Rules Docket. A copy of it may be obtained from the Rules Docket at the FAA, Office of the Regional Counsel, Southwest Region, 2601 Meacham Blvd., Room 663, Fort Worth, Texas.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Safety.

Adoption of the Amendment

Accordingly, pursuant to the authority delegated to me by the Administrator, the Federal Aviation Administration amends part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

PART 39—AIRWORTHINESS DIRECTIVES

1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.