

establish J-713 for the following reasons: (1) The need for high altitude arrival and departure routing to and from the north of Salt Lake City; (2) to assist in the balancing of traffic flow between Brigham City One arrivals into Salt Lake City International Airport; and (3) the addition of this route would improve the overall management of air traffic operations and thereby enhance safety.

The FAA has determined that this proposed regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, this proposed regulation: (1) Is not a "significant regulatory action" under Executive Order 12866; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this proposed rule, when promulgated, will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Jet routes are published in paragraph 2004 of FAA Order 7400.9G dated September 1, 1999, and effective September 16, 1999, which is incorporated by reference in 14 CFR 71.1. The jet route listed in this document would be published subsequently in the order.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

The Proposed Amendment

In consideration of the foregoing, the Federal Aviation Administration proposes to amend 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, CLASS B, CLASS C, CLASS D, AND CLASS E AIRSPACE AREAS; AIRWAYS; ROUTES; AND REPORTING POINTS

1. The authority citation for part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p.389.

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9G, Airspace Designations and Reporting Points,

dated September 1, 1999, and effective September 16, 1999, is amended as follows:

Paragraph 2004 Jet Routes

* * * * *

J-713 [New]

From Billings, MT, via Boysen Reservoir, WY; Big Piney, WY; to Salt Lake City, UT.

* * * * *

Issued in Washington, DC, on May 18, 2000.

Reginald C. Matthews,

Manager, Airspace and Rules Division.

[FR Doc. 00–13749 Filed 6–1–00; 8:45 am]

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COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 1

RIN 3038–AB54

Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers; Amendments to the Provisions Governing Subordination Agreements Included in the Net Capital of a Futures Commission Merchant or Independent Introducing Broker

AGENCY: Commodity Futures Trading Commission.

ACTION: Proposed rules.

SUMMARY: The Commodity Futures Trading Commission ("Commission" or "CFTC") is proposing to amend certain provisions of Regulation 1.17(h) which governs the net capital treatment of subordination agreements. Currently, futures commission merchants ("FCMs") and independent introducing brokers ("IBIs") that are members of a self-regulatory organization ("SRO"—*i.e.*, a contract market or the National Futures Association) and that are securities brokers or dealers registered with the Securities and Exchange Commission ("SEC") are required to obtain the approval of both a futures SRO and a securities designated examining authority ("DEA") for any proposed subordination agreement, proposed prepayment of a subordinated loan, or proposed reduction in the outstanding principal balance of a secured demand note. The proposed amendments would ease the regulatory burden imposed upon SROs, FCMs, and IBIs by allowing SROs, subject to the conditions set forth below, to rely on a DEA's review and approval of a proposed subordination agreement, a proposed prepayment of a subordinated loan, or a proposed reduction in the

outstanding principal balance of a secured demand note submitted to the DEA by an FCM or IBI.

DATES: Comments must be received on or before July 3, 2000.

ADDRESSES: Comments should be mailed to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581. In addition, comments may be sent by facsimile to (202) 418–5521, or by electronic mail to secretary@cftc.gov. Reference should be made to "Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers—Subordination Agreements."

FOR FURTHER INFORMATION CONTACT:

Thomas J. Smith, Special Counsel, Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581; telephone (202) 418–5495; electronic mail tsmith@cftc.gov; or Henry J. Matecki, Financial Audit and Review Branch, Commodity Futures Trading Commission, 300 S. Riverside Plaza, Room 1600–N, Chicago, IL 60606; telephone (312) 886–3217; electronic mail hmatecki@cftc.gov.

SUPPLEMENTARY INFORMATION:

I. Subordination Agreements Included in the Net Capital of a Futures Commission Merchant or Independent Introducing Broker

A. Background

Commission Regulation 1.17¹ requires FCMs and IBIs to maintain minimum levels of adjusted net capital.² In computing adjusted net capital, FCMs and IBIs are permitted to

¹ Commission regulations cited herein may be found at 17 CFR Ch. I (1999).

² Adjusted net capital is generally defined as current assets less liabilities. See Regulation 1.17(c)(5).

Regulation 1.17(a)(1)(i) requires FCMs to maintain minimum adjusted net capital of the greatest of: (1) \$250,000; (2) four percent of the customer funds required to be segregated and set aside pursuant to the Act and the regulations, less the market value of commodity options purchased by customers on or subject to the rules of a contract market or a foreign board of trade for which the full premiums have been paid provided that the deduction for each customer is limited to the amount of customer funds in such customer's account(s); (3) the amount of adjusted net capital required by a registered futures association of which the FCM is a member; or (4) for securities brokers and dealers, the amount of net capital required by SEC Rule 15c3–1(a) (17 CFR 240.15c3–1(a)).

