

FEDERAL HOUSING FINANCE BOARD

2 CFR Part 931

No. 93-73]

Modification of Definition of Deposits in Banks or Trust Companies

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Board (Board) is proposing to amend the definition of "deposits in banks or trust companies," contained in its regulations, to include the sale of federal funds to a bank or trust company. The proposed change is intended to enable the Federal Home Loan Banks (FHLBanks) to include sales of federal funds to banks and trust companies in the category of investments eligible to fulfill the FHLBanks' statutory liquidity requirement. The proposed change also clarifies that for purposes of definition, the term "bank" does not include a savings association.

DATES: Comments on this proposed rule must be received on or before November 29, 1993.

ADDRESSES: Comments may be mailed to: Executive Secretariat, Federal Housing Finance Board, 1777 F Street NW., Washington, DC 20006. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: Brandon B. Straus, Attorney-Advisor, Office of Legal and External Affairs, (202) 408-2589, Federal Housing Finance Board, 1777 F Street NW., Washington, DC 20006.

SUPPLEMENTARY INFORMATION:**I. Statutory and Regulatory Background**

The Federal Home Loan Bank Act (Bank Act), see 12 U.S.C. 1421 *et seq.*, authorizes the FHLBanks to accept deposits from financial institutions that are members of the FHLBank System. See 12 U.S.C. 1431(e)(1). Section 11(g) of the Bank Act requires the FHLBanks to maintain investments equal to the amount of these deposits in the form of, among other things, "deposits in banks or trust companies." See 12 U.S.C. 1431(g). Section 931.5 of the Board's regulations defines "deposits in banks or trust companies" as including: a deposit in another FHLBank, a demand account of a FHLBank with a Federal Reserve Bank, or a deposit in such other depository as the FHLBank's board of directors may designate which, unless otherwise authorized, is a member of the Federal Reserve System or the

Federal Deposit Insurance Corporation (FDIC).

II. Analysis of the Proposed Rule

The proposed rule amends § 931.5 to expressly include sales of federal funds to banks and trust companies in the category of investments that the FHLBanks may use to fulfill the liquidity requirement in section 11(g) of the Bank Act. The liquidity requirement ensures that the FHLBanks maintain sufficient liquid investments to make liquidity advances to their members. Among the eligible investments set forth in section 11(g) are "deposits in banks or trust companies." 12 U.S.C. 1431(g). Since sales of federal funds are highly liquid investments that are essentially equivalent to inter-bank deposits, the Board believes that they constitute investments that may be considered "deposits in banks or trust companies" within the meaning of section 11(g).

For purposes of this proposed rule, a sale of federal funds means either a conventional federal funds transaction or a correspondent-respondent federal funds transaction. A conventional sale of federal funds would involve the unsecured sale of funds held by a FHLBank in an account maintained at its district Federal Reserve Bank to a bank in need of additional funds to meet its legal reserve requirement.¹ A correspondent-respondent federal funds sale would involve the unsecured sale of funds directly from a FHLBank (the respondent) to a correspondent bank in need of funds to meet its legal reserve requirement.

The proposed rule also changes the current reference to deposits in depositories that are members of the Federal Reserve System or the FDIC. The proposed rule refers to deposits in, or sales of federal funds to, banks, as defined in section 3 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. 1813, or trust companies that are members of the Federal Reserve System or the FDIC. This change is being made in order to conform § 931.5 to changes in the structure of the deposit insurance system made by the Financial Institutions Reform, Recovery and

¹ Section 19(b)(2)(A) of the Federal Reserve Act requires depository institutions to maintain reserves against transaction accounts at their Federal Reserve Bank as prescribed by the Board of Governors of the Federal Reserve System for the purpose of implementing monetary policy. See 12 U.S.C. 461(b)(2)(A) (1988). Depository institutions meet these legal reserve requirements by either maintaining accounts with their district Federal Reserve Bank or by holding cash in vaults. These reserves are commonly referred to as "federal funds." A depository institution with excess reserves may sell the excess to another depository institution in need of additional funds to meet its legal reserve requirements.

Enforcement Act of 1989 (FIRREA), Public Law No. 101-73, 103 Stat. 183 (1989). In particular, this change is intended to make clear that deposits in, and sales of federal funds to, savings associations, as defined in section 3 of the FDIA, 12 U.S.C. 1813, are not included in the definition of "deposits in banks or trust companies."

Prior to the enactment of FIRREA, only deposits in banks could be insured by the FDIC. Therefore, prior to FIRREA, the reference in § 931.5 to deposits in members of the FDIC could be read only to refer to deposits in bank. Thus, § 931.5 reflected the statutory requirement that deposits in banks or trust companies, but not in savings associations, are investments eligible to meet the liquidity requirement of section 11(g) of the Bank Act. See 12 U.S.C. 1431(g).

FIRREA transferred the responsibility for insuring deposits in savings associations to the FDIC. See 12 U.S.C. 1821. Therefore, subsequent to the enactment of FIRREA, it is possible that § 931.5 could be read erroneously to include deposits in savings associations within the definition of "deposits in banks or trust companies."

In order to make clear that deposits in, and sales of federal funds to, banks and trust companies, but not savings associations, are included in the definition of "deposits in banks or trust companies," the proposed rule refers specifically to deposits in, and sales of federal funds to, banks, as defined in section 3 of the FDIA, 12 U.S.C. 1813, and trust companies.

The proposed rule continues to provide that "deposits in banks or trust companies" includes deposits in, or sales of federal funds to, such banks and trust companies as are designated by a FHLBank's board of directors, which, unless otherwise authorized, are members of the Federal Reserve System or the FDIC.

III. Regulatory Flexibility Act

This proposed rule does not impose any additional regulatory requirements on small entities. Therefore, in accordance with the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, the Board hereby certifies that this proposed rule, as promulgated, will not have a significant economic impact on a substantial number of small entities.

List of Subjects in 12 CFR Part 931

Banks, banking, Federal home loan banks.

Accordingly, chapter IX, title 12, part 931, Code of Federal Regulations is hereby proposed to be amended as follows:

PART 931—DEFINITIONS

1. The authority citation for part 931 continues to read as follows:

Authority: 12 U.S.C. 1422a, 1422b, 1427.

2. Section 931.5 is proposed to be amended to read as follows:

§ 931.5 Deposits in banks or trust companies.**Includes:**

- (a) A deposit in another Bank;
- (b) A demand account of a Bank with a Federal Reserve Bank; and
- (c) A deposit in, or a sale of federal funds to, such bank (as defined in 12 U.S.C. 1813) or trust company, as the bank's board of directors may designate, which, unless otherwise authorized, is a member of the Federal Reserve System or the Federal Deposit Insurance Corporation.

By the Federal Housing Finance Board.

Dated: September 22, 1993.

Daniel F. Evans, Jr.,

Chairman.

(FR Doc. 93-23825 Filed 9-28-93; 8:45 am)

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DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Part 39**

[Docket No. 93-NM-116-AD]

Airworthiness Directives; de Havilland Model DHC-8-300 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) that is applicable to certain de Havilland Model DHC-8-300 series airplanes. This proposal would require modifying the airplane fire detection system and revising the Airplane Flight Manual (AFM) to include procedures related to operating the system. This proposal is prompted by several oil fires in the inter compressor case (ICC) assembly. The actions specified by the proposed AD are intended to prevent severe structural damage to the airplane due to an internal engine fire within the ICC.

DATES: Comments must be received by November 24, 1993.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-103, Attention: Rules Docket No. 93-NM-

116-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056. Comments may be inspected at this location between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from de Havilland, Inc., Garratt Boulevard, Downsview, Ontario M3K 1Y5, Canada. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the FAA, Engine and Propeller Directorate, New York Aircraft Certification Office, 181 South Franklin Avenue, room 202, Valley Stream, New York.

FOR FURTHER INFORMATION CONTACT: Richard Fiesel, Aerospace Engineer, Propulsion Branch, ANE-174, FAA, Engine and Propeller Directorate, New York Aircraft Certification Office, 181 South Franklin Avenue, room 202, Valley Stream, New York 11582; telephone (516) 791-7422; fax (516) 791-9024.

SUPPLEMENTARY INFORMATION:**Comments Invited**

Interested persons are invited to participate in the making of the proposed rule, by submitting their written data, views, or arguments as they may desire. Communications shall 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 93-NM-116-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, Transport Airplane Directorate, ANM-103, Attention: Rules Docket No. 93-NM-116-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.

Discussion

Transport Canada Aviation, which is the airworthiness authority for Canada, recently notified the FAA that an unsafe condition may exist on certain de Havilland Model DHC-8-300 series airplanes. Transport Canada Aviation advises that there have been several oil fires within the inter compressor case (ICC) installed on Pratt & Whitney Canada PW100 series engines. The fires were undetected by the flight crew until the fires were no longer contained by the ICC. Subsequent investigation revealed that the fires were either low intensity or high intensity in nature. The low intensity fires were caused by engine oil leaking from various sources into the ICC assembly, and the high intensity torching fire was caused by oil leaking from an adjacent failed bearing. An oil fire internal to the engine, if not detected by the flight crew, could breach the ICC, which could cause severe structural damage to the airplane.

De Havilland Model DHC-8-300 series airplanes are equipped with Pratt & Whitney Canada PW100 series engines and, therefore, are susceptible to such engine ICC fires.

The subject Pratt & Whitney Canada series engines are also installed on other airplane models, including British Aerospace Model ATP airplanes. The FAA previously issued AD 92-18-10, Amendment 39-8354 (57 FR 40837, September 8, 1992), to address the unsafe condition presented by these oil fires internal to the ICC on Pratt & Whitney PW126 series engines. That AD, which is applicable to certain British Aerospace Model ATP airplanes, requires installing an ICC fire detection system, and revising the Airplane Flight Manual (AFM) to provide the flight crew with operating procedures associated with the ICC fire detection system.

De Havilland has issued Service Bulletin S.B. 8-26-14, dated March 6, 1992, that describes procedures for modifying the engine fire detection system. This modification entails replacing the existing air switching valve-to-rear inlet case sealing air tube assembly with a similar tube assembly featuring an integral fire detector. Additionally, a wiring assembly is connected to the existing fire detection