

RESCINDED

Office of Thrift Supervision
Department of the Treasury

July 13, 2001

Transmittal TR-256

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. 112, pp. 31186-31189

Number TR-256

The Office of Thrift Supervision (OTS) published the attached request for comment on a study of regulations regarding the delivery of financial services.

Section 729 of the Gramm-Leach-Bliley Act requires the federal banking agencies to conduct studies of their regulations and report their findings and recommendations back to Congress. Section 729 also requires each agency to recommend appropriate legislative or regulatory action to adapt existing requirements to online banking and lending. To assist in this review, OTS is requesting comment on a variety of issues relating to the electronic delivery of financial products and services by savings associations.

The request for comment was published in the June 11, 2001 edition of the Federal Register, Vol. 66, No. 112, pp. 31186-31189. Written comments must be received on or before August 10, 2001, and should be addressed to Regulation Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Comments may be mailed, hand-delivered, faxed to 202/906-6518 or e-mailed to: regs.comments@ots.treas.gov. All commenters should include their name and telephone number.

For further information contact:

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Assistant Chief Counsel
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— Richard M. Riccobono
Deputy Director
Office of Thrift Supervision

Attachment

Submitted by: Associated Milk Producers, Inc. et.al., First District Association, and Lakeshore Federated Dairy Cooperative

Proposal No. 1

1. Amend § 1030.12 by adding a new paragraph (b)(5) to read as follows:

§ 1030.12 Producer

* * * * *

(b) * * *

Notice of Hearing—Upper Midwest Marketing Area—DA-01-03

(5) A dairy farmer whose milk is pooled on a state order with a marketwide pool.

Submitted by: Land O'Lakes, Inc.

Proposal No. 2

Proposes that California milk previously qualified for pooling on the Upper Midwest Order be “grandfathered” or exempt from any change in the marketing order that would provide for its exclusion.

Proposal No. 3

Proposes that quota milk from California be excluded from being pooled on the Upper Midwest Order.

Submitted by: Dairy Farmers of America

Proposal No. 4

1. Amend § 1030.13 by designating paragraph (d)(3) as (d)(4); adding a new paragraph (d)(3); and adding a new paragraph (e) to read as follows:

§ 1030.13 Producer Milk

* * * * *

(d) * * *

(3) The quantity of milk diverted to nonpool plants by a pool plant operator as described in § 1030.7(a) or (b) may not exceed 90 percent of each reporting unit of the handler's receipts made pursuant to § 1030.30(a). This percentage is subject to adjustments that may be made pursuant to § 1030.7(g).

(e) Milk from producers physically located outside of the states of Illinois, Iowa, Minnesota, North Dakota, South Dakota, Wisconsin and the Upper Peninsula portion of Michigan shall be grouped by individual state units and each state unit shall be:

(1) Reported on separate report(s) pursuant to § 1030.30; and

(2) At least 10 percent of each reporting unit of the handler shall be delivered to pool plants as described in § 1030.7(a) or (b), and such deliveries shall not be used by the handler in meeting the minimum shipping percentages required pursuant to § 1030.7(c) or (f) or § 1030.13(d); and

(3) The percentages of § 1030.13(e)(2) are subject to any adjustments that may be made pursuant to § 1030.7(g).

Proposal No. 5

Proposes that the rate for advance payments be set at a percentage of the prior month's lowest class price, expected to be between 103 and 108 percent; or the rate for advance payment be set between 93 and 96 percent of the Class I price mover for the month.

Proposed by Dairy Programs, Agricultural Marketing Service:

Proposal No. 6

Make such changes as may be necessary to make the entire marketing agreement and the order conform with any amendments thereto that may result from this hearing.

Copies of this notice of hearing and the order may be procured from the Market Administrator of the Upper Midwest Milk Marketing Area, or from the Hearing Clerk, Room 1083, South Building, United States Department of Agriculture, Washington, DC 20250, or may be inspected there.

Copies of the transcript of testimony taken at the hearing will not be available for distribution through the Hearing Clerk's Office. If you wish to purchase a copy, arrangements may be made with the reporter at the hearing.

From the time that a hearing notice is issued and until the issuance of a final decision in a proceeding, Department employees involved in the decision-making process are prohibited from discussing the merits of the hearing issues on an ex parte basis with any person having an interest in the proceeding. For this particular proceeding, the prohibition applies to employees in the following organizational units:

Office of the Secretary of Agriculture
Office of the Administrator, Agricultural Marketing Service

Office of the General Counsel
Dairy Programs, Agricultural Marketing Service (Washington office) and the Office of the Market Administrator for the Upper Midwest Milk Marketing Area.

Procedural matters are not subject to the above prohibition and may be discussed at any time.

Dated: June 5, 2001.

Kenneth C. Clayton,
Acting Administrator, Agricultural Marketing Service.

[FR Doc. 01-14539 Filed 6-8-01; 8:45 am]

BILLING CODE 3410-02-P

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Chapter V

[No. 2001-41]

RIN 1550-AB50

Request for Comment on Study of Banking Regulations Regarding the Online Delivery of Financial Services

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Study of regulations; request for comment.

SUMMARY: Pursuant to section 729 of the Gramm-Leach-Bliley Act (GLBA), OTS and the other federal banking agencies are studying their regulations on the delivery of financial services. The purpose of the study is to report findings and conclusions to Congress, together with recommendations for appropriate legislative or regulatory action to adapt existing requirements to online banking and lending. To assist in this review, OTS requests comment on a variety of issues relating to the electronic delivery of financial products and services by savings associations (federally-chartered or state-chartered).
DATES: Comments must be received by August 10, 2001.

ADDRESSES: Mail: Send comments to Regulation Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention Docket No. 2001-41.

Delivery: Hand deliver comments to the Guard's Desk, East Lobby Entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention Regulation Comments, Chief Counsel's Office, Docket No. 2001-41.

Facsimiles: Send facsimile transmissions to FAX Number (202) 906-6518, Attention Docket No. 2001-41.

E-Mail: Send e-mails to regs.comments@ots.treas.gov, Attention Docket No. 2001-41, and include your name and telephone number.

Public Inspection: Comments and the related index will be posted on the OTS Internet Site at www.ots.treas.gov. In addition, you may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment for access, call (202) 906-5922, send an e-mail to public.info@ots.treas.gov, or send a facsimile transmission to (202) 906-7755. (Prior notice identifying the materials you will be requesting will assist us in serving you.) Appointments will be scheduled on business days

between 10:00 a.m. and 4:00 p.m. In most cases, appointments will be available the next business day following the date a request is received.

FOR FURTHER INFORMATION CONTACT:

Mary Jo Johnson, Project Manager, Supervision Policy, (202) 906-5739; Richard Bennett, Counsel (Banking and Finance), (202) 906-7409; or Paul J. Robin, Assistant Chief Counsel, (202) 906-6648; Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION:

I. Background

Section 729 of GLBA,¹ titled "Study and Report on Adapting Existing Legislative Requirements to Online Banking and Lending," requires OTS, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System, to conduct a study of banking regulations regarding the online delivery of financial services.² Section 729 further requires these Federal banking agencies to report their recommendations on adapting existing legislative or regulatory requirements to online banking and lending.

In accordance with section 729, OTS is reviewing its regulations on the delivery of financial services to assess their suitability for transactions conducted through electronic technologies such as the Internet. The purpose of this Request for Comment is to invite public comment on a variety of issues regarding savings association involvement in electronic banking. OTS will use these comments to help it determine whether it should revise any of its regulations to facilitate online banking and lending. OTS also requests comment on how particular statutory provisions affect the online delivery of financial products or services and whether OTS should propose any legislative changes.

II. OTS's Regulatory Approach to New Technologies

OTS recognizes that technological developments are dramatically altering the ways in which savings associations conduct their business. Telecommunication advances offer savings associations faster and more efficient communication and data

transmission. Improvements in computer hardware and software are opening up new applications. The Internet has greatly expanded the market available to financial institutions. These rapid developments in technology are causing savings associations to reevaluate existing delivery channels and business practices, develop new products and services, expand market reach, and serve existing customers more efficiently.

The explosive growth of the Internet also is prompting savings associations to reconsider business strategies and adopt alternative distribution and marketing systems. The rapid establishment of transactional World Wide Web (web) sites by savings associations and the continued operation of some Internet-only savings associations without a conventional brick-and-mortar physical presence present new opportunities and challenges for savings associations. Recent estimates suggest that more than 2,100 financial institutions in the United States have established transactional web sites. To date, approximately 350 savings associations have filed notices with OTS indicating their intent to establish a transactional web site.