Regulation 1.17(a)(1)(ii) requires IBIs to maintain minimum adjusted net capital of the greatest of: (A) \$30,000; (B) the amount of adjusted net capital required by a registered futures association of which the IBI is a member; or (C) for securities brokers and dealers, the amount of net capital required by SEC Rule 15c3–1(a).

exclude from liabilities funds received which are subordinated to the claims of all general creditors of the FCM or IBI pursuant to a "satisfactory subordination agreement," as defined in Regulation 1.17(h).³

Subordination agreements may take the form of either subordinated loan agreements or secured demand notes. Subordinated loan agreements are agreements evidencing a subordinated borrowing of cash by the FCM or IBI. Secured demand notes are agreements evidencing or governing the contribution of a secured demand note to an FCM or IBI and the pledge of securities and/or cash as collateral to secure payment of such note. The outstanding principal balances of a subordinated loan and a secured demand note are recorded as liabilities of an FCM or IBI.⁴

Regulation 1.17(h) sets forth several minimum requirements for the subordination agreements and other conditions that must be met in order for the agreements to qualify as "satisfactory" subordination agreements.⁵ One condition, set forth in Regulation 1.17(h)(3)(vi), provides that an FCM or IBI may not treat any subordination agreement as a "satisfactory" subordination agreement for net capital purposes until the FCM's or the IBI's designated-self regulatory organization ("DSRO"), or the Commission if the FCM or the IBI is not a member of a DSRO, has reviewed the agreement and determined that it satisfies the minimum requirements set forth in Regulation 1.17(h).

Commission regulations also impose restrictions on an FCM's or IBI's ability to make a payment on a subordinated loan prior to the scheduled maturity date of such loan or to effect a full or partial reduction in the outstanding principal balance of a secured demand note. In this regard, Regulation 1.17(h)(2)(vii)(C) requires an FCM or IBI to obtain the written approval of its DSRO, or the Commission if the FCM or IBI is not a member of a SRO, prior to making a prepayment on a subordinated loan or prior to effecting a full or partial reduction in the outstanding principal balance of a secured demand note.

The Joint Audit Committee ("JAC") has requested that the Commission amend Regulations 1.17(h)(3)(vi) and

1.17(h)(2)(vii)(C).⁶ The JAC states that the Commission's regulations governing subordination agreements, including the provisions cited above, are consistent with requirements imposed by the SEC on registered securities brokers or dealers. Therefore, registered FCMs and IBIs that are also registered as securities brokers or dealers with the SEC (hereinafter referred to as "dually-registered" FCMs or IBIs) are required to obtain the approvals of a futures market SRO and a securities market DEA prior to excluding subordination agreements from liabilities in computing net capital or prior to making a prepayment on a subordinated loan or effecting a reduction in the outstanding principal balance of a secured demand note.⁷

The JAC requests that the Commission amend Regulations 1.17(h)(3)(vi) and 1.17(h)(2)(vii)(C) to allow DSROs to adopt procedures that would permit a DSRO to rely on a DEA's review and approval of a proposed subordination agreement, a proposed prepayment of a subordinated loan, or a proposed reduction in the outstanding principal balance of a secured demand note submitted by a dually-registered FCM or IBI. In support of its position, the JAC states that since the Commission's and SEC's regulations are consistent with respect to subordination agreements, permitting the DSRO to rely on the review performed by a DEA will reduce the regulatory burden imposed upon dually-registered FCMs and IBIs without increasing the risk of noncompliance with Commission regulations. The JAC also states that the amendments would allow a DSRO to more efficiently use its financial surveillance resources.

B. Proposed Rule Amendments

The Commission is proposing to amend Regulations 1.17(h)(2)(vii)(C) and 1.17(h)(3)(vi) to allow a DSRO to rely on a review performed by a DEA with respect to a proposed subordination agreement, a proposed prepayment of a subordinated loan, or a proposed reduction of the outstanding principal balance of a secured demand note submitted by a dually-registered FCM or IBI. As noted above, the

Commission's regulations regarding subordination agreements are consistent in all material respects with the rules of the SEC for brokers or dealers. In this regard, SEC Rule 15c3-1d(c)(6)(i) (17 CFR 240.15c3-1d(c)(6)(i)) is consistent with CFTC Regulation 1.17(h)(3)(vi) in that it requires a registered securities broker or dealer to file copies of any proposed subordination agreement with its DEA prior to the effective date of the agreement. The rule further provides that no subordination agreement shall be deemed a "satisfactory" subordination agreement for capital purposes until the DEA has determined that the agreement satisfies the minimum requirements for a satisfactory subordination agreement as set forth in the SEC's rules.⁸

Furthermore, SEC Rule 15c3-1d(b)(7) (17 CFR 240.15c3-1d(b)(7)) is consistent with CFTC Regulation 1.17(h)(2)(vii)(C) in that it requires a broker or dealer to obtain the written approval of its DEA prior to making a prepayment of a subordinated loan before the scheduled maturity date of the payment and prior to effecting a reduction in the outstanding principal balance of a secured demand note. Therefore, as noted above, subordination agreements of dually-registered FCMs and IBIs are currently subject to review and approval by two separate regulatory authorities applying consistent standards.

The proposed amendments would provide that a DSRO may rely on a DEA's review of a proposed subordination agreement or a request to make a prepayment on a subordinated loan or to reduce the outstanding principal balance of a secured demand note, provided that the dually-registered FCM or IBI files signed copies of the proposals with its applicable DEA, in the manner and form provided by the DEA, prior to the proposed effective dates. The proposal would also direct the FCM or IBI to file copies of the proposals with its DSRO prior to the respective effective dates and to file copies of the DEA's approval of the transactions with the DSRO immediately upon receipt of such approval.

The requirement that the FCM or IBI file copies of the proposals with its DSRO provides the DSRO with an opportunity to review the transactions to ensure compliance with Commission regulations prior to the effective dates. The proposed amendments would

⁶ The JAC is comprised of representatives of the audit and compliance departments of the self-regulatory organizations ("SROs") and National Futures Association. The JAC coordinates the industry's audit and ongoing surveillance activities to promote a uniform framework of self-regulation.

⁷ Rule 15c3-1(c)(12) of the SEC, 17 CFR 240.15c3-1(c)(12), defines DEA as the national securities exchange or the national securities association of which the broker or dealer is a member, or if the broker or dealer is member of more than one such exchange or association, the exchange or association designated by the SEC as the examining authority of the broker or dealer.

⁸ The SEC's minimum requirements for a satisfactory subordination agreement are set forth in Rule 15c3-1d(2) (17 CFR 240.15c3-1d(2)) and are comparable to the minimum requirements established by the Commission in Regulation 1.17(h)(2).

³ Regulation 1.17(c)(4)(i).

⁴ See Regulation 1.17(h)(1).

⁵ A contract market may impose, or an FCM or IBI may require, conditions or restrictions in addition to those established by the Commission provided that such conditions or restrictions do not cause the subordination agreement to fail to meet the minimum requirements of Regulation 1.17(h).

further provide that the DEA's review and approval of the proposals would be deemed, absent objection by the DSRO, a finding by the DSRO that the proposals meet the minimum requirements and conditions set forth in Commission Regulation 1.17(h). The final responsibility for ensuring that the proposals satisfy the minimum Commission requirements, however, would remain with the DSROs.

II. Related Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act ("RFA"), 5 U.S.C. 601-611, requires that agencies, in proposing rules, consider the impact of those rules on small businesses. The proposed rule amendments discussed herein would affect FCMs and IBIs. The Commission has previously determined that, based upon the fiduciary nature of FCM/customer relationships, as well as the requirement that FCMs meet minimum financial requirements, FCMs should be excluded from the definition of small entity.⁹

With respect to IBIs, the Commission stated that it is appropriate to evaluate within the context of a particular rule whether some or all introducing brokers should be considered to be small entities and, if so, to analyze the economic impact on such entities at that time.¹⁰ The proposed amendments to Regulations 1.17(h)(2)(vii)(C) and 1.17(h)(3)(vi) do not impose additional requirements on an IBI. Thus, on behalf of the Commission, the Chairman certifies that the proposed rule amendments will not have a significant economic impact on a substantial number of small entities.

B. Paperwork Reduction Act

The Paperwork Reduction Act of 1995, 44 U.S.C. 3501 *et seq.* (Supp. I 1995), imposes certain requirements on federal agencies (including the Commission) to review rules and rule amendments to evaluate the information collection burden that they impose on the public. The Commission believes that the proposed amendments to Regulation 1.17(h) do not impose an information collection burden on the public.

List of Subjects in 17 CFR Part 1

Brokers, Commodity futures.

In consideration of the foregoing and pursuant to the authority contained in the Commodity Exchange Act and, in particular, sections 4f, 4g and 8a(5)

thereof, 7 U.S.C. 6d, 6g and 12a(5), the Commission hereby proposes to amend chapter I of Title 17 of the Code of Federal Regulations as follows:

PART 1—GENERAL REGULATIONS UNDER THE COMMODITY EXCHANGE ACT

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

Authority: 7 U.S.C. 1a, 2, 2a, 4, 4a, 6, 6a, 6b, 6c, 6d, 6e, 6f, 6g, 6h, 6i, 6j, 6k, 6l, 6m, 6n, 6o, 6p, 7, 7a, 7b, 8, 9, 12, 12a, 12c, 13a, 13a-1, 16, 16a, 19, 21, 23, and 24.

2. Section 1.17 is proposed to be amended by revising paragraphs (h)(2)(vii)(C) and (h)(3)(vi) to read as follows:

§ 1.17 Minimum financial requirements for futures commission merchants and introducing brokers.

* * * * *

(h) * * *

(2) * * *

(vii) * * *

(C)(1) Notwithstanding the provisions of paragraphs (h)(2)(vii)(A) and (h)(2)(vii)(B) of this section, in the case of an applicant, no prepayment or special prepayment shall occur without the prior written approval of the National Futures Association; in the case of a registrant, no prepayment or special prepayment shall occur without the prior written approval of the designated self-regulatory organization, if any, or of the Commission if the registrant is not a member of a self-regulatory organization.

(2) A registrant may make a prepayment or special prepayment without the prior written approval of the designated self-regulatory organization: Provided, That the registrant: is a securities broker or dealer registered with the Securities and Exchange Commission; files a request to make a prepayment or special prepayment with its applicable securities designated examining authority, as defined in Rule 15c3-1(c)(12) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(12)), in the form and manner prescribed by the designated examining authority; files a copy of the prepayment request or special prepayment request with the designated self-regulatory organization at the time it files such request with the designated examining authority in the form and manner prescribed by the designated self-regulatory organization; and files a copy of the designated examining authority's approval of the prepayment or special prepayment with the designated self-regulatory organization immediately

upon receipt of such approval. The approval of the prepayment or special prepayment by the designated examining authority will be deemed approval by the designated self-regulatory organization, unless the designated self-regulatory organization notifies the registrant that the designated examining authority's approval shall not constitute designated self-regulatory organization approval.

(3) The designated self-regulatory organization shall immediately provide the Commission with a copy of any notice of approval issued where the requested prepayment or special prepayment will result in the reduction of the registrant's net capital by 20 percent or more or the registrant's excess adjusted net capital by 30 percent or more.

(3) * * *

(vi) Filing. An applicant shall file a signed copy of any proposed subordination agreement (including nonconforming subordination agreements) with the National Futures Association at least ten days prior to the proposed effective date of the agreement or at such other time as the National Futures Association for good cause shall accept such filing. A registrant that is not a member of any designated self-regulatory organization shall file two signed copies of any proposed subordination agreement (including nonconforming subordination agreements) with the regional office of the Commission nearest the principal place of business of the registrant (except that a registrant under the jurisdiction of the Commission's Western Regional Office shall file such copies with the Commission's Southwestern Regional Office) at least ten days prior to the proposed effective date of the agreement or at such other time as the Commission for good cause shall accept such filing. A registrant that is a member of a designated self-regulatory organization shall file signed copies of any proposed subordination agreement (including nonconforming subordination agreements) with the designated self-regulatory organization in such quantities and at such time as the designated self-regulatory organization may require prior to the effective date. The applicant or registrant shall also file with said parties a statement setting forth the name and address of the lender, the business relationship of the lender to the applicant or registrant and whether the applicant or registrant carried funds or securities for the lender at or about the time the proposed agreement was so filed. A proposed agreement filed by an applicant with the National Futures

⁹ 47 FR 18618, 18619-18620 (April 30, 1982).

¹⁰ 48 FR 35248, 35275-78 (August 3, 1983).

