

families seeking to purchase an existing home, and did not provide sufficient flexibility. The Agency received tremendous support when the previous standards were eliminated.

As mentioned, the new standards for modest housing became effective in 1995. As the Agency began the process of reinventing and reengineering the program in 1996, we became aware of concerns which impacted our ability to provide financing on modest homes for very-low and low-income families in rural America. For example, in some rural areas, the section 203(b) loan limit is higher than the cost of housing the Agency financed under previous standards. This is evidenced by an increase in the average cost of a house financed by the Agency under the previous standards and the average cost of a house financed under the section 203(b) standards, even when the rise in construction costs is taken into account. This limits our ability to provide the maximum number of homeownership opportunities in rural America within allocated funds. Concomitantly, in other areas of rural America, the section 203(b) limits are too low for the Agency to finance the cost of constructing a modest home. The percentage of newly constructed homes financed by the Agency has dropped significantly since the Agency began utilizing the section 203(b) limits. This severely limits our ability to provide homeownership opportunities for families in many growing rural communities which are in dire need of new housing.

For these reasons, when the Agency published the aforementioned interim final rule comments were solicited on alternative methods the Agency could utilize to ensure that only modest housing was financed. Seven comments were received. None of the commentors wanted the Agency to return to its previous standards and most supported continuing with the section 203(b) limits. No additional criteria were provided by the commentors. In retrospect, the Agency believes that at the time of publication of the interim final rule, most of the commentors were not fully aware of the impact of the use of the 203(b) loan limits in the direct SFH program. The Agency is again seeking recommendations on alternative methods for establishing a standard for modest housing. The Agency is currently considering two options.

The first option being considered is to utilize a multiple of the median income for the area to establish the maximum loan amount. In this manner, the income of the area would assist in determining a typical modest home for the area. RHS is considering

establishing a maximum loan amount of 2.5 times the median income for a family of four. For example, if the median income for a family of four was \$30,000 in a given county, the maximum loan would be \$75,000 (\$30,000 times 2.5). For families in excess of four, the loan limit would be 2.5 times the median income for that family size.

The second option being considered is a square footage limitation. The Agency has no intention of reconsidering the previous standards in which amenities were considered and square footage maximums were set by specific family size. The proposed standard is simple and straightforward. The maximum square footage allowable would be 1300 square feet of finished living area. This standard would apply to existing homes and new construction. For family sizes in excess of four, the square footage standard may be increased by 150 square feet for each family member over four. The Agency also proposes to allow the State Director the authority to provide exceptions on a case-by-case basis provided the proposed housing is modest and alternative homes within the square footage standards are not readily available in the market. There would be no amenity standards except for the existing requirements that the property may not have an in-ground pool or be used for income producing purposes.

Under this option, the Agency is particularly interested in comments on how to further satisfy our statutory mandate to finance only modest housing, without the need to establish specific amenity standards. In addition, the Agency is proposing only one square footage standard; whereas in the past, different square footage standards for existing homes and new construction existed. The Agency wants comments on whether a single standard is appropriate, or whether and why separate standards should be established. Also, if two standards are recommended, what square footage standards should be established for existing homes and new construction? And finally, how should the Agency define "finished" living area?

The Agency would appreciate comments on these two options, together with any recommended enhancements or changes. In addition, the Agency is also interested in other potential standards by which to determine that housing is modest provided such standards are simple, straightforward and not overly burdensome to our customers.

The Agency generally provides a 60-day comment period for proposed

changes. However, since the Agency is only requesting comments on one standard, a 30-day comment period is provided. It is the Agency's objective to publish a final rule with the proposed change by September 1, 1998, with an effective date of October 1, 1998. The rule would be effective for any current applicant who had not submitted a sales contract for the purchase of a home to the Agency.

Dated: May 21, 1998.

Jan E. Shadburn,

Administrator, Rural Housing Service.

[FR Doc. 98-14149 Filed 5-27-98; 8:45 am]

BILLING CODE 3410-XV-U

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 10

[Docket No. 98-08]

RIN 1557-AB62

Municipal Securities Dealers

AGENCY: Office of the Comptroller of the Currency, Treasury.

ACTION: Final rule.

SUMMARY: The Office of the Comptroller of the Currency (OCC) is issuing a final rule to revise its Municipal Securities Dealers regulation to remove unnecessary provisions. This change would not have any substantive effect on the operations of national banks, but would simplify the OCC's rule regarding bank municipal securities dealers (MSDs) by removing a redundant restatement of rules found elsewhere.

DATES: The final rule is effective June 29, 1998.

FOR FURTHER INFORMATION CONTACT: Joseph W. Malott, National Bank Examiner, Treasury and Market Risk (202) 874-5670; Donald Lamson, Assistant Director, Securities and Corporate Practices (202) 874-5210; or Ursula Pfeil, Attorney, Legislative and Regulatory Activities (202) 874-5090.

SUPPLEMENTARY INFORMATION:

Background and Discussion of Final Rule

The OCC is issuing a final rule to revise its Municipal Securities Dealers regulation to remove unnecessary provisions. The OCC had previously published a notice of proposed rulemaking on January 16, 1998, and at that time requested comment on the

changes. 63 FR 2640. The OCC received no comments and, therefore, is now issuing a final rule unchanged from its proposed rule.

Section 15B(b) of the Securities Exchange Act of 1934 (Exchange Act) (15 U.S.C. 78o-4(b)) created the Municipal Securities Rulemaking Board (MSRB) and mandated that the MSRB adopt rules that establish qualification criteria for municipal securities brokers or dealers and associated persons. To implement section 15B(b), the MSRB adopted Rule G-7 (Information Concerning Associated Persons) (Rule G-7).¹ Rule G-7 requires, among other things, that municipal securities principals and representatives associated with a bank MSD file with the bank either (a) Form MSD-4 (Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer) or (b) a similar form prescribed by the bank's primary regulator. A national bank MSD is in turn required by Rule G-7 to submit to the OCC the form that the bank's associated municipal securities principals and representatives file with it. Rule G-7 also requires bank MSDs to update information as necessary, to retain records for specified periods of time, and to file with the appropriate banking agency "such of the information prescribed by [Rule G-7] as such * * * agency * * * shall by rule or regulation require." Rule G-7(g).

Shortly after the MSRB adopted Rule G-7, the OCC adopted part 10 in order to prescribe the information and forms that national bank MSDs are to submit. (42 FR 16813 (March 30, 1977)). Part 10 currently sets out the scope of the rule (§ 10.1); definitions used therein (§ 10.2); information about where and how to file the appropriate forms (§ 10.3); and requirements governing the submission and retention of Form MSD-4 and Form MSD-5 (Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer) (§ 10.4).

As explained in the following section-by-section analysis, much of current part 10 either is substantively identical to the requirements contained in Rule G-7 or is otherwise unnecessary.

¹ The MSRB rules may be obtained by contacting the Municipal Securities Rulemaking Board by telephone at (202) 223-9347 or by mail at 1150 18th Street, NW, Suite 400, Washington, DC 20036-3816.

Section-by-Section Analysis

Section 10.1 of Current and Final Rules

This section identifies the entities and individuals covered by part 10. Section 10.1 of the final rule clarifies that subsidiaries of national banks are not covered by the rule. This clarification is consistent with MSRB Rule G-7, which states that "bank dealers" are to comply with the rules and requirements adopted by the appropriate bank regulatory agency. The term "bank dealer" is defined in Rule D-8 of the MSRB's rules to include "a municipal securities dealer which is a bank or a separately identifiable department or division of a bank as defined in rule G-1 of the [Municipal Securities Rulemaking] Board." Subsidiaries of banks are not included in the definition of "bank dealer," and are, therefore, governed directly by the MSRB's filing requirements. The change to § 10.1 reflects this fact. It does not, however, affect the content of what these subsidiaries are to file or who regulates their municipal securities activities.²

Section 10.2 of Current Rule

The terms defined in current § 10.2 are not used in part 10. Accordingly, this section is removed.

Section 10.3 of Current Rule

Section 10.3 provides information about the mechanics of filing the MSD-4 and MSD-5 forms with the OCC. This information is unnecessary in light of the filing instructions that accompany these forms. Therefore, the final rule removes this section.

Section 10.4 of Current Rule/§ 10.2 of Final Rule

Section 10.4(a)(1) of the current rule states that Form MSD-4 is an appropriate means of carrying out the purposes of Rule G-7(b). Two provisions in Rule G-7 make it appropriate for the final rule to retain a provision identifying which form national bank MSDs are to use and what information is to be submitted in order to comply with Rule G-7. First, paragraph (b) of Rule G-7 states that "in the case of a bank dealer a completed Form MSD-4 or similar form prescribed by the appropriate regulatory agency for such bank dealer, containing the foregoing information [i.e., the information listed in Rule G-7(b)(i)-(x)], shall satisfy the requirements of this

² Subsidiaries of national banks that engage in municipal securities activities must register with the NASD and are regulated by NASD Regulation, Inc., the subsidiary of NASD charged with regulating the securities industry and the Nasdaq Stock Market.

paragraph (b)]." Given that Rule G-7(b) provides bank regulators the option of using a form other than Form MSD-4, there remains a need for the OCC to clarify which form national banks should use. Second, as previously noted, paragraph (g) of Rule G-7 states that bank MSDs are to file with their appropriate regulatory agency "such of the information prescribed by this rule [i.e., Rule G-7] as such * * * agency * * * shall by rule or regulation require." Repealing all of part 10 arguably would create an unintended gap in the filing requirements for bank MSDs, because there would be no rule or regulation requiring national banks to file.

In light of paragraphs (b) and (g) of Rule G-7, the final rule retains a requirement, at § 10.2(a), stating that a national bank is to use Form MSD-4 to submit the information required by Rule G-7(b)(i)-(x) to be obtained from a person identified in § 10.1(b). Section 10.2(a) also states that a national bank receiving completed MSD-4 forms must submit these forms to the OCC before permitting any person to be associated with it as a municipal securities principal or a municipal securities representative. Should the MSRB amend Rule G-7 to remove the reference to rules or regulations issued by the banking agencies, the OCC will revisit the need for a continued reference to the MSRB rules in part 10.³

Section 10.4(a)(2) of the current rule repeats filing requirements found in Rule G-7 and, therefore, is removed.

Section 10.4(b) of the current rule instructs national bank MSDs regarding how they should proceed if a Form MSD-4 contains materially inaccurate or incomplete information. This section is unnecessary, given that paragraph (c) of Rule G-7 requires that the information required to be submitted must remain accurate and complete. A national bank MSD receiving updated information from an associated municipal securities representative or

³ The Board of Governors of the Federal Reserve System (Board) and Federal Deposit Insurance Corporation (FDIC) each have published proposed amendments to each agency's MSD regulation. See 62 FR 15272 (March 31, 1997) (Board) and 62 FR 26994 (May 16, 1997) (FDIC). Both the Board and the FDIC propose to repeal their MSD rules altogether. However, both agencies intend for banks within their respective jurisdictions to continue filing the MSD-4 and MSD-5 forms with those agencies. Accordingly, the OCC, Board, and FDIC intend to impose substantively identical requirements on bank MSDs. The stylistic differences between the OCC's final rule and those of the Board and FDIC reflect the OCC's view that it is necessary and helpful to national bank MSDs for the OCC's rule to address those areas identified in Rule G-7 where bank dealers are to look to the rules of their primary regulator.

municipal securities principal is obligated pursuant to Rule G-7 to submit the amended information to the OCC in order to ensure that the individuals are properly registered. Accordingly, the final rule removes current § 10.4(b).

Current § 10.4(c) requires national bank MSDs to file Form MSD-5 within 30 days of terminating a person's association with the bank as a municipal securities representative or principal. This requirement does not appear in Rule G-7. In order to facilitate the effective supervision of MSD activity by national banks, the final rule retains the requirement, at § 10.2(b), that a termination notice be submitted.

Finally, current § 10.4(d)(1) restates record retention requirements found in Rule G-7(e), while § 10.4(d)(2) states that the MSD-4 and MSD-5 forms are covered by section 32(a) of the Exchange Act (15 U.S.C. 78ff). These provisions in current § 10.4 are unnecessary and are, therefore, removed.

Regulatory Flexibility Act

The OCC hereby certifies that this rule will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis is not required.

As noted earlier, the OCC has only eliminated unnecessary provisions that appear in the current rule. This rule will, therefore, reduce the regulatory burden on national banks, regardless of size. No new burden is added by the changes.

Executive Order 12866

The OCC has determined that this final rule is not a significant regulatory action under Executive Order 12866.

Unfunded Mandates Act of 1995

The OCC has determined that the final rule will not result in expenditures by State, local, and tribal governments, or by the private sector, of more than \$100 million in any one year. Accordingly, the OCC has not prepared a budgetary impact statement or specifically addressed the regulatory alternatives considered as would otherwise be required by the Unfunded Mandates Act of 1995.

List of Subjects in 12 CFR Part 10

National banks, Reporting and recordkeeping requirements, Securities.

Authority and Issuance

For the reasons set out in the preamble, the OCC revises part 10 of chapter I of title 12 of the Code of Federal Regulations as set forth below:

PART 10—MUNICIPAL SECURITIES DEALERS

Sec.

10.1 Scope.

10.2 Filing requirements.

Authority: 5 U.S.C. 93a, 481, and 1818; 15 U.S.C. 78o-4(c)(5) and 78q-78w.

§ 10.1 Scope.

This part applies to:

(a) Any national bank, District bank, and separately identifiable department or division of either (collectively, a national bank) that acts as a municipal securities dealer, as that term is defined in section 3(a)(30) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(30)); and

(b) Any person who is associated or to be associated with a national bank in the capacity of a municipal securities principal or a municipal securities representative, as those terms are defined in Rule G-3 of the Municipal Securities Rulemaking Board (MSRB).¹

§ 10.2 Filing requirements.

(a) A national bank shall use Form MSD-4 (Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer) for obtaining the information required by MSRB Rule G-7(b)(i)-(x) from a person identified in § 10.1(b). A national bank receiving a completed MSD-4 form from a person identified in § 10.1(b). A national bank receiving a completed MSD-4 form from a person identified in § 10.1(b) must submit this form to the OCC before permitting the person to be associated with it as a municipal securities principal or a municipal securities representative.

(b) A national bank must submit Form MSD-5 (Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer) to the OCC within 30 days of terminating a person's association with the bank as a municipal securities principal or municipal securities representative.

(c) Forms MSD-4 and MSD-5, with instructions, may be obtained by contacting the OCC at 250 E Street, SW., Washington, DC 20219, Attention: Bank Dealer Activities.

¹The MSRB rules may be obtained by contacting the Municipal Securities Rulemaking Board at 1150 18th Street, NW, Suite 400, Washington, DC 20036-3816.

Dated: May 9, 1998.

Julie L. Williams,

Acting Comptroller of the Currency.

[FR Doc. 98-14016 Filed 5-27-98; 8:45 am]

BILLING CODE 4810-33-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 96-NM-211-AD; Amendment 39-10532; AD 98-11-05]

RIN 2120-AA64

Airworthiness Directives; Saab Model SAAB 2000 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD), applicable to certain Saab Model SAAB 2000 series airplanes, that requires performing a one-time inspection of the dropout boxes of the passenger oxygen system to detect discrepancies and determine whether the system operates properly; correcting any discrepancy found; and reworking or installing new components, if necessary. This amendment is prompted by a report indicating that the oxygen system failed to operate correctly after activation at a low cabin pressure due to the incorrect installation of the oxygen masks or oxygen generators during manufacturing. The actions specified by this AD are intended to ensure that a sufficient supply of oxygen is provided to airplane passengers in the event of rapid decompression of the airplane.

DATES: Effective July 2, 1998.

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of July 2, 1998.

ADDRESSES: The service information referenced in this AD may be obtained from Saab Aircraft AB, SAAB Aircraft Product Support, S-581.88, Linkping, Sweden. This information may be examined at the Federal Aviation Administration (FAA), Transport Airplane Directorate, Rules Docket, 1601 Lind Avenue, SW., Renton, Washington; or at the Office of the **Federal Register**, 800 North Capitol Street, NW., suite 700, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Norman B. Martenson, Manager, International Branch, ANM-116, FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington