

as part of its ongoing regulatory reorganization, the Finance Board is redesignating the definition to part 934 of its regulations, which concerns the operations of the FHLBanks. See 12 CFR part 934.

As amended, the definition of the term "deposits in banks or trusts" includes FHLBank deposits in any U.S. branch or agency of a foreign bank that has legal authority to accept deposits or engage in federal funds transactions as eligible investments for purposes of section 11(g) of the Bank Act. To achieve this result, the Finance Board has added a new paragraph (c)(3) that includes expressly a deposit in, or federal funds transactions with, a U.S. branch or agency of a foreign bank that is subject to the supervision of the Board of Governors and is designated by a FHLBank's board of directors. The terms "branch," "agency," and "foreign bank" have the same meaning as in the International Banking Act of 1978, as amended. See 12 U.S.C. 3101 (1), (3), (7).

The commenter urged the Finance Board to encourage the FHLBanks to place deposits with small, domestic FDIC-insured financial institutions rather than U.S. branches and agencies of foreign banks in order to provide these community banks with needed liquidity and to facilitate the FHLBanks' mission of extending credit for housing in the United States. Because provisions of federal law require the treatment of all U.S. branches and agencies of foreign banks to be similar to the treatment of domestic depository institutions, the Finance Board believes that the amendment permitting FHLBank deposits in U.S. branches and agencies of foreign banks is consistent with federal law. The commenter also suggested that placing deposits in uninsured U.S. branches and agencies of foreign banks might create additional unnecessary risk for the FHLBanks. As pointed out in the interim final rulemaking, a foreign bank may establish a U.S. branch or agency only with the prior approval of the Board of Governors and an appropriate licensing authority, *i.e.*, either the Comptroller of the Currency or a state banking regulator, and such branches and agencies are subject to the supervision of the Board of Governors and must meet many of the rules and regulations, including safety and soundness rules and regulations, applicable to domestic commercial banks. In addition, because FHLBank deposits generally exceed the \$100,000 FDIC deposit insurance limit, and U.S. branches of foreign banks principally accept only wholesale deposits, FDIC insurance would be of

little benefit, and the absence thereof would pose little additional risk, to the FHLBanks.

### III. Notice and Public Participation

The Finance Board finds that the notice and comment procedure required by the Administrative Procedure Act is unnecessary, impracticable, and contrary to the public interest in this instance because the changes made by the final rule are technical in nature and apply only to the FHLBanks. See 5 U.S.C. 553(b)(3)(B). In addition, as explained above, the changes made by the final rule are necessary to comply with various provisions of federal law.

### IV. Effective Date

For the reasons stated in part III above, the Finance Board for good cause finds that the interim final rule should become effective on May 16, 1997. See 5 U.S.C. 553(d)(3).

### V. Regulatory Flexibility Act

The Finance Board is adopting the technical amendment in the form of a final rule and not as a proposed rule. Therefore, the provisions of the Regulatory Flexibility Act do not apply. See 5 U.S.C. 601(2), 603(a).

### VI. Paperwork Reduction Act

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

#### List of Subjects

##### 12 CFR Part 931

Banks, Banking, Federal home loan banks.

##### 12 CFR Part 934

Federal home loan banks, Securities, Surety bonds.

Accordingly, the Federal Housing Finance Board hereby adopts the interim final rule amending 12 CFR part 931 that was published at 62 FR 6860 on February 14, 1997 as a final rule with the following changes, and amends 12 CFR part 934 of the Code of Federal Regulations as follows:

### PART 931—DEFINITIONS

1. Revise the authority citation for part 931 to read as follows:

**Authority:** 12 U.S.C. 1422a and 1422b.

### PART 934—OPERATIONS OF THE BANKS

1. Revise the authority citation for part 934 to read as follows:

**Authority:** 12 U.S.C. 1422a, 1422b, 1431(g), and 1442.

#### §§ 934.4 through 934.14 [Redesignated as §§ 934.5 through 934.15]

2. Redesignate §§ 934.4 through 934.14 as §§ 934.5 through 934.15, respectively.

#### § 931.5 [Redesignated as § 934.4]

3. Redesignate § 931.5 as § 934.4 and revise to read as follows:

#### § 934.4 Deposits in banks or trust companies.

For purposes of section 11(g) of the Act, the term "deposits in banks or trust companies" means:

- (a) A deposit in another Bank;
- (b) A demand account in a Federal Reserve Bank; and
- (c) A deposit in, or a sale of federal funds to:
  - (1) An insured depository institution, as defined in section 2(12)(A) of the Act, that is designated by a Bank's board of directors;
  - (2) A trust company that is a member of the Federal Reserve System or insured by the Federal Deposit Insurance Corporation, and is designated by a Bank's board of directors; or
  - (3) A U.S. branch or agency of a foreign bank, as defined in the International Banking Act of 1978, as amended (12 U.S.C. 3101 *et seq.*), that is subject to the supervision of the Board of Governors of the Federal Reserve System, and is designated by a Bank's board of directors.

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

**Bruce A. Morrison,**  
*Chairperson.*

[FR Doc. 97-12550 Filed 5-15-97; 8:45 am]

BILLING CODE 6725-01-U

### DEPARTMENT OF COMMERCE

#### Bureau of Export Administration

#### 15 CFR Part 744

[Docket No. 970428099-7099-01]

RIN 0694-AB60

#### Revisions to the Export Administration Regulations: Addition of Bharat Electronics, Ltd., (aka Baharat Electronics, Ltd.) India, to Entity List

**AGENCY:** Bureau of Export Administration, Commerce.

**ACTION:** Final rule.

**SUMMARY:** The Export Administration Regulations (EAR) provide that the Bureau of Export Administration (BXA) may inform exporters, individually or through amendment to the EAR, that a license is required for exports or reexports to certain entities. The EAR contains a list of such entities. This rule adds Bharat Electronics LTD, (aka Baharat Electronics, Ltd.) located in India, to the entity list, and requires a license for exports or reexports of all items subject to the EAR.

**EFFECTIVE DATE:** This rule is effective May 16, 1997.

**FOR FURTHER INFORMATION CONTACT:** Eileen M. Albanese, Office of Exporter Services, Bureau of Export Administration, Telephone: (202) 482-0436.

**SUPPLEMENTARY INFORMATION:**

**Background**

General Prohibition Five (§ 736.2(b)(5) of the EAR) prohibits exports to certain end-users or end-uses without a license. In the form of Supplement No. 4 to part 744, BXA maintains an "Entity List" to provide notice informing the public of certain entities subject to such licensing requirements.

Although the Export Administration Act (EAA) expired on August 20, 1994, the President invoked the International Emergency Economic Powers Act and continued in effect, to the extent permitted by law, the provisions of the EAA and the EAR in Executive Order 12924 of August 19, 1994.

**Rulemaking Requirements**

1. This final rule has been determined to be not significant for purposes of Executive Order 12866.

2. Notwithstanding any other provision of law, this rule involves a collection of information subject to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*). This collection has been approved by the Office of Management and Budget under control number 0694-0088.

3. This rule does not contain policies with Federalism implications sufficient to warrant preparation of a Federalism assessment under Executive Order 12612.

4. The provisions of the Administrative Procedure Act (5 U.S.C. 553) requiring notice of proposed rulemaking, the opportunity for public participation, and a delay in effective date, are inapplicable because this regulation involves a military and foreign affairs function of the United States (5 U.S.C. 553(a)(1)). Further, no

other law requires that a notice of proposed rulemaking and an opportunity for public comment be given for this final rule. Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for this rule under 5 U.S.C. 553 or by any other law, the requirements of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) are not applicable.

Therefore, this regulation is issued in final form. Although there is no formal comment period, public comments on this regulation are welcome on a continuing basis. Comments should be submitted to Sharron Cook, Regulatory Policy Division, Bureau of Export Administration, Department of Commerce, P.O. Box 273, Washington, DC 20044.

**List of Subjects in 15 CFR Part 744**

Exports, Foreign trade, Reporting and recordkeeping requirements.

Accordingly, part 744 of the Export Administration Regulations (15 CFR parts 730-774) is amended, as follows:

1. The authority citation for 15 CFR part 744 continues to read as follows:

**Authority:** 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; 22 U.S.C. 3201 *et seq.*; 42 U.S.C. 2139a; E.O. 12058, 43 FR 20947, 3 CFR, 1978 Comp., p. 179; E.O. 12851, 58 FR 33181, 3 CFR, 1993 Comp., p. 608; E.O. 12924, 59 FR 43437, 3 CFR, 1994 Comp., p. 917; E.O. 12938, 59 FR 59099, 3 CFR, 1994 Comp., p. 950; Notice of August 15, 1995 (60 FR 42767, August 17, 1995); and Notice of August 14, 1996 (61 FR 42527).

**PART 744—[AMENDED]**

2. Supplement No. 4 to part 744 is amended by adding, in alphabetical order, the following entity:

"Bharat Electronics LTD, (aka Baharat Electronics, Ltd.) located in India, for all items subject to the EAR".

Dated: May 12, 1997.

**Iain S. Baird,**

*Acting Assistant Secretary for Export Administration.*

[FR Doc. 97-12805 Filed 5-15-97; 8:45 am]

**BILLING CODE 3510-33-P**

**SECURITIES AND EXCHANGE COMMISSION**

**17 CFR Part 270**

[Release Nos. IC-22658; IS-1080; File No. S7-23-95]

**RIN 3235-AE98**

**Custody of Investment Company Assets Outside the United States**

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Final rule.

**SUMMARY:** The Commission is adopting amendments to the rule under the Investment Company Act of 1940 that governs the custody of investment company assets outside the United States. The amendments provide investment companies with greater flexibility in managing their foreign custody arrangements consistent with the safekeeping of investment company assets. The amendments also expand the class of foreign banks and securities depositories that may serve as investment company custodians.

**EFFECTIVE DATE:** The amendments will become effective June 16, 1997.

**FOR FURTHER INFORMATION CONTACT:**

Robin S. Gross, Staff Attorney, or Nadya B. Roytblat, Assistant Chief, Office of Regulatory Policy, at (202) 942-0690, Securities and Exchange Commission, Division of Investment Management, 450 Fifth Street, N.W., Mail Stop 10-2, Washington, D.C. 20549. Requests for formal interpretive advice should be directed to the Office of Chief Counsel at (202) 942-0659, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 10-6, Washington, D.C. 20549.

**SUPPLEMENTARY INFORMATION:** The Securities and Exchange Commission ("Commission") today is adopting amendments to rule 17f-5 (17 CFR 270.17f-5) under the Investment Company Act of 1940 (15 U.S.C. 80a) (the "Investment Company Act" or "Act").

**Table of Contents**

- I. Executive Summary
- II. Introduction and Background
- III. Discussion
  - A. Decision to Place Fund Assets in a Country
    - 1. Background
    - 2. Amended Rule
  - B. Delegation of Board Responsibilities
    - 1. Selecting Delegates
    - 2. Delegate's Standard of Care
  - C. Selecting, Contracting with, and Monitoring a Foreign Custodian