Association shall be reviewed by the National Futures Association, and no such agreement shall be a satisfactory subordination agreement for the purposes of this section unless and until the National Futures Association has found the agreement acceptable and such agreement has become effective in the form found acceptable. A proposed agreement filed by a registrant shall be reviewed by the designated self-regulatory organization with whom such an agreement is required to be filed prior to its becoming effective or, if the registrant is not a member of any designated self-regulatory organization, by the regional office of the Commission where the agreement is required to be filed prior to its becoming effective. No proposed agreement shall be a satisfactory subordination agreement for the purposes of this section unless and until the designated self-regulatory organization or, if a registrant is not a member of any designated self-regulatory organization, the Commission, has found the agreement acceptable and such agreement has become effective in the form found acceptable: Provided, however, That a proposed agreement shall be a satisfactory subordination agreement for purpose of this section if the registrant: is a securities broker or dealer registered with the Securities and Exchange Commission; files signed copies of the proposed subordination agreement with the applicable securities designated examining authority, as defined in Rule 15c3-1(c)(12) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(12)), in the form and manner prescribed by the designated examining authority; files signed copies of the proposed subordination agreement with the designated self-regulatory organization at the time it files such copies with the designated examining authority in the form and manner prescribed by the designated self-regulatory organization; and files a copy of the designated examining authority's approval of the proposed subordination agreement with the designated self-regulatory organization immediately upon receipt of such approval. The designated examining authority's determination that the proposed subordination agreement satisfies the requirements for a satisfactory subordination agreement will be deemed a like finding by the designated self-regulatory organization, unless the designated self-regulatory organization notifies the registrant that the designated examining authority's

determination shall not constitute a like finding by the designated self-regulatory organization.

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Issued in Washington D.C. on May 25, 2000 by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 00-13606 Filed 6-1-00; 8:45 am]

BILLING CODE 6351-01-U

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Parts 180

[OPP-300976; FRL-6491-9]

RIN 2070-AB78

Methyl Parathion; Notice of Proposed Tolerance Revocations and Channels of Trade Provision Guidance

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: This document proposes to revoke the tolerances for the insecticide methyl parathion on the following commodities: apples, artichokes, beets (greens alone), beets (with or without tops), birdsfoot trefoil forage, birdsfoot trefoil hay, broccoli, Brussels sprouts, carrots, cauliflower, celery, cherries, collards, grapes, kale, lentils, kohlrabi, lettuce, mustard greens, nectarines, peaches, pears, plums (fresh prunes), rutabagas (with or without tops), rutabaga tops, spinach, tomatoes, turnips (with or without tops), turnip greens, vegetables leafy Brassica (cole), and vetch. Additionally, EPA proposes to amend the following tolerances: beans (amend to beans, dried), peas (amend to peas, dried) so that methyl parathion is not used on succulent beans and peas. Note that methyl parathion may still be used on lentils; however, residues on lentils are covered by the tolerance for peas, dried. Foods legally treated with methyl parathion may continue to be marketed under the provisions of the Federal Food, Drug, and Cosmetic Act (FFDCA). The regulatory actions proposed in this document are part of the Agency's reregistration program under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), and the tolerance reassessment requirements of the FFDCA. By law, EPA is required to reassess 66% of the tolerances in existence on August 2, 1996, by August 2002, or about 6,400 tolerances. These

tolerances were established under section 408 of the FFDCA, 21 U.S.C. 346a. EPA is proposing to revoke these tolerances because the Agency has canceled the pesticide registrations under FIFRA, 7 U.S.C. 136 *et seq.*, associated with them. EPA encourages you to comment on the tolerance revocations and on the proposed time frame for tolerance revocation.

The Food and Drug Administration (FDA) in a related notice published elsewhere in this issue of the **Federal Register** is announcing the availability of a proposed guidance document presenting FDA's policy on its planned enforcement approach for foods containing methyl parathion residues. This guidance will assist firms in understanding the types of showing under 408(1)(5) of the FFDCA (hereinafter referred to as the "channels of trade provision") that FDA may find satisfactory in accordance with its planned enforcement approach for such section. EPA and FDA are cooperating on this effort. FDA will be asking for comment on this proposed guidance and EPA also encourages you to comment on this guidance.

DATES: Comments, identified by the docket control number [OPP-300976], must be received on or before August 1, 2000.

ADDRESSES: Comments may be submitted by mail, electronically, or in person. Please follow the detailed instructions for each method as provided in Unit I. of the **SUPPLEMENTARY INFORMATION** section of this proposed rule. Be sure to identify docket number OPP-300976.

FOR FURTHER INFORMATION CONTACT: Laura Parsons, Special Review and Reregistration Division (7508C), Office of Pesticide Programs, Environmental Protection Agency, 1200 Pennsylvania Avenue, NW., Washington, DC 20460. Office location: CM #2, 6th floor, 1921 Jefferson Davis Hwy., Arlington, VA, telephone: (703) 305-5776; e-mail: parsons.laura@epa.gov.

SUPPLEMENTARY INFORMATION:

I. General Information

A. Does This Action Apply to Me?

You may be affected by this action if you sell, distribute, manufacture, or use pesticides for agricultural applications, process food, distribute or sell food, or implement governmental pesticide regulations. Potentially affected categories and entities may include, but are not limited to the following: