

regulate non-functionally-regulated subsidiaries and reduce the burden on the industry as discussed for the FR Y-11 reports above.

The Federal Reserve Board has approved the proposed changes, with the modifications discussed below, effective for the December 31, 2002, as of date. The Federal Reserve received comment letters from two banking organizations. Both commenters supported the Board's effort to streamline the reporting requirements, create more consistency among all nonbank subsidiary filers, and reduce burden. They also provided other substantive comments that addressed consolidation and confidentiality, as discussed below.

#### *Consolidation*

Both commenters suggested that the Board permit nonbank subsidiaries to file consolidated or combined reports for entities engaged in similar activities and or located in the same country. In a change from current FR 2314 reporting requirements, the Federal Reserve proposed that foreign nonbank subsidiaries of U.S. banking organizations (FR 2314 respondents) no longer be permitted to file consolidated reports.

One commenter stated that precluding consolidation of FR 2314 respondents would increase burden. The same commenter indicated that a significant portion of the burden associated with filing legal entity based reports is due to the adjustments to switch financial statements from the accounting principles of their local country to U.S. generally accepted accounting principles (GAAP). The commenter indicated that, under the current consolidated reporting framework, reports based on local country accounting principles could be first consolidated and then converted to U.S. GAAP.

Legal entity data allows supervisors to identify issues more efficiently and effectively, and consolidated data is not as useful because filers consolidate reports inconsistently. Therefore, the Federal Reserve maintains that these respondents must file on a legal entity basis. To further reduce burden, FR 2314 respondents filing reports on a legal-entity basis will not be required to follow U.S. GAAP, as initially proposed. Respondents will be encouraged to follow U.S. GAAP but will continue to have the option to file reports based on local country accounting principles. Also, FR 2314 respondents that currently consolidate data will be permitted to report on a consolidated basis for December 2002 and March

2003 reporting periods to allow time to adjust their systems.

In addition, the initially proposed thresholds will be raised to reduce burden. Specifically, the threshold for abbreviated reporting will be raised from \$100 million in total assets to \$250 million and the exemption level (i.e., below which no report is required) will be raised from \$20 million in total assets to \$50 million. This is consistent with the new FR Y-11S and FR Y-7NS thresholds discussed above.

#### *Confidentiality*

One commenter suggested that the FR 2314 reports remain confidential, citing that disclosure of this information would likely be harmful to the competitive position of the reporting entities. As initially proposed, the FR 2314 respondents will no longer be accorded confidential treatment. Eliminating confidential treatment for the FR 2314 respondents is consistent with the goals of the Federal Reserve to increase public availability of regulatory reports, enhancing data transparency and market discipline. However, the Federal Reserve may grant confidential treatment, in whole or part, on a case-by case basis if requested and justified by the respondent.

#### *Other Comments*

One commenter suggested that the Federal Reserve allow electronic filing of the FR 2314. The Federal Reserve is investigating ways to allow the electronic submission of the FR 2314 at some point in the future and will notify respondents when this option becomes available.

Board of Governors of the Federal Reserve System, December 3, 2002.

**Jennifer J. Johnson**

*Secretary of the Board.*

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## **FEDERAL RESERVE SYSTEM**

### **Change in Bank Control Notices; Acquisition of Shares of Bank or Bank Holding Companies**

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the office of the Board of Governors.

Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than December 23, 2002.

#### **A. Federal Reserve Bank of**

**Philadelphia** (Michael E. Collins, Senior Vice President) 100 North 6th Street, Philadelphia, Pennsylvania 19105-1521:

1. *Betsy Z. Cohen; Edward E. Cohen; Daniel G. Cohen*, all of Philadelphia, Pennsylvania, and Jonathan Z. Cohen, New York, New York; to retain voting shares of TheBancorp, Inc., Wilmington, Delaware, and thereby indirectly retain voting shares of TheBancorp Bank, Wilmington, Delaware.

Board of Governors of the Federal Reserve System, December 3, 2002.

**Robert deV. Frierson,**

*Deputy Secretary of the Board.*

[FR Doc. 02-30972 Filed 12-6-02; 8:45 am]

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## **FEDERAL RESERVE SYSTEM**

### **Formations of, Acquisitions by, and Mergers of Bank Holding Companies**

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at [www.ffiec.gov/nic/](http://www.ffiec.gov/nic/).

Unless otherwise noted, comments regarding each of these applications

must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than January 2, 2003.

**A. Federal Reserve Bank of Atlanta** (Sue Costello, Vice President) 1000 Peachtree Street, N.E., Atlanta, Georgia 30303:

1. *First Commerce Bankshares, Inc.*, Douglasville, Georgia; to become a bank holding company by acquiring 100 percent of the voting shares of First Commerce Community Bank, Douglasville, Georgia (in organization).

**B. Federal Reserve Bank of Chicago** (Phillip Jackson, Applications Officer) 230 South LaSalle Street, Chicago, Illinois 60690-1414:

1. *FEB Bancshares, Inc.*, Neshkoro, Wisconsin; to become a bank holding company by acquiring 100 percent of the voting shares of Golden Sands Bankshares, Inc., Neshkoro, Wisconsin, and thereby indirectly acquire voting shares of Farmers Exchange Bank of Neshkoro, Wisconsin.

2. *F T Bancshares, Inc.*, Aurelia, Iowa; to become a bank holding company by acquiring 61.58 percent of the voting shares of Aurelia F T & S Bankshares, Inc. Aurelia, Iowa, and thereby indirectly acquire voting shares of The First Trust & Savings Bank, Marcus, Iowa.

**C. Federal Reserve Bank of Kansas City** (Susan Zubradt, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198-0001:

1. *Heritage Bancshares, Inc.*, Topeka, Kansas; to become a bank holding company by acquiring 100 percent of the voting shares of Heritage Bank, Topeka, Kansas (in organization).

Board of Governors of the Federal Reserve System, December 3, 2002.

**Robert deV. Frierson,**

*Deputy Secretary of the Board.*

[FR Doc. 02-30973 Filed 12-6-02; 8:45 am]

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## FEDERAL RESERVE SYSTEM

[Docket No. R-1137]

### Federal Reserve Board Sponsorship for Priority Telecommunication Services of Organizations That Are Important to National Security/ Emergency Preparedness

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice.

**SUMMARY:** The Board is updating its sponsorship policy and procedures for National Security/Emergency Preparedness telecommunication

programs administered by the National Communications System. The Board has expanded its sponsorship criteria for the Telecommunications Service Priority (TSP) and has adopted sponsorship criteria for the Government Emergency Telecommunications Service and the Wireless Priority Service programs that are similar to its TSP sponsorship criteria. The Board believes that these programs will help facilitate the operation and liquidity of banks and the stability of financial markets, particularly during periods of substantial operational disruptions.

**EFFECTIVE DATE:** December 9, 2002.

**FOR FURTHER INFORMATION CONTACT:** Ken Buckley, Assistant Director (202/452-3646), Karen Cunigan, Manager (202/452-2027), or Wayne Pacine, Senior IT Analyst (202/452-2210), Division of Reserve Bank Operations and Payment Systems; for users of Telecommunication Devices for the Deaf (TDD) only, contact 202/263-4869.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

The National Communications System (NCS) was established in 1963 to provide priority communications support to critical government functions during emergencies. In 1984, NCS NS/EP responsibilities expanded, and NCS became an interagency group of 22 federal departments and agencies, including the Federal Reserve Board. This interagency group coordinates and plans NS/EP telecommunications to respond to crises and disasters. The NCS has developed a number of priority telecommunications services that are also available to private-sector entities through sponsorship by an NCS member department or agency. The events of September 11, 2001, put a new focus on the importance of these programs to the nation and to the financial sector.

In November 1988, the FCC adopted rules establishing the Telecommunications Service Priority (TSP) program for expedited restoration of disrupted telecommunication services and expedited provision of new telecommunication services that support national security and emergency preparedness (NS/EP) functions (47 CFR part 64, Appendix A). Telecommunication services necessary for NS/EP are defined as: "those that are used to maintain a state of readiness or to respond to and manage any event or crisis (local, national, or international) which causes or could cause injury or harm to the population, damage to or loss of property, or degrades or threatens the NS/EP posture of the United States."

Two categories of telecommunication services fall within this definition: Emergency NS/EP and Essential NS/EP. Under the FCC rule, Emergency NS/EP telecommunication services are those new services that are "so critical as to be required to be provisioned at the earliest possible time without regard to the costs of obtaining them." An example of Emergency NS/EP service is federal government activity in response to a Presidential declared disaster or emergency.

Essential NS/EP telecommunication services must qualify under one of four subcategories: (A) National security leadership (the President of the United States); (B) national security posture and U.S. population attack warning; (C) public health, safety, and maintenance of law and order; and (D) public welfare and maintenance of national economic posture. Essential services are assigned a priority on a scale of 1 to 5 (with 1 as the highest priority) based on the appropriate subcategory. Services in subcategory A qualify for priority levels 1-5; those in subcategory B qualify for priority levels 2-5; those in subcategory C qualify for priority levels 3-5; and services in subcategory D qualify for priority levels 4-5.

The FCC delegated the administration of the NS/EP TSP program to the Executive Office of the President (EOP). The EOP's responsibilities under the NS/EP TSP program are administered by the NCS, established by Executive Orders 12472 and 13231.<sup>1</sup> In 2001 the NCS' mission was expanded to include protection of critical information assets as directed by the Office of Homeland Security. The NCS has enacted a range of priority telecommunications access programs to support its mission. In particular, NCS has established the Government Emergency Telecommunications Service (GETS) program, which provides emergency access and priority processing of local and long-distance calls over the terrestrial public switched network, and

<sup>1</sup> The administrative structure of the NCS consists of the executive agent, (the Secretary of Defense, as designated by the President), the Manager (designated by the executive agent) and the Committee for National Security and Emergency Preparedness (representatives from federal departments, agencies, and entities with significant national security or emergency preparedness telecommunications responsibilities). The Federal Reserve System was designated as a "participating independent entity" on the Committee for National Security and Emergency Preparedness. The EOP has assigned to the NCS Manager the administrative authority delegated to the EOP by the FCC, as well as the authority to administer the NS/EP programs after invocation of the President's war emergency powers. NCS policies and procedures for administering NS/EP telecommunication programs are available on NCS' Web site at <http://www.ncs.gov>.