

Wilson
Zapata
Zavala
* * * * *

West Virginia

West Virginia

Survey Area

West Virginia:

Cabell
Harrison
Kanawha
Marion
Monongalia
Putnam
Wayne

Ohio:

Lawrence

Kentucky:

Boyd Greenup

Area of Application. Survey Area Plus

West Virginia:

Barbour
Boone
Braxton
Calhoun
Clay
Doddridge
Fayette
Gilmer
Grant
Greenbrier
Jackson
Lewis
Lincoln
Logan
McDowell
Mason
Mercer
Mingo
Monroe
Nicholas
Pendleton
Pleasants
Pocahontas
Preston
Raleigh
Randolph
Ritchie
Roane
Summers
Taylor
Tucker
Tyler
Upshur
Webster
Wetzel
Wirt
Wood
Wyoming

Ohio:

Athens
Gallia
Jackson
Meigs
Monroe
Morgan
Noble
Pike
Scioto
Vinton
Washington

Kentucky:

Carter

Elliott
Floyd
Johnson
Lawrence
Lewis
Magoffin
Martin
Pike
Virginia (city):
Norton
Virginia (counties):
Dickenson
Wise
* * * * *

[FR Doc. 95-30737 Filed 12-18-95; 8:45 am]

BILLING CODE 6325-01-M

FEDERAL RESERVE SYSTEM

5 CFR Chapter LVIII

12 CFR Part 264

[Docket No. R-0900]

RIN 3209-AA15

Supplemental Standards of Ethical Conduct for Employees of the Board of Governors of the Federal Reserve System

AGENCY: Board of Governors of the Federal Reserve System (Board).

ACTION: Proposed rule.

SUMMARY: The Board of Governors of the Federal Reserve System, with the concurrence of the Office of Government Ethics (OGE), proposes to issue regulations for the officers and employees of the Board that supplement the Standards of Ethical Conduct for Employees of the Executive Branch issued by OGE. The proposed regulation is a necessary supplement to the Executive Branch-wide Standards because it addresses ethical issues unique to the Board. The regulation as proposed would establish rules relating to: financial interests and transactions; borrowing and extensions of credit; employment relationships of immediate family members; and outside employment. The Board is also proposing to replace its old employee conduct regulation with a residual cross-reference to the new provisions.

DATES: Comments are invited and must be received on or before February 20, 1996.

ADDRESSES: Comments should refer to Docket No. R-0900, and may be mailed to Williams W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551. Comments also may be delivered to Room B-2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m.

weekdays, or to the guard station in the Eccles Building courtyard on 20th Street, NW. (between Constitution Avenue and C Street) at any time. Comments received will be available for inspection in Room MP-500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in 12 CFR 261.8 of the Board's rules regarding availability of information.

FOR FURTHER INFORMATION CONTACT: Cary Williams, Managing Senior Counsel, Legal Division, Board of Governors of the Federal Reserve System, telephone (202) 452-3295, FAX (202) 452-3101. For the hearing impaired only, Telecommunications Device for the Deaf, Dorothea Thompson (202) 452-3544.

SUPPLEMENTARY INFORMATION:

I. Background

On August 7, 1992, OGE published the Standards of Ethical Conduct for Employees in the Executive Branch. See 57 FR 35006-35067, as corrected at 57 FR 48557 and 57 FR 52583, with additional grace period extensions at 59 FR 4779-4780 and 60 FR 6390-6391. The Executive Branch-wide Standards are now codified at 5 CFR part 2635. Effective February 3, 1993, they established uniform ethical conduct standards applicable to all executive branch personnel.

With the concurrence of OGE, 5 CFR 2635.105 authorizes executive agencies to publish agency-specific supplemental regulations necessary to implement their respective ethics programs. The Board, with OGE's concurrence, has determined that the following proposed supplemental regulations are necessary to implement the Board's ethics program successfully, in light of the Board's unique programs and operations. The proposed supplemental rule addresses issues relevant to the Board's roles with respect to monetary policy and banking regulation. The Board is also proposing to delete the existing provisions of 12 CFR part 264 that its supplemental regulation, once finally adopted, and the Executive Branch-wide Standards supersede and to add in their place a residual cross-reference to the current provisions.

II. Analysis of the Proposed Regulations

Section 6801.101 General

Section 6801.101 explains that the proposed regulations contained in the rule would apply to all Board employees, including Board members, and are supplemental to the Executive Branch-wide Standards.

Section 6801.102 Definitions

For purposes of interpreting the provisions in this part, § 6801.102 sets forth a proposed definition of the terms "affiliate," "debt or equity interest," "dependent child," "depository institution," "employee" and "primary government securities dealer" and "supervisory employee."

Proposed § 6801.102 would include as an *affiliate* companies that control, are controlled by, or are under common control with, a depository institution. This definition was taken from the Bank Holding Company Act of 1956 and is intended to include any holding companies, subsidiaries or other affiliated companies of depository institutions.

The term *debt or equity interest* as proposed would include "secured and unsecured bonds, debentures, notes, securitized assets, commercial paper, and preferred and common stock." It would extend to any right to acquire or dispose of any such debt or equity interest and to beneficial or legal interests derived from a trust. The proposed term does not, however, include deposit accounts, future interests created by someone other than the employee or the employee's spouse or dependent, or any right as a beneficiary of an estate that has not been settled.

The term *dependent child* is to be given the same meaning as in OGE's financial disclosure regulation at 5 CFR 2635.105(d).

The term *depository institution* is defined in proposed § 6801.102 as any institution that accepts deposits. This would include thrifts and foreign banks.

The term *employee* would include all Board employees, including Board members, but would not include special Government employees.

The term *primary government securities dealer* as proposed is defined as a firm with which the Federal Reserve conducts its open market operations.

The term *supervisory employee* would encompass Board members, all professional staff in the Division of Banking Supervision and Regulation, and professional staff in other divisions who participate substantially in supervisory matters involving depository institutions.

Section 6801.103 Prohibited Financial Interests

Section 6801.103(a) as proposed would prohibit a Board employee, and the spouse and minor child of a Board employee, from owning or controlling any debt or equity interest in a

depository institution or its affiliates or of a primary government securities dealer or its affiliates. Under 5 CFR 2635.403(a), an agency may, by supplemental regulation, prohibit or restrict the holding of a financial interest by its employees and the spouses and minor children of those employees based on the agency's determination that the acquisition or holding of such financial interest would cause a reasonable person to question the impartiality and objectivity with which agency programs are administered. The Board has determined that, in light of the Board's sensitive bank regulatory and monetary policy functions, the restriction is necessary to: (1) Maintain public confidence in the impartiality and objectivity with which the Board executes its regulatory and monetary policy functions; (2) eliminate any concern that sensitive information provided to the Board might be misused for private gain; and (3) avoid the widespread disqualification of employees from official matters that might result in the Board's inability to fulfill its mission.

The Board's current rule prohibits employees from holding equity interests in banks or their affiliates. 12 CFR 264.735-6(d). This rule does not apply to debt interests in banks, such as bonds, or to equity interests in thrifts. The proposed prohibition in § 6801.103(a) would extend to debt and equity interests in all depository institutions regardless of whether the depository institution is regulated by the Board. The Board believes that this is appropriate in light of the Board's broad regulatory and supervisory authority. For example, the Board is responsible for setting reserve requirements for all depository institutions, and the Federal Reserve System provides liquidity to all depository institutions through the discount window. In connection with a discount window advance, the Board is authorized to examine any depository institution.

The Board's current rule also prohibits employees from holding equity interests in government securities dealers. 12 CFR 264.735-6(d). The proposed rule would clarify and expand this prohibition by extending to debt and equity interests in primary government securities dealers and their affiliates. The Federal Reserve conducts business with primary government securities dealers, which in turn are expected to facilitate the Federal Reserve's open market operations and to provide the Federal Reserve with information to assist it in performing its

duties. Primary government securities dealers are required to submit reports reflecting their activities to the Federal Reserve on a regular basis, and must meet qualification requirements of the System and the Treasury Department.

The proposed prohibition in § 6801.103(a) would apply to the spouse and minor children of a Board employee. In the past, spouses and minor children of Board employees have not been subject to the Board's rule on prohibited financial interests. As a result, there has been a need to disqualify employees from official matters in order to avoid violations of the criminal laws (18 U.S.C. 208) and in order to maintain public confidence in the objectivity and impartiality with which Board programs are carried out. Under 5 CFR 2635.403(a), any restriction on the holdings of financial interests by the spouses or minor children of agency employees must be based on the agency's determination that there is a direct and appropriate nexus between the restriction as applied to spouses and minor children and the efficiency of the service. Based on the experiences outlined above, and in order to avoid the potential appearance that an employee's spouse could trade on information obtained through the employee's position with the Board, the Board has determined that such a nexus exists.

Section 6801.103(b) as proposed would provide several exceptions to the proposed prohibition in § 6801.103(a) on financial interests. The proposed exceptions are intended to ease the restrictions on the financial interests of Board employees, their spouses and minor children, and to permit interests of a character unlikely to raise questions regarding the objective or impartial performance of Board employees' official duties or the possible misuse of their positions. The exception proposed for nonbanking holding companies would permit an employee to own stock in an automobile manufacturer or a retail company, for example, that owned a credit card bank or other depository institution, provided the company's principal line of business was not banking. The next two proposed exceptions would permit employees to own interests in depository institutions indirectly through investments in a publicly traded or available mutual fund (so long as it does not have a stated policy of concentrating in the financial services industry), or in a widely held, diversified pension plan.

Section 6801.103(c) of the proposed rule would authorize the Board's Designated Agency Ethics Official (DAEO), in consultation with Division

management, to waive the prohibition in § 6801.103(a) under certain limited circumstances. In general, a request for a waiver could be considered if the prohibited interest is acquired without specific intent, particularly if the owner of the interest is the employee's spouse or minor child. However, the standards for granting a waiver would be based, in part, on the policies of each division and, therefore, could vary among divisions. For example, because of the greater potential for an actual conflict of interest arising from depository institution stock ownership, the Board's Division of Banking Supervision and Regulation could be less inclined to consider a waiver request for these interests than another division having no regulatory responsibilities.

Proposed § 6801.103(d) would require employees to consult with the DAEO concerning the need for recusal as a result of holding any debt or equity interest based on an exception or a waiver exception in 6801.103(b)(1) or (c).

Section 6801.104 Speculative Dealings [Reserved]

A provision of the Board's current ethics rules prohibits Board employees from engaging in speculative dealings. See 12 CFR 264.735-6(d)(iii). The Office of Government Ethics has voiced concern regarding this provision's lack of notice to employees as to what constitutes speculative dealings. The Board is in discussion with OGE about this rule and may amend its supplemental rule, once it is adopted as a final rule, to include a provision on speculation at some point in the future. Board employees continue to be prohibited by the Standards of Ethical Conduct from engaging in a financial transaction using, or appearing to use, nonpublic information to further their own private interests or those of another. 5 CFR 2635.101(b)(14) and 2635.703.

Section 6801.105 Prohibition on Preferential Terms From Regulated Institutions

Proposed § 6801.105 would prohibit a Board employee from entering into a financial relationship with an entity regulated by the Board if such relationship is governed by terms more favorable than those available in like circumstances to members of the public. This provision has always been a part of the Board's ethics regulation (12 CFR 264.735-6(b)(2)(i)), and the Board has found that it has helped to remind employees of their responsibility to avoid receiving preferential treatment in

their personal dealings with regulated entities.

Section 6801.106 Prohibition on Supervisory Employees From Seeking Credit From Institutions Involved in Work Assignments

Section 6801.106 as proposed would apply only to "supervisory employees." The term "supervisory employee" is defined in proposed § 6801.102(g) as all professional staff at the Board with responsibilities in the area of banking supervision and regulation. This would include all professional staff in the Division of Banking Supervision and Regulation, the Legal Division, and the Division of Consumer and Community Affairs; professional staff in the Division of Research and Statistics who have responsibility for applications; professional staff in the Office of the Inspector General who are involved in evaluating the Supervision and Regulation function; and the Board members.

Section 6801.106(a) as proposed would prohibit a supervisory employee from seeking credit from, or renegotiating or rolling over existing credit with, a depository institution if the employee is assigned to a matter affecting that institution or if the employee is aware of the pendency of the matter and knows that he or she will participate in the matter. This prohibition would also apply for three months after the employee's participation in the matter has ended. In addition, proposed § 6801.106(b) provides that a supervisory employee must be disqualified from a matter if he or she learns that his or her spouse or other related persons or entities have borrowed from a depository institution that is a party to the matter while the matter is pending. Section 6801.106(c) provides a proposed exception to the application of these provisions with respect to borrowing through the use of a credit card on terms and conditions available to the general public, or to borrowing through overdraft protection. The Board's DAEO may grant a waiver of these provisions. The proposed temporary ban on seeking credit is necessary to prevent the potential appearance that supervisory employees might use their official position or their contacts with a depository institution resulting from their work on a matter involving that institution, to obtain loans or extensions of credit on favorable terms. The Board's current rule does not contain restrictions in this area.

Section 6801.107 Disqualification of Supervisory Employees From Matters Involving Lenders

A supervisory employee would be restricted by proposed § 6801.107 from participating in any matter in which a depository institution or an affiliate of a depository institution is a party if the supervisory employee or the spouse or dependent child of the supervisory employee, or certain related entities are indebted to the depository institution or its affiliate. Typical consumer credit, such as home mortgage loans and credit card debt, would not give rise to the disqualification requirement.

Section 6801.107 would supplement § 2635.502 of the Executive Branch-wide Standards. The restriction is necessitated by the frequent contact that supervisory employees have with lending institutions. The restriction as proposed is designed to ensure that supervisory employees do not benefit or appear to benefit from their official positions and do not lose or appear to lose their impartiality.

Exceptions to the proposed restriction related to borrowing relationships are set forth in § 6801.107(b). Under the exceptions, a supervisory employee could participate in matters involving depository institutions to which the supervisory employee, or the supervisory employee's spouse or dependent child, is indebted under one of the conditions indicated in subsection (b)(1)(i)-(iv) as proposed. The exceptions proposed in § 6801.107(b) are intended to ease the restrictions on supervisory employees' participation in particular matters in situations where a loan or extension of credit is unlikely to raise issues regarding the motivation of the lender or the objective or impartial performance of official duties by supervisory employees.

Proposed § 6801.107(c) would give the Board's DAEO authority to grant a written waiver from the prohibitions in § 6801.107 in accordance with 5 CFR 2635.502(d).

Section 6801.108 Restrictions Resulting From Employment of Family Members

Section 6801.108(a) as proposed would require a supervisory employee (as defined in § 6801.101(b)(2)) to report the employment of an immediate family member (spouse, child, parent or sibling) if the immediate family member is employed by a depository institution or a depository institution affiliate. The reporting requirement would be triggered immediately upon the

supervisory employee's discovery of the employment relationship.

Under proposed § 6801.108(c), a supervisory employee would be disqualified from participating in any matter involving an immediate family member's employer unless the supervisory employee received the appropriate authorization pursuant to the standard in § 2635.502(d) of the Executive Branch-wide Standards. This proposed requirement would eliminate the potential for any appearance of preferential treatment in those instances where employment of a family member would be likely to raise questions regarding the appropriateness of actions taken by the employee.

Section 6801.109 Prior Approval for Compensated Outside Employment

5 CFR 2635.803 provides that an agency may, by supplemental regulations, require its employees to obtain prior approval before engaging in outside employment when it has determined that such a requirement is necessary or desirable for the purpose of administering its ethics program. The Board's current regulation at 12 CFR 264.735-6(c) imposes a requirement for prior approval for outside business and teaching. Based on its finding that this requirement has helped to ensure that employees' outside activities conform to applicable statutes and regulations, the Board has determined to continue this requirement in a somewhat modified form. The proposed provision requires prior written approval before engaging in any compensated outside employment, a defined term that may provide more specific guidance to employees than "outside business or teaching," the scope of which has not always been clear.

III. Proposed Repeal of the Board's Regulations on Employee Responsibilities and Conduct

The Board is also proposing to repeal its regulations on the Responsibilities and Conduct of Board Employees, 12 CFR part 264, and to add a residual cross-reference to the new provisions.

IV. Matters of Regulatory Procedure *Administrative Procedure Act*

This proposed rulemaking is in compliance with the Administrative Procedure Act (5 U.S.C. 553) and allows for a 60-day comment period.

Regulatory Flexibility Act

The Board has determined under the Regulatory Flexibility Act (5 U.S.C. chapter 6) that this regulation will not have a significant economic impact on a substantial number of small business

entities because it affects only Board employees.

Paperwork Reduction Act

The Board has determined that the Paperwork Reduction Act (44 U.S.C. chapter 35) does not apply because this regulation does not contain any information collection requirements that require the approval of the Office of Management and Budget.

List of Subjects

5 CFR Part 6801

Conflict of interests, Government employees.

12 CFR Part 264

Conflict of interests, Federal Reserve System.

Dated: November 3, 1995.

William W. Wiles,

Secretary, Board of Governors of the Federal Reserve System.

Approved: November 13, 1995.

Stephen D. Potts,

Director, Office of Government Ethics.

For the reasons set forth in the preamble, the Board, with the concurrence with the Office of Government Ethics, is proposing to amend title 5 and chapter II of title 12 of the Code of Federal Regulations as follows:

TITLE 5—[AMENDED]

1. A new chapter LVIII, consisting of part 6801, is added to title 5 of the Code of Federal Regulations to read as follows:

CHAPTER LVIII—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PART 6801—SUPPLEMENTAL STANDARDS OF ETHICAL CONDUCT FOR EMPLOYEES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Sec.

- 6801.101 Purpose.
- 6801.102 Definitions.
- 6801.103 Prohibited financial interests.
- 6801.104 Speculative dealings. [Reserved]
- 6801.105 Prohibition on preferential terms from regulated institutions.
- 6801.106 Prohibition on supervisory employees' seeking credit from institutions involved in work assignments.
- 6801.107 Disqualification of supervisory employees from matters involving lenders.
- 6801.108 Restrictions resulting from employment of family members.
- 6801.109 Prior approval for compensated outside employment.

Authority: 5 U.S.C. 7301; 5 U.S.C. App. (Ethics in Government Act of 1978); 12 U.S.C. 244, 248; E.O. 12674, 54 FR 15159, 3

CFR, 1989 Comp., p.215, as modified by E.O. 12731, 55 FR 42547, 3 CFR, 1990 Comp., p.306; 5 CFR 2635.105, 2635.403(a), 2635.502, 2635.803.

§ 6801.101 Purpose.

In accordance with 5 CFR 2635.105, the regulations in this part supplement the Standards of Ethical Conduct for Employees of the Executive Branch found at 5 CFR part 2635. They apply to members and other employees of the Board of Governors of the Federal Reserve System ("Board").

§ 6801.102 Definitions.

For purposes of this part:

(a) *Affiliate* means any company that controls, is controlled by, or is under common corporate control with another company.

(b) (1) *Debt or equity interest* includes secured and unsecured bonds, debentures, notes, securitized assets, commercial paper, and preferred and common stock. The term encompasses both current and contingent ownership interests therein; any such beneficial or legal interest derived from a trust; any right to acquire or dispose of any long or short position in debt or equity interests; any interests convertible into debt or equity interests; and any options, rights, warrants, puts, calls, straddles, and derivatives with respect thereto.

(2) *Debt or equity interest* does not include deposits; credit union shares; any future interest created by someone other than the employee, his or her spouse, or dependent; or any right as a beneficiary of an estate that has not been settled.

(c) *Dependent child* means an employee's son, daughter, stepson, or stepdaughter if:

(1) Unmarried, under the age of 21, and living in the employee's household; or

(2) Claimed as a "dependent" on the employee's income tax return.

(d) *Depository institution* means a bank, trust company, thrift institution, or any institution that accepts deposits, including a bank chartered under the laws of a foreign country.

(e) *Employee* means an officer or employee of the Board, including a Board member. It does not include a special Government employee.

(f) *Primary government securities dealer* means a firm with which the Federal Reserve conducts its open market operations.

(g) *Supervisory employee* means an employee who is a member of the professional staff at the Board with responsibilities in the area of banking supervision and regulation.

§ 6801.103 Prohibited financial interests.

(a) *Prohibited interests.* Except as permitted by this section, an employee, or an employee's spouse or minor child, shall not own or control, directly or indirectly, any debt or equity interest in:

(1) A depository institution or any of its affiliates; or

(2) A primary government securities dealer or any of its affiliates.

(b) *Exceptions.* The prohibition in paragraph (a) of this section does not apply to the ownership or control of a debt or equity interest in the following:

(1) *Nonbanking holding companies.* A publicly traded holding company that:

(i) Owns a bank and either the holding company or the bank is exempt under the Bank Holding Company Act of 1956, 12 U.S.C. 1841 *et seq.*, (for example, a credit card bank, a nonbank bank or a grandfathered bank holding company), and the holding company's predominant activity is not the ownership or operation of banks and thrifts;

(ii) Owns a thrift and its predominant activity is not the ownership or operation of banks and thrifts; or

(iii) Owns a primary government securities dealer and its predominant activity is not the ownership and operation of banks, thrifts or securities firms.

(2) *Mutual funds.* A publicly traded or publicly available mutual fund or other collective investment fund if:

(i) The fund does not have a stated policy of concentration in the financial services industry; and

(ii) Neither the employee nor the employee's spouse exercises or has the ability to exercise control over the financial interests held by the fund or their selection.

(3) *Pension plans.* A widely held, diversified pension or other retirement fund that is administered by an independent trustee.

(c) *Waivers.* The Board's Designated Agency Ethics Official, in consultation with Division management, may grant a written waiver permitting the employee to own or control a debt or equity interest prohibited by paragraph (a) of this section if:

(1) Extenuating circumstances exist, such as that ownership or control was acquired:

(i) Through inheritance, gift, merger, acquisition, or other change in corporate structure, or otherwise without specific intent on the part of the employee, spouse, or minor child to acquire the debt or equity interest; or

(ii) By an employee's spouse as part of a compensation package in connection with the spouse's

employment or prior to marriage to the employee;

(2) The employee makes a prompt and complete written disclosure of the interest;

(3) The employee's disqualification from participating in any particular matter having a direct and predictable effect on the institution or any of its affiliates does not unduly interfere with the full performance of the employee's duties; and

(4) Granting the waiver would be consistent with Division policy.

(d) *Disqualification.* If an employee or an employee's spouse or minor child holds an interest in a holding company under paragraph (b)(1) or (c) of this section, the employee must consult the Designated Agency Ethics Official in order to determine whether the employee must be disqualified from participating in any particular matter involving that holding company or affiliate under the conflicts of interest rules of the Office of Government Ethics.

§ 6801.104 Speculative dealings. [Reserved]**§ 6801.105 Prohibition on preferential terms from regulated institutions.**

An employee may not accept a loan from, or enter into any other financial relationship with, an institution regulated by the Board, if the loan or financial relationship is governed by terms more favorable than would be available in like circumstances to members of the public.

§ 6801.106 Prohibition on supervisory employees' seeking credit from institutions involved in work assignments.

(a) *Prohibition on supervisory employee's seeking credit.* (1) A supervisory employee may not, on his or her own behalf, or on behalf of his or her spouse or child or anyone else (including any business or nonprofit organization), seek or accept credit from, or renew or renegotiate credit with, a depository institution or any of its affiliates if the institution or affiliate is a party to an application, enforcement action, investigation, or other particular matter involving specific parties pending before the Board and:

(i) The supervisory employee is assigned to the matter; or

(ii) The supervisory employee is aware of the pendency of the matter and knows that he or she will participate in the matter by action, advice or recommendation.

(2) The prohibition in paragraph (a)(1) of this section also applies for three months after the supervisory employee's participation in the matter has ended.

(b) *Credit sought by spouse and other related persons.* A supervisory employee must disqualify himself or herself from participating (by action, advice or recommendation) in any application, enforcement action, investigation or other particular matter involving specific parties to which a depository institution or any of its affiliates is a party as soon as the supervisory employee learns that any of the following related persons are seeking or have sought or accepted credit from, or have renewed or renegotiated credit with, the depository institution or any of its affiliates while the matter is pending before the Board:

(1) The employee's spouse or dependent child;

(2) A company or business if the employee or the employee's spouse or dependent child owns or controls more than 10 percent of its equity; or

(3) A partnership if the employee, or the employee's spouse or dependent child is a general partner.

(c) *Exception.* The prohibition in paragraph (a) of this section and the disqualification requirement in paragraph (b) of this section do not apply with respect to credit obtained through the use of a credit card or overdraft protection on terms and conditions available to the public.

(d) *Waivers.* The Board's Designated Agency Ethics Official, after consulting with the relevant division director, may grant a written waiver from the prohibition in paragraph (a) of this section, or the disqualification requirement in paragraph (b) of this section, based on a determination that participation in matters otherwise prohibited by this section would not create an appearance of loss of impartiality or use of public office for private gain, and would not otherwise be inconsistent with the Office of Government Ethics' Standards of Ethical Conduct for Employees of the Executive Branch (5 CFR part 2635) or prohibited by law.

§ 6801.107 Disqualification of supervisory employees from matters involving lenders.

(a) *Disqualification required.* A supervisory employee may not participate by action, advice or recommendation in any application, enforcement action, investigation, or other particular matter involving specific parties to which a depository institution or its affiliate is a party if any of the following are indebted to the depository institution or any of its affiliates:

(1) The employee;

(2) The spouse or dependent child of the employee;

(3) A company or business if the employee or the employee's spouse or dependent child owns or controls more than 10 percent of its equity; or

(4) A partnership if the employee or the employee's spouse or dependent child is a general partner.

(b) *Exceptions*—(1) *Consumer credit on nonpreferential terms.*

Disqualification of a supervisory employee is not required by paragraph (a) of this section for the following types of indebtedness if payment on the indebtedness is current and the indebtedness is on terms and conditions offered to the public:

(i) Credit extended through the use of a credit card;

(ii) Credit extended through use of an overdraft protection line;

(iii) Amortizing consumer credit (e.g., home mortgage loans, automobile loans); and

(iv) Credit extended under home equity lines of credit.

(2) *Indebtedness of a spouse or dependent child.* Disqualification is not required with respect to any indebtedness of the employee's spouse or dependent child, or a company, business or partnership in which the spouse or dependent child has an interest described in paragraphs (a)(3) and (a)(4) of this section, if:

(i) The indebtedness represents the sole financial interest or responsibility of the spouse, child, company, business or partnership and is not derived from the employee's income, assets or activities; and

(ii) The employee has no knowledge of the identity of the lender.

(c) *Waivers.* The Board's Designated Agency Ethics Official, after consulting with the relevant division director, may grant a written waiver from the disqualification requirement in paragraph (a) of this section using the authorization process set forth in the Office of Government Ethics' Standards of Ethical Conduct at 5 CFR 2635.502(d).

§ 6801.108 Restrictions resulting from employment of family members.

(a) *Reporting certain employment relationships.* A supervisory employee who has knowledge that his or her spouse, child, parent or sibling is employed by a depository institution or its holding company shall report such employment to his or her supervisor and the Ethics Office within thirty days of the commencement of the supervisory employee's employment at the Board or promptly upon learning of the employment relationship.

(b) *Disqualification.* A supervisory employee may not participate in any

particular matter to which a depository institution or its affiliate is a party if the depository institution or affiliate employs his or her spouse, child, parent or sibling unless the supervising officer, with the concurrence of the Board's Designated Agency Ethics Official, has authorized the employee to participate in the matter using the authorization process set forth in the Office of Government Ethics' Standards of Ethical Conduct at 5 CFR 2635.502(d).

§ 6801.109 Prior approval for compensated outside employment.

(a) *Approval requirement.* An employee shall obtain prior written approval from his or her division director (or the division director's designee) and the concurrence of the Board's Designated Agency Ethics Official before engaging in compensated outside employment.

(b) *Standard for approval.* Approval will be granted unless a determination is made that the prospective outside employment is expected to involve conduct prohibited by statute or Federal regulation, including 5 CFR part 2635 and this part.

(c) *Definition of employment.* For purposes of this section, the term compensated outside employment means any form of compensated non-Federal employment or business relationship involving the provision of personal services by the employee. It includes, but is not limited to, personal services as an officer, director, employee, agent, attorney, consultant, contractor, general partner, trustee, teacher or speaker.

TITLE 12—BANKS AND BANKING

CHAPTER II—FEDERAL RESERVE SYSTEM

2. 12 CFR part 264 is revised to read as follows:

PART 264—EMPLOYEE RESPONSIBILITIES AND CONDUCT

§ 264.101 Cross-reference to employees' ethical conduct standards and financial disclosure regulations.

Employees of the Board of Governors of the Federal Reserve System (Board) are subject to the executive branch-wide standards of ethical conduct at 5 CFR part 2635 and the Board's regulation at 5 CFR part 6801, which supplements the executive branch-wide standards, and the executive branch-wide financial disclosure regulation at 5 CFR part 2634.

Authority: 5 U.S.C. 7301; 12 U.S.C. 244.

[FR Doc. 95-30581 Filed 12-18-95; 8:45 am]

BILLING CODE 6210-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 1

[Docket No. 25767; Notice No. 95-16]

RIN 2120-AF92

Definitions of Special Use Airspace; Correction

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Correction to the notice of proposed rulemaking.

SUMMARY: This document contains a correction to the notice of proposed rulemaking (NPRM), 60 FR 58494, published on November 27, 1995. The correction to the address in the preamble reads as follows: Comments may also be sent electronically to the following Internet address: nprmcmts@mail.hq.faa.gov.

ADDRESSES: Comments on this NPRM should be mailed, in triplicate, to: Federal Aviation Administration, Office of the Chief Counsel, Attention: Rules Docket (AGC-200), Docket No. 25767, 800 Independence Avenue, SW., Washington, DC 20591. Comments may also be sent electronically to the following Internet address: nprmcmts@mail.hq.faa.gov. Comments delivered must be marked Docket No. 25767. Comments may be examined in Room 915G weekdays between 8:30 a.m. and 5 p.m., except on Federal holidays.

Issued in Washington, DC on December 13, 1995.

Harold W. Becker,

Acting Program Director for Air Traffic Rules and Procedures.

[FR Doc. 95-30777 Filed 12-18-95; 8:45 am]

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14 CFR Part 39

[Docket No. 95-NM-141-AD]

Airworthiness Directives; Beech Model BAe 125-1000A and Hawker 1000 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 all Beech Model BAe 125-1000A and Hawker 1000 series airplanes. This proposal would require a detailed visual inspection to detect chafing damage to the hydraulic pipes adjacent to the