Through the end of the 1990s, OTS periodically revised its regulations to better enable savings associations to use new technologies for electronic banking and lending. In 1996, OTS revised its lending and investment regulations to eliminate obsolete loan documentation requirements. In 1997, OTS replaced specific requirements to use written agreements and receipts for deposit accounts with a more general recordkeeping requirement. The purpose of these changes was to provide sufficient flexibility for savings associations to participate in telephone and electronic banking and take better advantage of technological and marketplace advances.³

In 1998, OTS streamlined and updated its regulations relating to electronic operations to make it easier for Federal savings associations to develop new ways of delivering products and services through the prudent and innovative use of emerging technology.⁴ The revised rule permits Federal savings associations to use, or participate with others to use, electronic means or facilities to perform any

function, or provide any product or service, as part of an authorized activity. The rule also requires each savings association (federally-chartered or state-chartered) to notify OTS thirty days before it establishes a transactional web site. It provides that savings associations that present supervisory or compliance concerns may be subject to additional procedural requirements.

In crafting the Electronic Operations rule, OTS was guided by two broad principles:

- The public and insured depository institutions are best served if statutory and regulatory restrictions are kept to a minimum. The premature imposition of restrictive operational standards could impede the development of improved financial services.

- Federal savings associations should be permitted to compete effectively with other regulated financial institutions and unregulated firms offering financial and related services.

In promulgating the rule, OTS emphasized the importance of enabling regulations in this area. At the same time, OTS designed its regulations to help ensure that it would have sufficient information to understand developing technologies, to provide appropriate guidance on these technologies, and to supervise electronic operations effectively. OTS designed the final rule to provide both the industry and the agency with the appropriate amount of flexibility to adapt to changing conditions.

The preamble to the final rule noted that the agency had issued, and would continue to issue, guidance as electronic operations evolve. This guidance has taken the form of letters to chief executive officers of savings associations, interagency examiner guidelines, revisions to the Thrift Activities Handbook, conditions on the approval of applications, and responses to requests for legal interpretations.⁵

⁵ See, e.g., Memorandum from Richard M. Riccobono, Deputy Director, for Chief Executive Officers (November 3, 1998) (Policy Statement on Privacy and Accuracy of Personal Customer Information); Memorandum from Richard M. Riccobono, Deputy Director, for Chief Executive Officers (July 23, 1998) (Interagency Guidance on Electronic Financial Services and Consumer Compliance); Memorandum from John Downey, Executive Director, Supervision, for Chief Executive Officers (June 23, 1997) (Statement on Retail On-Line Personal Computer Banking); Thrift Activities Regulatory Handbook, Section 341, Information Technology (October 1997) (Regulatory Bulletin 32-6, October 15, 1997); Federal Financial Institutions Examination Council (FFIEC) Information Systems Examination Handbook (1996); OTS Order No. 95-88 (May 8, 1995) (application approval of Internet bank); OTS Op. Chief Counsel (October 1, 1998) (authority of federal savings associations to provide payroll processing services); OTS Op. Chief Counsel

Continued

¹ 12 U.S.C. 4801 note.

² The OCC issued an advance notice of proposed rulemaking and requested comment on a wide range of electronic banking issues to determine whether the OCC's regulations should be changed to facilitate national banks' use of new technologies, citing section 729. See 65 FR 4895, 4896 n.7 (February 2, 2000).

³ See *Lending and Investment; Proposed Rule*, 61 FR 1162, 1172 (January 17, 1996), and *Deposits and Electronic Banking; Proposed Rule and Advance Notice of Proposed Rulemaking*, 62 FR 15,626, 15,629 (April 2, 1997).

⁴ See *Electronic Operations; Final Rule*, 63 FR 65673 (November 30, 1998).

Since the publication of the final rule, OTS has continued to provide additional guidance in this area and post it on its web site at www.ots.treas.gov.⁶

III. Issues for Comment

OTS recognizes that using electronic technology to deliver financial products and services poses distinct challenges to financial institutions and their customers. Much of the legislative and regulatory framework that governs banking was developed based on social, cultural, and technological practices that existed before the advent of widespread computer-based communications. The prospect of conducting banking transactions over the Internet forces the federal banking agencies to reconsider the existing legislative and regulatory framework that governs banking businesses.

OTS invites comment on how particular statutes, regulations, or supervisory policies specifically affect financial institutions and their customers' uses of new technologies. The following discussion identifies topics that OTS believes are appropriate for the design of the study and report required under section 729. OTS invites commenters to respond to the questions presented and to offer comments or suggestions on any other issues related to financial products or services delivered through electronic technologies that we do not specifically mention here.

A. How May OTS Facilitate the Use of Technology in Financial Operations Consistent With Safety and Soundness?

1. Mitigating Burdens

Savings associations have evolved in their use of technology, not only to provide financial services more efficiently, but also to offer new financial services and reach nationwide markets. Are there any specific OTS regulations that unreasonably interfere with the use of online technologies? Are there any supervisory policies that impose unreasonable burdens on a financial institution's design or adaptation of online technologies?

(July 1, 1998) (preemption of state ATM restrictions); OTS Op. Chief Counsel (September 19, 1997) (establishment of automated loan machines).

⁶ See, e.g., Memorandum from Richard M. Riccobono, Deputy Director, for Chief Executive Officers (June 10, 1999) (Transactional Web Sites); OTS Op. Chief Counsel (December 7, 1999) (San Francisco ATM fee ordinance); OTS Op. Chief Counsel (November 22, 1999) (preemption of local ATM fee restrictions); OTS Op. Chief Counsel (January 15, 1999) (New York State ATM Safety Act); OTS Mem. Chief Counsel (December 22, 1998) (Massachusetts Electronic Branch Restrictions).

2. Addressing Risks

Electronic banking activities expose savings associations to new combinations of risks from different sources. OTS's Electronic Operations rule addresses some of those risks by requiring savings associations to inform OTS before establishing transactional web sites and follow any additional procedures the OTS regional office may impose in writing. Further, through the issuance of supervisory guidelines such as the interagency Standards for Safeguarding Customer Information,⁷ OTS is working to identify and educate savings associations about the risks electronic banking presents and to ensure that its policies appropriately address these risks.

Do OTS regulations adequately address the risks presented by current or anticipated electronic banking activities? Do any OTS regulations impose unnecessary burdens? Are there any regulations or other supervisory policies regarding risk management that OTS should clarify or amend to address any particular risks associated with methods of online banking?

3. Consumer Acceptance and Protection

Electronic banking provides consumers with convenient access to a wide variety of financial services. Studies indicate that a significant percentage of households in the United States will do their banking online as a growing number of consumers conduct their banking and other financial transactions through automated teller machines and over the Internet. Are there specific areas in which regulatory changes are needed to enhance consumer acceptance of, confidence in, access to, or protections in using electronic banking?

B. How May OTS Enhance the Electronic Operational Flexibility of Savings Associations, Consistent With Safety and Soundness?

1. Internet Link Arrangements

The rapid growth of electronic commerce has resulted in many marketing arrangements that provide customers with access to providers of both financial and non-financial retail products or services through a hypertext link on the savings association's web site. The link transfers the customer to another entity's web site. Under some marketing arrangements, the savings association's name remains apparent on the linked site even though the products or services are sold by a non-thrift third

party. In other situations, once this transfer occurs, the non-thrift's name is the dominant brand. The non-thrift web site may include a link back to the savings association's web site to provide its customers with access to savings association services while minimizing the savings association's brand on its site.

Does the current situation create customer confusion as to which products savings associations actually offer (and which are FDIC-insured) that impairs the development of electronic banking? Should OTS create a regulation or other supervisory guidance setting forth standards for savings association identification in connection with the use of hypertext links? Are there technology solutions that can be used to address these issues?

2. Transactions

Savings associations may receive deposits, pay withdrawals, and lend in a variety of ways that are not subject to geographical restrictions (or the need to file branch applications). For example, savings associations may arrange to have their customers use ATMs established by third parties in order to conduct transactions with the savings association. OTS regulations permit savings associations to transact business with their customers through electronic and other means not involving face-to-face contact.

Are OTS regulations flexible enough to permit savings associations operating on the Internet to serve the transaction related needs of their retail, as well as their commercial, customers? For example, do any OTS regulations impede the development or use of technologies that would enable customers efficiently and expeditiously to deposit cash or checks in, or borrow money from, savings associations operating on the Internet?

3. Location Considerations

Internet banking raises legal issues with respect to how OTS should construe references in existing laws and regulations, including those related to filing requirements and management interlocks, to the "location" of a savings association. Should OTS address how "location" applies in the context of activities conducted via the Internet? Specifically, is the determination of "location" for purposes of any statute or regulation an impediment to savings associations conducting all or part of their operations on the Internet? If so, should we further clarify our regulations or suggest statutory changes on this issue?

⁷ See 66 FR 8616 (February 1, 2001) (to be codified at 12 CFR part 570, Appendix B).

4. Appraisals

Written appraisals must support certain loans.⁸ Does the requirement for written appraisals impair or impede online lending operations? If so, what modifications to the existing regulation would facilitate the use of appraisals in electronic form? What types of controls would be appropriate to assure record authenticity and integrity in connection with the filing of electronic appraisals (e.g., authentication of an electronic appraisal, certification of the appraiser)?

5. Electronic Signatures

The Electronic Signatures in Global and National Commerce Act (E-Sign Act)⁹ provides that certain contracts and signatures may not be denied validity solely because they are in electronic form. The E-Sign Act also provides that certain records may be maintained in electronic form, subject to certain requirements. OTS recognizes that the enactment of the E-Sign Act has resolved several important legal and regulatory issues regarding the uses of electronic media in commercial transactions. Nevertheless, the E-Sign Act has left some legal issues unresolved and, indeed, may have created new ones, particularly for online banking.

What issues are savings associations facing as a result of the E-Sign Act? Would it facilitate implementation of the E-Sign Act if OTS were to issue regulations or other supervisory guidance? If so, which aspects of the E-Sign Act should OTS address? Are there any written forms or notices required by OTS's regulations or other supervisory policies that could be obtained or transmitted over the Internet in a manner that would facilitate the online delivery of financial products or services? How do particular provisions of the E-Sign Act, or any other law, affect financial institutions and their customers' ability to use (or ease of using) new technologies?

6. Differing Legal Requirements

OTS recognizes that a variety of federal, state, and foreign laws regulate the use of electronic technologies. Are there areas where conducting electronic banking activities could particularly benefit from a single set of standards that can be applied uniformly on a nationwide basis? Are there any inconsistencies between Federal and State laws or regulations that impede the electronic provision or use of financial products or services? Do certain provisions of Federal law that

apply to online banking and lending practices make compliance with provisions of State law (or laws enforced by foreign states) more costly?

Dated: June 4, 2001.

By the Office of Thrift Supervision.

Ellen Seidman,

Director.

[FR Doc. 01-14562 Filed 6-8-01; 8:45 am]

BILLING CODE 6720-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99-SW-34-AD]

RIN 2120-AA64

Airworthiness Directives; Eurocopter France Model SA-365N1, AS-365N2, and SA-366G1 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document proposes revising an existing airworthiness directive (AD) for Eurocopter France (ECF) Model SA-365N1, AS-365N2, and SA-366G1 helicopters. That AD currently requires inspecting each tail rotor blade for bonding separation, measuring the clearance between the tip of each tail rotor blade and the circumference of the air duct, and replacing the blade if necessary. This action would contain the same requirements but would allow the pilot to perform the daily visual check and would contain a damage allowance for certain blades. This proposal is prompted by FAA determination that the pilot can check for a cracked, blistered, or wrinkled blade and that some debonding of the blade is acceptable. The actions specified by the proposed AD are intended to allow a pilot check, to prevent unacceptable damage to a tail rotor blade, and to prevent loss of tail rotor control and subsequent loss of control of the helicopter.

DATES: Comments must be received by August 10, 2001.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99-SW-34-AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137. You may also send comments electronically to the Rules Docket at the following address: 9-asw-adcomments@faa.gov. Comments

may be inspected at the Office of the Regional Counsel between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Sharon Miles, Aviation Safety Engineer, FAA, Rotorcraft Directorate, Regulations Group, Fort Worth, Texas 76193-0111, telephone (817) 222-5122, fax (817) 222-5961.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments will be considered before taking action on the proposed rule. The proposals contained in this document may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this document will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their mailed comments submitted in response to this proposal must submit a self-addressed, stamped postcard on which the following statement is made: "Comments to Docket No. 99-SW-34-AD." The postcard will be date stamped and returned to the commenter.

Availability of NPRMs

Any person may obtain a copy of this NPRM by submitting a request to the FAA, Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99-SW-34-AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137.

Discussion

On May 9, 2000, the FAA issued AD 2000-10-08, Amendment No. 39-11732 (65 FR 31256) to require inspecting each tail rotor blade for bonding separation, measuring the clearance between the tip of each tail rotor blade and the circumference of the air duct, and replacing a blade if necessary. That action was prompted by an inflight incident in which the tail rotor blades were significantly damaged due to bonding separation. That condition, if

⁸ 12 CFR part 564.

⁹ 15 U.S.C. 7001 *et seq.*