

disqualifying and mitigating information fully and properly, and particularly for consultation with the individual's mental health care provider.

28. *Conditions that could raise a security concern and may be disqualifying include:*

(a) An opinion by a credentialed mental health professional that the individual has a condition or treatment that may indicate a defect in judgment, reliability, or stability;

(b) Information that suggests that an individual has failed to follow appropriate medical advice relating to treatment of a condition, e.g., failure to take prescribed medication;

(c) A pattern of high-risk, irresponsible, aggressive, anti-social or emotionally unstable behavior;

(d) Information that suggests that the individual's current behavior indicates a defect in his or her judgment or reliability.

29. *Conditions that could mitigate security clearance concerns include:*

(a) There is no indication of a current problem;

(b) Recent opinion by a credentialed mental health professional that an individual's previous emotional, mental, or personality disorder is cured, under control or in remission and has a low probability of recurrence or exacerbation;

(c) The past emotional instability was a temporary condition (e.g., one caused by a death, illness, or marital breakup), the situation has been resolved, and the individual is no longer emotionally unstable.

Guideline J: Criminal Conduct

30. *The Concern.* A history or pattern of criminal activity creates a doubt about a person's judgment, reliability and trustworthiness.

31. *Conditions that could raise a security concern and may be disqualifying include:*

(a) Allegations or admissions of criminal conduct, regardless of whether the person was formally charged;

(b) A single serious crime or multiple lesser offenses.

32. *Conditions that could mitigate security concerns include:*

(a) The criminal behavior was not recent;

(b) The crime was an isolated incident;

(c) The person was pressured or coerced into committing the act and those pressures are no longer present in that person's life;

(d) The person did not voluntarily commit the act and/or the factors leading to the violation are not likely to recur;

(e) Acquittal;

(f) There is clear evidence of successful rehabilitation.

Guideline K: Security Violations

33. *The Concern.* Noncompliance with security regulations raises doubt about an individual's trustworthiness, willingness, and ability to safeguard classified information.

34. *Conditions that could raise a security concern and may be disqualifying include:*

(a) Unauthorized disclosure of classified information;

(b) Violations that are deliberate or multiple or due to negligence.

35. *Conditions that could mitigate security concerns include actions that:*

(a) Were inadvertent;

(b) Were isolated or infrequent;

(c) Were due to improper or inadequate training;

(d) Demonstrate a positive attitude towards the discharge of security responsibilities.

Guideline L: Outside Activities

36. *The Concern.* Involvement in certain types of outside employment or activities is of security concern if it poses a conflict with an individual's security responsibilities and could create an increased risk of unauthorized disclosure of classified information.

37. Conditions that could raise a security concern and may be disqualifying include any service, whether compensated, volunteer, or employment with:

(a) A foreign country;

(b) Any foreign national;

(c) A representative of any foreign interest;

(d) Any foreign, domestic, or international organization or person engaged in analysis, discussion, or publication of material on intelligence, defense, foreign affairs, or protected technology.

38. *Conditions that could mitigate security concerns include:*

(a) Evaluation of the outside employment or activity indicates that it does not pose a conflict with an individual's security responsibilities;

(b) The individual terminates employment or discontinues the activity upon being notified that it is in conflict with his or her security responsibilities.

Guideline M: Misuse of Information Technology Systems

39. *The Concern.* Noncompliance with rules, procedures, guidelines, or regulations pertaining to information technology systems may raise security concerns about an individual's trustworthiness, willingness, and ability to properly protect classified systems, networks, and information. Information Technology Systems include all related equipment used for the communication, transmission, processing, manipulation, and storage of classified or sensitive information.

40. *Conditions that could raise a security concern and may be disqualifying include:*

(a) Illegal or unauthorized entry into any information technology system;

(b) Illegal or unauthorized modification, destruction, manipulation or denial of access to information residing on an information technology system;

(c) Removal (or use) of hardware, software, or media from any information technology system without authorization, when specifically prohibited by rules, procedures, guidelines or regulations;

(d) Introduction of hardware, software, or media into any information technology system without authorization, when specifically prohibited by rules, procedures, guidelines or regulations.

41. *Conditions that could mitigate security concerns include:*

(a) The misuse was not recent or significant;

(b) The conduct was unintentional or inadvertent;

(c) The introduction or removal of media was authorized;

(d) The misuse was an isolated event;

(e) The misuse was followed by a prompt, good faith effort to correct the situation.

[FR Doc. 99-20841 Filed 8-13-99; 8:45 am]

BILLING CODE 6450-01-P

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 935

[No. 99-41]

RIN 3069-AA80

Advance Participations; Sales of Whole Advances

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is proposing to amend its regulation governing Federal Home Loan Bank (Bank) advances to approve the sale of whole advances between Banks under certain limited circumstances. The amendment is consistent with the Finance Board's efforts to devolve ministerial and routine business matters to the Federal Home Loan Banks.

DATES: The Finance Board will accept comments in writing on or before September 15, 1999.

ADDRESSES: Send comments to Elaine L. Baker, Secretary to the Board, by electronic mail at bakere@fhfb.gov, or by regular mail at the Federal Housing Finance Board, 1777 F Street, N.W., Washington, DC 20006. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: Jonathan Curtis, Senior Financial Analyst, Office of Policy, Research and Analysis, by telephone (202) 408-2866 or by electronic mail at curtisj@fhfb.gov; Jane S. Converse, Attorney-Advisor, Office of General Counsel, by telephone at (202) 408-2976 or by electronic mail at conversej@fhfb.gov; or Neil R. Crowley, Deputy General Counsel, Office of General Counsel, by telephone (202) 408-2990 or electronic mail at crowleyn@fhfb.gov, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

Section 10(d) of the Federal Home Loan Bank Act (Bank Act) authorizes any Bank to sell whole advances, or participations in advances, to any other Bank, subject to Finance Board approval. See 12 U.S.C. 1430(d).

The Finance Board has approved the sale and purchase of participation interests in Bank advances through the adoption of § 935.16. See 12 CFR 935.16. The Finance Board has not similarly approved the sale and purchase of whole advances between Banks, which has meant that such transactions still must be submitted to the Finance Board for approval.

Requests for Finance Board approval of the sales of whole advances between Banks have resulted from the merger or consolidation of members in different Bank districts, and the resultant cancellation of the charter and membership of the non-surviving member or members. Consequently, the surviving institution, which is a member of one Bank, typically has advances outstanding from two Banks. The Bank to which the disappearing member formerly belonged can retain the advance until it matures. The member, however, usually prefers the advance to be sold to its current Bank, because as long as the advance remains outstanding with the other Bank, the member must maintain collateral and stock at both Banks. While not required to call the advances, the Bank of the former member usually is willing to sell them to the other Bank. It is in this context that all recent requests for Finance Board approval have occurred. Such sales and purchases of advances have involved no safety and soundness issues, and the Banks that have participated in these transactions have negotiated the terms of the sales without Finance Board involvement.

Finance Board approval of such sale and purchase of whole advances has been granted routinely, typically through a Chairman's Order. In processing these requests, Finance Board staff has required that Banks provide certain information as a condition of approval. The information required includes the submission of a Sale, Purchase and Consent Agreement, or similar document, signed by both Banks and the acquiring member. In addition, the Banks must submit a listing, identification, and description of the advance or advances to be sold and a short history recounting the merger or other consolidation activity.

Prior to this year, the Finance Board would receive, on average, one or two advance sale and purchase requests per year. However, due to the increasing consolidation of the financial services industry, such requests have increased. Four were processed during the first six months of this year. The Finance Board expects to receive additional requests before the year's end, and is certain that

the number of sale and purchase transactions will continue to increase.

Therefore, the Finance Board is proposing to approve by regulation any sale and purchase of advances between Banks that meets the conditions set forth in the regulation, which are much the same conditions as those that are currently imposed during case-by-case review. Any other advances transfers still must be submitted to the Finance Board for approval.

II. Analysis of the Proposed Rule

For the reasons discussed above, the Finance Board proposes to amend § 935.16 to approve the sale of advances between Banks under certain conditions. In addition, the section will be retitled and the current provisions regarding participations shall be redesignated as a separate paragraph.

A new paragraph (b) will be added to set forth specific criteria which would approve the sale and purchase of advances between Banks that occur as a consequence of a merger or other business combination of two or more members of different Banks, or where a member has become a member of another Bank, such as through a relocation of its principal place of business. Although the requests received to date have arisen as a result of mergers, it is possible for a member to redesignate, its principal place of business to another district in certain circumstances. See 12 CFR 933.18(c). In that case, the issues about a transfer of the outstanding advances would be much the same as those in a merger. Accordingly, the Finance Board requests comment on whether the regulation should apply to such transfers of Bank membership and, if so, whether any conditions other than those that apply in a merger context should be included.

Paragraph (b) also sets forth the following requirements that the sale and purchase transaction must meet in order for it to be approved by the Finance Board pursuant to the regulation: the sale and purchase of the advance(s) must be conducted pursuant to a written agreement between the Banks that identifies the advance(s) to be sold and sets forth the terms and conditions of the sale and purchase; the board of directors of each Bank must approve the sale and purchase and the terms of the agreement; the advance(s) must remain fully secured by eligible collateral at all times; the member of the Bank to which the advance(s) is being sold must purchase not less than the minimum amount of stock of the Bank required to support the advance.

Sales and purchases of Affordable Housing Program (AHP) advances made

pursuant to Part 960 of the Finance Board regulations, 12 CFR Part 960, may also be approved pursuant to the regulation, provided that the written agreement includes an additional provision that all parties to the sale agree to comply with the requirements of Part 960, including the project monitoring requirements. The Finance Board believes that the Banks involved in the transaction are best able to assign responsibility for AHP compliance, but requests comment on whether the regulation should be revised to require a particular Bank assume that responsibility.

The proposal would add a new paragraph (c) which would make it clear that sales and purchases of advances that do not meet the requirements for approval pursuant to the regulation must be approved by the Finance Board.

In addition, the Finance Board requests comment on whether there are other circumstances to which the approval by regulation could be extended appropriately.

III. Regulatory Flexibility Act

This proposed rule is not expected to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*

IV. Paperwork Reduction Act

This proposed rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995. See 44 U.S.C. 3501, *et seq.* Therefore, the Finance Board has not submitted any information to the Office of Management and Budget for review.

List of Subjects in 12 CFR Part 935

Credit, Federal home loan banks, Reporting and recordkeeping requirements.

Accordingly, the Finance Board hereby amends 12 CFR PART 935 as follows:

PART 935—ADVANCES

1. The authority citation for part 935 continues to read as follows:

Authority: 12 U.S.C. 1422a(a)(3), 1422b(a)(1), 1426, 1429, 1430, 1430b, 1431.

2. Amend § 935.16 by revising the section heading designating the existing text as paragraph (a) and adding the heading *Participations*, and adding new paragraphs (b) and (c) to read as follows:

§ 935.16 Advance participations; sales of whole advances.

- (a) *Participations.* * * *
 (b) *Sales of whole advances.* A Bank may sell a whole advance to another Bank, and such other Bank may

purchase a whole advance, if the following conditions are met:

(1) The member to which the advance(s) was made originally has ceased to exist as a result of a merger or other business combination with and into a member of the purchasing Bank, or has become a member of the purchasing Bank;

(2) The sale and purchase of the advance(s) is done pursuant to a written agreement between the Banks that identifies the advance(s) to be sold and sets forth the terms and conditions of the sale and purchase;

(3) The board of directors of each Bank has approved the sale and purchase and the terms of the agreement described in paragraph (b)(2) of this section;

(4) The advance(s) remains fully secured by eligible collateral at all times;

(5) The member of the purchasing Bank maintains not less than the minimum amount of stock of that Bank required to support the advance; and

(6) If the advance(s) being sold was made pursuant to part 960 of this chapter as an Affordable Housing Program advance, the agreement described in paragraph (b)(2) of this section must provide that the parties will ensure that the advance remains in compliance with all of the requirements of part 960 of this chapter, including monitoring requirements, after the sale.

(c) *Finance Board approval.* Any proposed sale and purchase of an advance that does not meet the requirements of paragraph (b) of this section must be approved by the Finance Board pursuant to section 10(d) of the Bank Act.

Dated: August 6, 1999.

By the Board of Directors of the Federal Housing Finance Board.

Bruce A. Morrison,
Chairman.

[FR Doc. 99-21059 Filed 8-13-99; 8:45 am]

BILLING CODE 6725-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 98-ANE-47-AD]

RIN 2120-AA64

Airworthiness Directives; Pratt & Whitney JT9D Series Turbofan Engines

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the superseding of an existing airworthiness directive (AD), applicable to certain Pratt & Whitney JT9D series turbofan engines, that currently requires revisions to the Airworthiness Limitations Section (ALS) of the manufacturer's Instructions for Continued Airworthiness (ICA) to include required enhanced inspection of selected critical life-limited parts at each piece-part exposure. This action would add additional critical life-limited parts for enhanced inspection. This proposal is prompted by additional focused inspection procedures for other critical life-limited rotating engine parts that have been developed by the manufacturer. The actions specified by this proposed AD are intended to prevent critical life-limited rotating engine part failure, which could result in an uncontained engine failure and damage to the airplane.

DATES: Comments must be received by September 15, 1999.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), New England Region, Office of the Regional Counsel, Attention: Rules Docket No. 98-ANE-47-AD, 12 New England Executive Park, Burlington, MA 01803-5299. Comments may also be sent via the Internet using the following address: "9-ane-adcomment@faa.gov". Comments sent via the Internet must contain the docket number in the subject line. Comments may be inspected at this location between 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT:

Wego Wang, Aerospace Engineer, Engine Certification Office, FAA, Engine and Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803-5299; telephone (781) 238-7134, fax (781) 238-7199.

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, specified above, will be considered before taking action on the proposed rule. The proposals contained in this notice 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, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their comments submitted in response to this notice must submit a self-addressed, stamped postcard on which the following statement is made: "Comments to Docket Number 98-ANE-47-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, New England Region, Office of the Regional Counsel, Attention: Rules Docket No. 98-ANE-47-AD, 12 New England Executive Park, Burlington, MA 01803-5299.

Discussion

On April 13, 1999, the Federal Aviation Administration (FAA) issued airworthiness directive (AD) 99-08-12, Amendment 39-11118 (64 FR 17954, April 13, 1999), to require revisions to the Time Limits section in the Engine Manual (EM) for certain Pratt & Whitney (PW) JT9D series turbofan engines to include required enhanced inspection of selected critical life-limited parts at each piece-part exposure.

Since the issuance of that AD, additional focused inspection procedures for other critical life-limited rotating engine parts have been developed by PW.

Since an unsafe condition has been identified that is likely to exist or develop on other products of this same type design, the proposed AD would supersede AD 99-508-512 to require the additional critical life-limited rotating engine parts to be subject to focused inspection at each piece-part opportunity.

The FAA estimates that 1,372 engines installed on airplanes of US registry would be affected by this proposed AD, that it would take approximately 1 work hour per engine to accomplish the proposed actions. The average labor rate is \$60 per work hour. Based on these figures the total cost impact of the proposed AD on U.S. operators is estimated to be \$82,320.

The regulations proposed herein would not have substantial direct effects